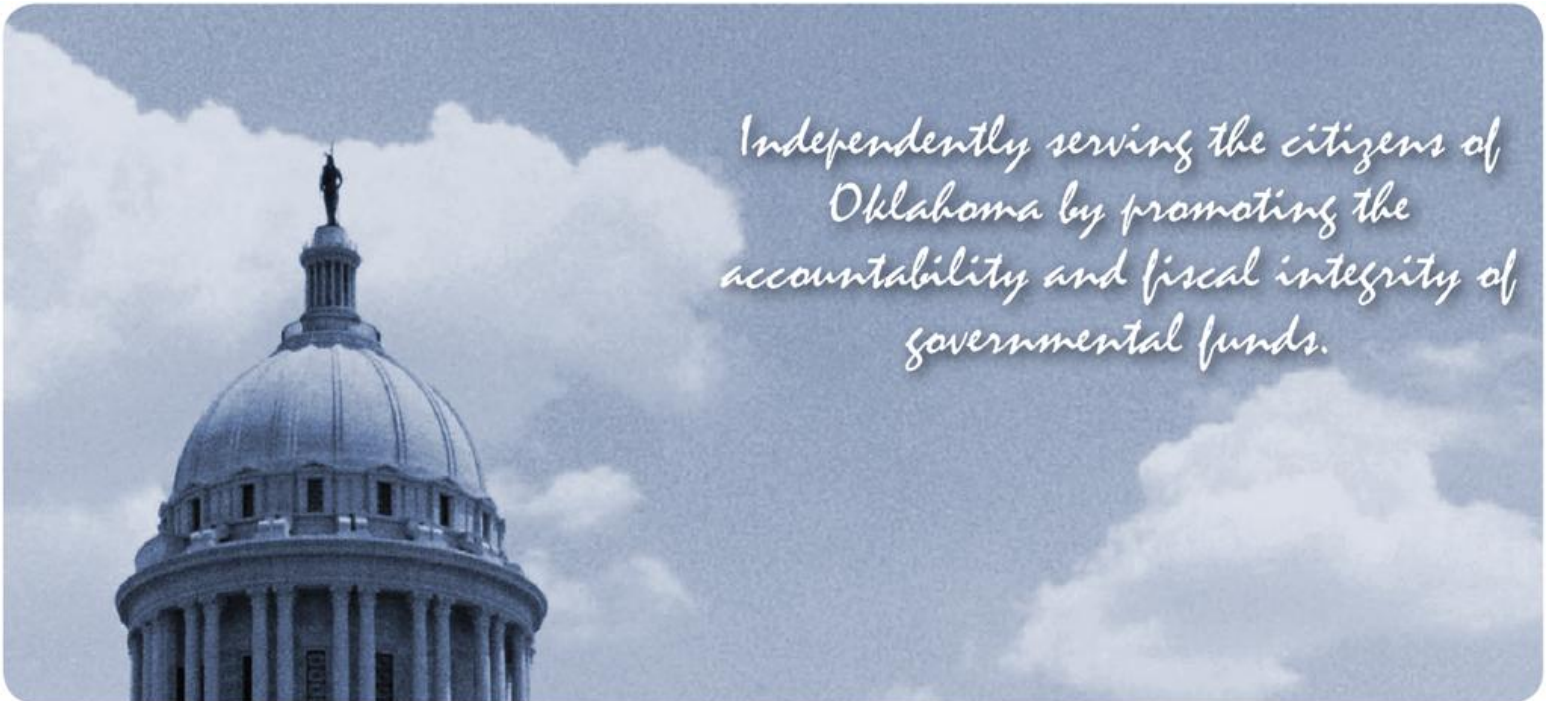


STATUTORY REPORT

COMMUNITY AMBULANCE SERVICE DISTRICT

For the period July 1, 2011 through June 30, 2013



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2013**

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Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 13, 2013

**TO THE BOARD OF DIRECTORS OF THE
COMMUNITY AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Community Ambulance Service District for the period July 1, 2011 through June 30, 2013.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**COMMUNITY AMBULANCE DISTRICT
 STATUTORY REPORT
 FOR THE PERIOD JULY 1, 2011 THROUGH JUNE 30, 2013**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2012 and FY 2013

