



GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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Cindy Byrd, CPA | State Auditor & Inspector

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August 24, 2021

**TO THE BOARD OF DIRECTORS OF THE
GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Greer County Special Ambulance Service District for the fiscal year ended June 30, 2020.

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 that reads "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	General Fund
Beginning Cash Balance, July 1	\$ (64,482)
Collections	
Ad Valorem Tax	53,377
Charges for Services	226,766
Provider Relief Funds Phase 1 - CARES Act	7,807
Intergovernmental Revenue	242
Miscellaneous	30,158
Total Collections	318,350
Disbursements	
Personal Services	114,261
Prior Year Tax Liability	75,270
Maintenance and Operations	137,924
Lease Payments	54,892
Total Disbursements	382,347
Ending Cash Balance, June 30	\$ (128,479)

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

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Coronavirus Aid, Relief, and Economic Security (CARES) Act

Provider Relief Funds Phase 1 – CARES Act money distributed to healthcare providers who bill Medicare fee-for-service to provide financial relief during the coronavirus (COVID-19) pandemic. Funds were distributed by the Department of Health and Human Services (HHS) through the Health Resources and Service Administration. The Greer County Special Ambulance Service District (the District) received \$7,807.

Delinquent Payroll Expense

The District has not filed Form 941 with the Internal Revenue Service (IRS). At this date, the District has prepared the required IRS payroll reports (Form 941) for calendar years 2018, 2019, and the first and second quarter of 2020; however, the reports have not been filed nor have the withholding taxes for those quarters been paid to the IRS . The dollar amount owed to the IRS as calculated based on the reports prepared by the District as of June 30, 2020 is \$75,270. This amount does not include interest or penalties that may be assessed by the IRS.

Greer County Special Ambulance Service District
121 East Jefferson Street
Mangum, Oklahoma 73554

**TO THE BOARD OF DIRECTORS OF THE
GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT**

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

- Determined charges for services were billed and collected in accordance with District Policies.
- 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 for the fiscal year ended June 30, 2020 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 and 61 O.S. §101-139.
- 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 the fiscal year ended June 30, 2020 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Greer County Special 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 Greer County Special 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 Greer County Special Ambulance Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

June 16, 2021

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-001 – Lack of Internal Controls and Noncompliance Over the Incurrence of Debt and Negative Balance (Repeat Finding - 2019-001, 2018-001)

Condition: Based on inquiry of Greer County Special Ambulance Service District (the District) employees and Board members, observation of bank documents, disbursement of funds, and Board minutes, it was determined the Board entered into security agreements (loans) that constituted an incurrence of debt without a vote of the people and the District expended funds in excess of the funds available for expenditures resulting in noncompliance with the Oklahoma Constitution and state statutes.

A review of the District Board minutes, and bank documents reflected the following internal control weaknesses and noncompliance:

Security Agreement No. 70310052

- The monthly payments are \$2,071.13.
- On June 30, 2020 the loan balance was \$60,198.10.

Negative Bank and Fund Balance

Additionally, the following internal control weaknesses and noncompliance regarding negative bank balances were noted:

- On two occasions during the fiscal year, the District's bank account had a negative reconciled bank balance.

Further, the District's financial statements reflected a *negative fund balance* for operations on June 30, 2020 in the amount of (\$128,479). The negative fund balance was a result of reserves for payroll expenses of \$75,270 not being accounted for in the District's financial statements and expending funds more than the amount budgeted for disbursements of \$53,209.

Cause of Condition: While the District has made progress in the payment of debt incurred as security loans in the prior years and has designed and implemented policies and procedures to avoid the incurrence of debt in the future, the District has not been able to address the negative fund balance to ensure adequate internal controls and compliance with state statute and the Oklahoma Constitution.

Effect of Condition: These conditions resulted in noncompliance with state statute and the Oklahoma Constitution resulting in the District continuing to incur debt and further resulted in negative fund balances. Further, these conditions could result in unrecorded transactions, undetected errors, misappropriation of funds, fraud and abuse.

