

STATUTORY REPORT

COMMUNITY AMBULANCE SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



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

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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

October 11, 2018

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

Transmitted herewith is the audit report of Community Ambulance Service District for the fiscal year ended June 30, 2017.

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,

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

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 415,803
Collections	
Ad Valorem Tax	262,749
Charges for Services	70,707
Sales Tax	6,000
Miscellaneous	4,743
Total Collections	<u>344,199</u>
Disbursements	
Personal Services	154,612
Revaluation	1,557
Maintenance and Operations	61,927
Capital Outlay	9,724
Bond Expenses and Fees	21,493
Total Disbursements	<u>249,313</u>
Ending Cash Balance, June 30	<u>\$ 510,689</u>

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

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sales Tax

Dewey County voters passed a .75 of one (1) cent county sales tax on April 1, 2014. The sales tax is restricted to the following areas:

- County Roads and Bridges
- County Fire Protection
- Emergency Medical Services
- Public Safety Projects

Community Ambulance Service District (the District) receives county sales tax that is passed through the Dewey County Public Facilities Authority from Dewey County per the sales tax ballot. The District has a designated bank account for the funds received and funds are disbursed for the improvement and operation of the District.

The Dewey County Public Facilities Authority Board approves the disbursement of county sales tax funds to the District. The District submits a claim for reimbursement or a purchase order detailing the item(s) the District would like to purchase using the county sales tax funds to the Dewey County Public Facilities Authority Board. The Dewey County Public Facilities Authority Board votes to approve or deny the request for funds from the District. If the request is approved, the Dewey County Public Facilities Authority Board Treasurer requests that the bank issue a check to the District for the approved amount.

The District received \$6,000 during the fiscal year ended June 30, 2017.

General Obligation Bonds of 2009

The District has a general obligation bond in the original amount of \$150,000 that was paid by a .32 mill levy of ad valorem taxes for the fiscal year ended, June 30, 2017. The District received \$25,636.86 in ad valorem taxes and \$11.81 in interest on those ad valorem taxes. The District made a \$18,000.00 bond payment and paid in \$3,292.50 in coupons, and \$200.00 in fees during the fiscal year.

The District's outstanding general obligation bonds are \$60,000.00, of which \$18,000 is due in fiscal years 2018 and 2019, and the final payment of \$24,000.00 is due in fiscal year 2020.



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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 2017 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 that reads "Gary A. Jones". The signature is fluid and cursive, with the first name "Gary" being the most prominent.

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

August 9, 2018

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-001 - Inadequate Internal Controls Over Management and Board Oversight and Financial Accounting

Condition: As part of our audit of the Community Ambulance Service District (the District), we interviewed office employees, management and Board members with respect to understanding internal controls over financial accounting processes.

We identified several areas of concern which include the following:

- Inadequate Management and Board Oversight:
 - The District was unable to locate By-Laws.
 - Employment contracts were not prepared for employees in management positions who do not complete timesheets.
 - A contract for outsourced accounting financial services was not prepared or approved by the District Board.
 - There was no documentation of the Board's review or approval of the monthly financial reports or Estimate of Needs with supporting documentation.
 - The District did not design and implement policies and procedures over the use of the credit card, goods or services received, and approval for purchase made with the credit card.
 - The District did not design and implement policies and procedures over documentation of payroll and leave accrual.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the District's operations are conducted in an effective and efficient manner, including review and approval of financial reports, contracting for services, credit card use, payroll documentation, and leave accrual.

Effect of Condition: These conditions adversely affected the District's ability to initiate, authorize, record, process, or report financial data reliably and 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 and Inspector's Office (OSAI) recommends the District Board of Trustees clearly communicate the responsibilities and duties expected of management. Additionally, OSAI recommends management and key personnel gain an understanding of the financial activities and internal control process and implement those controls in an effective and efficient manner to reduce the risk of error and fraud within the District. Those controls include the following:

- Creation and maintenance of District By-Laws.
- Employment contracts for services provided by those individuals in administrative positions signed and approved by the Board.
- A contract for outsourced accounting financial services signed by the Board and the service provider.

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Evidence of the Board's review and approval of the monthly financial reports or Estimate of Needs with supporting documentation.
- A formal policy for internal controls over the use and approval of credit card purchases.
- A policy for payroll and leave accrual approved by the Board.

Management Response:

District Administrator: District By-Laws are being drafted to be approved by the Board as soon as possible; hopefully, in the September Board meeting. Employment contracts for the three mentioned employees will be discussed and developed at the next Board meeting. Additionally, a contract for the financial services will be developed and approved or disapproved by the Board at the next meeting.

The Board does thoroughly review the monthly financial reports, run call sheets, employee pay sheets, and each year the Estimate of Needs in their entirety. However, more descriptive minutes will be prepared to provide this review. Also, Board signatures on financial reports each month has been implemented.

Management, with Board interaction, will develop a formal policy for use of the credit card and for the services to be purchased with the card.

A policy will be developed for payroll and leave accrual by the fulltime employees who receive leave to accommodate this finding.

Chairman of the Board: As Chairman of the Board for Community Ambulance Service District, I have reviewed the recommendations and the District Administrator's response to them. Additionally, I agree to designing and implementing these policies during our monthly meetings. Furthermore, I agree to these changes and agree to their implementation.

Criteria: Effective internal controls are essential to provide reasonable assurance about the achievement regarding reliability of financial reporting, and compliance with applicable laws and regulations. An effective internal control system has in place policies and procedures that reduce the risk of errors and fraud within an organization. A key factor in this system is the environment established by management. In addition, management attitude, qualifications, and operating style become the foundation of all other internal control components.