	<u>FY 2012</u>	<u>FY 2013</u>
Beginning Cash Balance, July 1	\$ 197,329	\$ 229,215
Collections		
Ad Valorem Tax	69,118	132,757
Charges for Services	58,442	59,010
Miscellaneous	4,724	3,148
Total Collections	<u>132,284</u>	<u>194,915</u>
Disbursements		
Personal Services	53,984	74,580
Maintenance and Operations	42,580	55,945
Capital Outlay	3,834	7,708
Audit Expense	-	-
Total Disbursements	<u>100,398</u>	<u>138,233</u>
Ending Cash Balance, June 30	<u>\$ 229,215</u>	<u>\$ 285,897</u>

Source: District Estimate of Needs (presented for informational purposes)



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Community Ambulance Service District
P.O. Box 811
Seiling, Oklahoma 73663

TO THE BOARD OF DIRECTORS OF THE COMMUNITY AMBULANCE SERVICE DISTRICT

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2012 and FY 2013 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Community Ambulance Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the Community Ambulance Service District.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the Community Ambulance Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

November 8, 2013

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 1 – 2013 – Inadequate Internal Controls Over Receipts and Balances

Condition: Based upon inquiry and observation of the receipting and balancing process of the District office, the following was noted:

- While the two employees of the District have made progress in segregating the duties in the receipting and balancing process, we noted the following areas in which further formal segregation of duties should be accomplished.
 - Bank reconciliations were not retained for audit purposes and could not be verified.
- Additionally, the District run logs do not include information to verify that the billing records are accurate and complete. The assigned run numbers, mileage traveled, time of call, and type of call were not included on the run logs.

Further, in the test of fifty ambulance runs, the following discrepancies were noted:

- Sixteen runs did not have handwritten, pre-numbered receipts issued for collections made on accounts.

Cause of Condition: Procedures have not been designed to mitigate the risks associated with limited employees performing the duties of approving bank statement reconciliations and run log forms have not been updated to reflect adequate information for billing records. Additionally, procedures to implement the issuance of pre-numbered receipts for all collections have not been performed.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the District be aware of these conditions and realize that a concentration of duties and responsibilities is not desired from a control point of view. The most effective procedures lie in management's overseeing of office operations and a periodic review of operations. Further, OSAI recommends the District separate key processes and/or critical functions of the office, and implement review and approval processes of accounting functions to a provide segregation of duties so that no one employee is able to perform all accounting functions.

OSAI also recommends:

- The District perform monthly reconciliations that are signed and dated by the preparer, someone other than the preparer should review the reconciliations for accuracy and leave evidence of review with initials and dates, and retain the reconciliations for audit purposes.

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- The District maintains accurate records on the run logs in order to verify information to the billing records.
- The District issue pre-numbered receipts for all monies received.

Management Response: Community Ambulance Service recognized the importance of monthly reconciliations that are signed and dated by the preparer and that someone other than the preparer review the reconciliations in the monthly folder of expenses. We shall begin the practice immediately in order to be in compliance with the request.

We shall immediately begin placing the assigned run numbers, mileage traveled, time of call and type of call on the run logs.

We do use pre-numbered receipts for monies received as of the last audit. There is no excuse to make in regard to the sixteen deposits found that did not have receipts completed at the time of the transaction. Community Ambulance Service will ensure that each receipt is substantiated with a pre-numbered receipt.

Criteria: Accountability and stewardship are overall goals of management in accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, reconciliations, and transaction authorization should be segregated and adequately documented. Also, all financial records should be secured and retained for audit purposes.

Finding 2 – 2013 – Inadequate Internal Controls and Noncompliance Over Pledged Collateral

Condition: Based on inquiry of employees and observation of records, we noted the following:

- The District did not monitor pledged collateral amounts to daily bank balances to ensure that funds are adequately secured.
- Funds were not adequately pledged at the financial institution on June 30, 2013, in the amount of \$46,249.23.

Cause of Condition: Procedures of monitoring pledged collateral to bank balances have not been designed and implemented due to the District being unaware of a need for such procedures.

Effect of Condition: Failure to monitor the daily bank balances could result in the possible loss of funds if bank balances are in excess of the current FDIC limit due to funds being unsecured. This condition resulted in the District not complying with state statute.

Recommendation: OSAI recommends that the District comply with 62 O.S. § 517.4, which requires deposits with financial institutions be secured with collateral securities or instruments. Further, OSAI recommends that the District monitor and maintain evidence documenting the security of deposits on a daily basis.