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Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District continue to make payments to reduce unauthorized debt and address expending funds in excess of the amount budgeted for disbursements that resulted in negative fund balances.

Management Response:

Chairman: Management continues to pay on the debt and will continue to do so until the debt is paid in full. Going forward, the District will not enter any further debt obligations unless it is a lease purchase agreement. The District is also requiring more in-depth financial statements at each meeting due to the current financial situation. The District is in the process of finding other revenue sources to offset the negative cash flow, such as COVID relief funds, and possible revenue generating memberships for residents that the District serves.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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Title 19 O.S. § 1717 (B) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year:

“1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.”

Article 10 § 9C. states the only lawful manner an emergency medical service districts incur debt.

“(b) Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

Finding 2020-002 - Internal Controls Over Billing Process (Repeat Finding - 2016-002, 2017-002, 2018-002, 2019-002)

Condition: Upon inquiry of the District personnel, observation of records, and the test of thirty-five (35) ambulance runs, the following exceptions were noted:

- Three (3) runs were billed at a rate that varied from the approved fee schedule.
- In seventeen (17) instances the patient billing records could not be located.
- In one (1) instance the billing records were not complete; therefore, it could not be determined if the fees were accurately charged, a receipt was issued, or a deposit was made.
- In one (1) instance an insurance payment was denied due to an expired time limit for filing.
- Twenty-eight (28) runs received no payment or partial payment, and there was no evidence of a second billing statement sent to the patient for collections.
- Incomplete and/or missing billing records resulted in the inability to determine accuracy of billing.

The District Board verbally committed to a third-party billing service to process ambulance service runs beginning November 2019. The District received patient account reports detailing the ambulance runs billed and paid, along with the outstanding balances of patient accounts. However, all ambulance service runs were not entered into the District’s patient account system in a timely manner to collect on outstanding accounts.

The District Board has subsequently designed policies and procedures over the billing process; however, these policies and procedures were not fully implemented during the fiscal year.

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To address this weakness, the Board hired a local individual in December of 2020, to process delinquent accounts receivable and input billing information for outstanding ambulance service runs to collect on these accounts.

Additionally, the Board has not designed and implemented policies and procedures to review and approve delinquent patient accounts to be written off as uncollectable or second billings sent to patients for collections.

Further, there was no evidence that the Board approved a fee schedule for patient billing of ambulance services that was provided by the third-party billing company beginning January 1, 2019 and used for patient billing for the fiscal year. .

Cause of Condition: Policies and procedures have not been designed and implemented to ensure delinquent patient accounts are reviewed and approved by the Board to be written off as uncollectable, second billings are sent if payment for a run is not received, and adequate documentation of the billing records are maintained to ensure fees are accurately billed and collections are accurately reported.

Effect of Condition: These conditions resulted in inaccurate patient billing records and incomplete documentation in billing the correct amounts for patient accounts which resulted in loss of patient revenue.

Recommendation: OSAI recommends the District design and implement billing and collection policies and procedures to ensure patient accounts are accurately billed. Further, OSAI recommends second billing statements be sent if no payment is received after the first billing cycle. Delinquent patient accounts should be reviewed, approved, and documented by the Board if an account is to be written off as uncollectable.

Management Response:

Chairman: The District has a new billing system in place beginning in December of 2020 to address prior billing issues. The District has hired an inhouse billing clerk that will work with the District to address current policies and procedures. Along with that, the District will review the current fee schedule and approve billing rates at the next Board Meeting. Once the policies and procedures are put into place, the Board plans to address delinquent payments and uncollectable accounts after the billing clerk has gathered all the adequate information to determine the status of delinquent accounts.

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

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**Finding 2020-003 - Lack of Internal Controls and Noncompliance Over the Disbursements Process
(Repeat Finding - 2018-003, 2019-003)**

Condition: Upon inquiry of the District staff, observation of the disbursements process, and a test of forty (40) purchase orders, the following exceptions were noted:

- In two (2) instances the District paid sales tax on a purchase order.
- In three (3) instances the purchase order or invoice could not be located; therefore, it could not be determined that the disbursement was an appropriate expense for the District.
- In one (1) instance the invoice could not be located.
- In one (1) instance the total amount of the invoices could not be verified to the dollar amount of the statement.