Finding 2017-002 - Inadequate Internal Controls Over Disbursements (Repeat Finding)

Condition: The District has made efforts to implement some mitigating controls over the disbursement process including separating the duties of ordering and receiving supplies and implementing a policy in which all checks require two Board member signatures.

However, the test of twenty-five (25) disbursements reflected five (5) instances in which no evidence of verification of goods or services received was documented.

Additionally, the test of the seven (7) paid credit card statements, resulted in the following exceptions:

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Four (4) instances were noted in which there was no supporting documentation or receipts with the claims.
- Six (6) instances were noted in which there was no evidence of a verification of goods/services received.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all disbursements are verified as goods or services received and that all disbursements are properly supported with adequate documentation.

Effect of Condition: These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the Board develop policies and procedures requiring evidence of supporting documentation and documentation regarding goods/services received, as additional internal controls over the safeguarding of District funds.

Management Response:

District Administrator: Community Ambulance Service District has made great leaps to reduce errors and omissions related to documentation of receipts of goods and services. Every effort is made when supplies, including fuel are purchased to get employees to sign the receipt for service and place it in the proper place. However, as this audit reveals much more must be done to ensure that practices are not only talked about but happen. The administrator or his/her designee will take whatever steps are necessary to see that these errors are not a finding in the future.

Chairman of the Board: I have read the District Administrator's management response and agree that we have improved our processes to reduce errors. We will continue to improve them so that we do not have these errors in the future.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity's objectives regarding the reliability of financial reporting. Further, an important aspect of internal controls is evidence of supporting documentation and evidence of an independent verification of goods and services received.

Finding 2017-005 - Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Based on inquiry of the District Board Chairman, observation of equipment, and review of the District's fixed assets inventory records, the following exceptions were noted:

- A complete fixed assets inventory listing was not maintained, including:
 - Serial numbers and/or VIN numbers were not always noted on the listing.
 - Original costs of items were not always noted on the inventory listing.

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Evidence of a physical inventory verification being performed was not maintained in District records.
- A specified dollar threshold has not been established by the Board to determine fixed assets to be included on inventory.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly maintained and updated through an annual documented verification by the District.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, inadequate fixed assets inventory records, or loss of District equipment.

Recommendation: OSAI recommends that policies and procedures be designed and implemented to ensure complete and accurate fixed assets inventory records are properly maintained and annual physical inventory verifications are performed by someone independent of the recordkeeping process, to identify equipment owned by the District and protect against loss.

Management Response:

District Administrator: Policy will be developed for fixed assets. The listing will be maintained, including serial numbers or VIN numbers. Original costs of items will be recoded and evidence of the verification each year that the items are checked will be maintained. The Board will set a fixed dollar amount to be included on the inventory and those items below the limit will be removed from the listing. Also, items not serviceable will be disposed of or offered for bid determined by their value and whether the item is salvageable.

Chairman of the Board: I have read the District Administrator's management response and agree that we will keep a list of fixed assets. This list will be reviewed annually, and the Board will sign off on the list during the monthly meeting that the assets are reviewed.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the Board, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2017-006 – Inadequate Internal Controls Over the Billing Process (Repeat Finding)

Condition: Based on observation of billing records and discussion with District staff, we determined:

- There was no evidence that the District verified the amounts charged by the third-party billing service to ensure the amounts billed were accurate and agreed to their records.

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- Ambulance run collections, accounts receivable, and uncollectible debt was not analyzed and compared monthly or annually by the Board to accounting records to make informed financial decisions regarding the patient billing process.
- There was no evidence of verification of second billings on delinquent accounts.
- Because the District did not maintain or request patient account balances, payments received were not verified as applied correctly to patient accounts.
- There was no contract signed between the District Board and the third-party billing service detailing the services to be performed and the compensation of services.
- The Board did not approve write-off amounts for delinquent patient accounts during the audit period.

The test of twenty-five (25) ambulance run sheets and corresponding billing records reflected the following exceptions:

- Four (4) instances were noted in which a patient account had a balance due; however, records reflected no attempt had been made to collect the funds due for over a year and the balance had not been written off.

Cause of Condition: Policies and procedures have not been designed and implemented to adequately ensure the amounts billed for services are accurate, payments are applied correctly to patient accounts, electronic payments are applied to accounts by the third-party billing service, receipts are traced to the billing records and patient account balances are monitored by the Board, including approval of delinquent accounts to be written-off as uncollectible.

Effect of Condition: These conditions resulted in unrecorded transactions, misstated financial reports, clerical errors, and could result in misappropriation of funds not being detected in a timely manner, and the District under or over billing for ambulance services.

Recommendation: OSAI recommends that management be aware of these conditions and recommend the Board actively review the billing statements to ensure that correct amounts are billed, receipts are posted to patient accounts correctly, past due accounts are recognized and approve write-off amounts. The Board should provide evidence of this review to mitigate some of the risk associated with having one staff member to perform all duties of account receipts.

Management Response:

District Administrator: The Board will implement the review of the billing statements monthly to ensure that the billing statements are the correct amounts, billed timely, receipts are posted to patient accounts correctly, and that past due accounts are timely sent second statements. Also, the Board will ensure that amounts written-off are timely, and at least quarterly to be sent for collection. The Board will document when this review is completed.

**COMMUNITY AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Chairman of the Board: I have reviewed the District Administrator's management response and agree that we will implement these new procedures. The Board will review the patient accounts monthly during in our meetings to ensure that the billing is accurate and timely. Each quarter, we will send a list of accounts to a collection agency.

Criteria: To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing process is monitored for correctness and completeness.



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