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Management Response: Community Ambulance Service now understands the importance of the statute, which requires deposits with financial institutions be secured with collateral securities or instruments. We shall monitor and maintain evidence documenting the security of deposits on a daily basis as needed.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 3 – 2013 – Inadequate Internal Controls Over Disbursements

Condition: Upon inquiry of employees and observation of the District's disbursement process, the following was noted:

- One employee prepares printed and handwritten checks, enters information into the accounting records, and reconciles the bank statements to the accounting records.
- Board meeting minutes are not always signed by a District Board member, as evidence that the Board has reviewed and approved the monthly claims referred to in the minutes.
- Not all checks are signed by two District Board members as required by the District check writing policy.

Further, in the test of fifty disbursements, the following exceptions were noted:

- Ten disbursements were not supported by claims for payment.
- One disbursement did not have an approving signature on the claim or a claim number assigned for the disbursement.

Cause of Condition: Procedures have not been designed with regard to the disbursement process to ensure adequate internal controls over the expenditure of funds.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the District design and implement procedures to ensure internal controls are effective over the disbursement process.

OSAI recommends separating the duties of preparing the check, posting expenditures to the accounting software, and reconciling the bank statements to the accounting records. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

Further, accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions such as ensuring that all checks have two signatures.

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Management Response: Upon completion of the last audit by OSAI, the Community Ambulance Service put into place procedures to ensure claims were signed by the Administrator, a check written by the secretary, and then approved by the District Board before payment.

The District will pursue other options to ensure that proper segregation of duties can be established and maintained.

Community Ambulance Service shall be more attentive to ensuring the Board has signed the monthly Board Meeting Minutes.

Community Ambulance Service will work with our local bank, and through better oversight at Board meetings, ensure that checks have the required two signatures.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation.

Finding 4 – 2013 – Inadequate Internal Controls Over the Payroll Process

Condition: Upon inquiry and observation of the District's payroll process, we noted the following internal control weaknesses:

- Sick and vacation leave balances are not documented for full time employees.

Further, the test of sixty-one timesheets revealed that five timesheets were not signed by an employee.

Cause of Condition: Procedures have not been designed and implemented to provide effective internal controls over the payroll process because the District was unaware of the need for such procedures.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the District implement the following recommendations:

- Employees sign their timesheets before submitting them to the administrator for approval.
- Sick leave and vacation balances should be documented for all full time employees of the District.

Management Response: Community Ambulance Service has prepared a leave request form for the full time staff to complete prior to taking or using vacation or sick leave. This form will be used to verify

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the staff's leave used and a record will be maintained as to the amount of leave remaining to be used for the employee.

Community Ambulance Service shall ensure that employees have signed timesheets prior to approval of the timesheet by the Administrator.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls should be designated to analyze and check accuracy, completeness, and authorization of payroll calculations and/or transactions to help ensure a proper accounting of funds.

Finding 5 – 2013 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account

Condition: Upon inquiry and observation of records of the District over the budgeting process, it was determined that controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit budget account.

Further, we noted that for the fiscal year 2011-2012, the calculation for the budgeted audit expense account had no appropriations set aside for audit expense; however, the calculated appropriations should have been \$6,215.32, including those amounts lapsed from previous budget years.

Additionally, we noted that for the fiscal year 2012-2013, the calculation for the budgeted audit expense account was \$8,895.05; however, the calculated appropriations should have been \$10,117.91, including those amounts lapsed from previous budget years.

Cause of Condition: Procedures have not been designed to ensure that the audit expense account is accurately budgeted in accordance with state statutory requirements due to the District being unaware of the need for such procedure.

Effect of Condition: This condition resulted in noncompliance with state statute.

Recommendation: OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that one-tenth mill upon the net total assessed valuation be set aside in the audit account and that any unused portion be lapsed into the next year audit account in accordance with 19 O.S. § 1706.1.

Further, OSAI recommends the financial officer of the District perform the calculation of the required amount for the audit budget account, sign and date, and then an employee, separate from financial recordkeeping, recalculate the amount for the audit budget account, sign and date. In addition, the Board should compare the figures calculated by the financial officer and the budget maker to ensure compliance with Oklahoma Statutes.

Management Response: Community Ambulance Service shall comply with this finding and the financial officer of the District shall perform the calculation of the required amount for the audit budget account,

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sign and date and another employee separate from the process will recalculate the amount and sign and date as evidence of the review. In addition, the Board will compare the amount calculated to the Estimate of Needs.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.



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