The test of 100% of credit card statements for each of the credit cards held by the District resulted in the following exceptions:

- The District paid late fees and/or interest on all ten (10) credit card statements reviewed during the fiscal year.
- In nineteen (19) instances fuel was purchased using a fuel credit card; however, the fuel pump receipts were not attached to each statement.

Currently, the credit card has been cancelled, and remaining payments are being made to pay off the residual balance due. The District does pay a service charge and interest each month on the remaining balance.

Further, in review of the financial statements, bank statements and bank reconciliations, it was noted there is no evidence the Board reviews the bank statements or bank reconciliations.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all purchase orders including credit cards, are accompanied by adequate documentation, verification of goods and/or services, and purchases are for the lawful operation of the office. Further, the District has not designed and implemented policies and procedures over the payment of sales tax on purchases and the District incurred debt without a vote of the people by not paying the credit card balance in full monthly, which is not permitted in accordance with the state statute and the Oklahoma Constitution.

Effect of Condition: These conditions resulted in noncompliance with state statutes and the Oklahoma Constitution. These conditions could also result in unrecorded transactions, misstated financial reports, undetected errors, and misappropriation of funds.

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure the District maintains adequate documentation of purchases, including fuel purchases, prior to payment and disbursements. OSAI recommends the District avoid paying late fees or interest on credit card disbursements and adheres to the Oklahoma Constitution concerning the incurrence of debt and state statutes authorizing the disbursement of funds for the lawful operation of the office and exempting the

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entity from payment of sales tax. Further, OSAI recommends the District Board document the review and approval of financial statements and the reconciliation of bank statements to financial records.

Management Response:

Chairman: In late 2019 the District hired a new accounts payable secretary, who took on a very difficult task of reconciling all the accounts associated with the District. The work continues, and the secretary has been very diligent in reconciling all accounts and bringing any discrepancy to the District Board for review at the time of approval.

To address the sales tax issue, the Administrator contacted the vendor and received credit for sales tax paid.

Mileage logs are now required so the District can justify the fuel bills along with maintaining receipts to verify fuel charges. Furthermore, the accounts payable secretary will provide the bank reconciliations and statements for the Board to review and approve at each meeting

Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 19 O.S. § 1710.1.A, requires that funds be expended for providing funds for the support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts.

Title 19 O.S. § 1717 (B) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year:

1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by

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law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.”

Further, Article 10 section 9C of the Oklahoma State Constitution allows only the sale of bonds as a manner for incurring debt, as follows:

a. “Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

Title 68 O.S. § 1356 (1) states, “There are hereby specifically exempted from the tax levied by Section 1350 et seq. of this title:

1. Sale of tangible personal property or services to the United States government or to the State of Oklahoma, any political subdivision of this state or any agency of a political subdivision of this state; provided, all sales to contractors in connection with the performance of any contract with the United States government, State of Oklahoma or any of its political subdivisions shall not be exempted from the tax levied by Section 1350 et seq. of this title, except as hereinafter provided.”

Finding 2020-004 - Lack of Internal Controls Over the Payroll and Leave Process (Repeat Finding - 2019-004, 2018-004, 2017-004)

Condition: Upon inquiry of District staff, and observation of payroll records the following exceptions were noted:

- The District did not utilize a standard timesheet. Payroll was prepared based on the scheduled hours for each employee; therefore, hours worked could not be verified to hours paid.
- Full-time employees receive sick leave and vacation leave. Two employees qualified for leave during the audit period. However, the employees did not record leave accrued or used; therefore, leave balances could not be verified.

Currently, there are no full-time employees that qualify for leave benefits.

Delinquent Payroll Expense

Based on information obtained and records observed, the District has not filed Form 941 with the Internal Revenue Service (IRS). At this date, the District has prepared the required IRS payroll reports (Form 941) for calendar year 2018, 2019, and the first and second quarter of 2020; however, the reports have not been filed nor have the withholding taxes for those quarters been paid to the IRS . The dollar amount owed to the IRS as calculated based on the reports prepared by the District as of June 30, 2020 is \$75,270. This amount does not include interest or penalties that may be assessed by the IRS.

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Cause of Condition: Policies and procedures have not been designed and implemented to ensure that timesheets are completed by all employees and timesheets are filed in a secure location to provide documentation of hours worked and to ensure employees complete a Board approved form to document employee time worked, and leave accrued and used for full-time employees. Further, management and the Board have not designed and implemented policies and procedures to ensure payroll expenses and reports are filed and paid accurately in a timely manner to comply with state and federal tax guidelines.

Effect of Condition: These conditions resulted in insufficient documentation of payroll expenses and leave balances, delinquent payroll expenses and misstated financial reports. Additionally, these conditions could result in unrecorded transactions, clerical errors or misappropriation of funds not being detected in a timely manner.

Recommendation: OSAI recommends the District ensure all employees prepare and sign a standardized hardcopy or electronic time record that is filed in a secure location to document the time worked and leave used. OSAI further recommends the Board and management determine the amount owed for delinquent payroll expenses and file tax reports in accordance with federal regulations.

Management Response:

Chairman: The Administrator requires the employees to prepare timesheets that are signed by the employees and then reviewed and signed by the Administrator. The timesheet identifies hours worked for each day of the month. The Board has paid delinquent payroll obligations and has filed and paid current IRS obligations. The Board is addressing the delinquent IRS payments and filing the delinquent reports.

Criteria: The GAO Standards – Principle 13 –Use Quality Information– 13.04 states:

Relevant Data from reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with or bearing upon the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

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The District is required to complete and file all Internal Revenue Service forms and state payroll expense forms in a timely and accurate manner in accordance with federal regulations.

Finding 2020-005 – Lack of Internal Controls Over Fixed Assets Inventory and Fuel Usage (Repeat Finding - 2017-005, 2018-005, 2019-005)

Condition: Based on inquiry of District staff, observation of fixed assets inventory records, and review of the District fixed assets inventory, the following was noted:

- The District could not provide documentation of annual fixed assets inventory verification.
- The District has not established a policy and procedure regarding the dollar limit for the inclusion of fixed assets, annual verification of fixed assets and the safeguarding of fixed assets.
- The test of ten (10) fixed asset items reflected a Phillips Monitor which had been traded in on another monitor but had not been disposed of on the fixed assets inventory records.

Fuel Usage Reconciliation:

- Fuel usage for each ambulance was not documented.
- Employees entered mileage at the pump when purchasing fuel; however, fuel receipts were not signed and attached to statements as evidence of verification prior to payment for fuel charges.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory and fuel usage is properly maintained and updated through documentation and a periodic review by the District. Additionally, policies and procedures have not been designed and implemented to include a dollar limit for fixed assets inventory and documentation of annual verification of fixed assets inventory.

Effect of Condition: These conditions could result in errors and improprieties, unrecorded transactions, misappropriation of assets, or loss of District equipment and fuel consumption.

Recommendation: OSAI recommends that policies and procedures be implemented to ensure fixed assets inventory is updated on an ongoing basis and the Board establish a dollar limit for the inclusion of fixed assets on a fixed assets inventory. Furthermore, OSAI recommends annual physical fixed assets inventory verification by someone other than the individual maintaining the fixed assets inventory. OSAI further recommends that all items being disposed of, be approved by the Board in a public meeting. Further, fuel consumption should be documented by employee and vehicle. The receipts for the fuel should be signed, maintained, and attached to the statement for payment.

Management Response:

Chairman: The District Board will be addressing the documentation of fixed assets owned by the District in policies and procedures, that will establish a dollar limit for inclusion, and providing documentation of the verification of fixed assets at least one time each year for the Board's review and approval.

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Criteria: The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Segregation of duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

The GAO Standards — Section 2 – Objectives of an Entity- OV2.24 states:

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of assets. Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

O·K·L·A·H·O·M·A
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Cindy Byrd, CPA | State Auditor & Inspector

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