

OPERATIONAL AUDIT

GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT

For the period July 1, 2009 through June 30, 2011



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



Oklahoma State
Auditor & Inspector
Gary Jones, CPA, CFE

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
OPERATIONAL AUDIT
FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2011**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Collection, pursuant to 74 O.S. § 3105.B.



Oklahoma State Auditor & Inspector

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

January 25, 2012

**TO GREER COUNTY SPECIAL
AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Greer County Special Ambulance Service District for the period July 1, 2009 through June 30, 2011.

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", is written over a horizontal line.

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

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
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Background

Article 10, § 9C of the Oklahoma Constitution authorized the formation of emergency medical service districts and initially authorized a tax levy not to exceed three (3) mills for the purpose of providing funds for the purpose of support, organization, operation, and maintenance of district ambulance services.

Emergency medical service districts are governed by a district board of trustees. The board of trustees has the power to hire a manager and appropriate personnel, contract, organize, maintain, or otherwise operate the emergency medical services within said district and such additional powers as may be authorized by the Legislature.

The trustees must act as a board when entering into contracts or other agreements affecting the district's welfare. Thus, actions taken by the board are voted on and approved by a majority of the trustees. The board's business meetings are open to the public.

The board of any district shall have capacity to sue and be sued. Provided, however, the board shall enjoy immunity from civil suit for actions or omissions arising from the operation of the district. Such districts shall be empowered to charge fees for services, and accept gifts, funds or grants from sources other than the mill levy, which shall be used and accounted for in a like manner.

Board of Trustees:

David Kirby	Chairman
Jim Scivally	Vice-Chairman
Robert Garton	Member
Jerry Adams	Member
Steven Slaton	Member
Scott Augustine.....	Administrator
Balma Bringnon, CPA	Treasurer

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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2011

Beginning Cash Balance, July 1, 2010	<u>\$ 16,708</u>
Collections	
Ad Valorem Tax	48,312
Charges for Services	419,255
Miscellaneous	<u>1,272</u>
Total Collections	<u>468,839</u>
Disbursements	
Personal Services	210,488
Travel	18,166
Maintenance and Operations	146,768
Capital Outlay	<u>19,747</u>
Total Disbursements	<u>395,169</u>
Ending Cash Balance, June 30, 2011	<u><u>\$ 90,378</u></u>

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

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**Purpose, Scope, and
Sample Methodology**

This audit was conducted in response to Article 10, § 9C (i) of the Oklahoma Constitution and as defined by 19 O.S. § 1704.3, which requires the State Auditor and Inspector’s Office to audit the books and accounts of the District.

The audit period covered was July 1, 2009 through June 30, 2011.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.), and shall be open to any person for inspection and copying.

Objective 1:	To determine the District’s collections, disbursements, and cash balances for FY 2011 were accurately presented on the Estimate of Needs.
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Conclusion With respect to the items reconciled and reviewed; collections, disbursements, and cash balances were accurately presented on the District’s estimate of needs.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the process of accurately presenting collections, disbursements, and cash balances through discussions with District personnel, observation, and review of documents.
- Performed the following to ensure collections, disbursements, and cash balances were accurately presented on the District’s estimate of needs:

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- Reconciled collections presented on the estimate of needs to collections deposited by the District.
- Reconciled checks issued presented on the estimate of needs to disbursements.
- Reviewed the ending cash balance presented on the estimate of needs and compared it to the bank reconciliation at June 30, 2011, to ensure the bank reconciliation was performed and the ending cash balance was accurate.

Observation

Inadequate Internal Controls Over the Estimate of Needs

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.

Upon inquiry and observation of the recordkeeping process, the following was noted:

- The estimate of needs is prepared by the District Treasurer who is responsible for posting collections and disbursements to the general ledger from which the estimate of needs is compiled.
- There is no independent oversight of the accuracy of collections, disbursements, and cash balances on the estimate of needs by the Administrator or the District Board.

Effect

These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation

OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that collections, disbursements, and cash balances are accurately presented on the District's estimate of needs.

Further, OSAI recommends the District Administrator or a member of the Governing Board compare general ledger postings by the District Treasurer to the estimate of needs to ensure collections, disbursements, and cash balances are accurately presented on the estimate of needs.

**Management
Response**

Management chose not to respond.

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Objective 2: To determine if the District's internal controls provide reasonable assurance that revenues were accurately reported in the accounting records.

Conclusion The District's internal controls do not provide reasonable assurance that revenues were accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the receipting process through discussions with District personnel, observation, and review of documents.

Observation **Inadequate Segregation of Duties Over the Receipting Process**

Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing cash and checks, and bank reconciliations should be separated. A single employee having responsibility for more than one area of recording, authorization, custody of assets, and reconciliations could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Internal controls should be designed to analyze and check accuracy, completeness, and authorization of calculations and/or transactions.

Based upon inquiry and observation of the receipting process, one employee creates patient accounts, performs billing services, posts payments to patient accounts, issues receipts for collections, and prepares deposits.

Effect 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, undetected errors, or misappropriation of funds.

Recommendation OSAI recommends the District separate the duties of creating patient accounts, performing billing services, posting payments to patient accounts, issuing receipts for collections, and preparing deposits. In the event that segregation of duties is not possible due to the limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions.

Management Response Management chose not to respond.

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Objective 3: To determine if the District's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.

Conclusion The District's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the expenditures process through discussions with District personnel, observation, and review of documents.
- Tested controls which included reviewing a random sample of fifty expenditures for the following:
 - Ensuring that claims reflected authorized signatures of the Administrator, Purchasing Agent, and District Treasurer, attesting all supporting documentation was attached to the claim prior to the submission of payment.
 - Ensuring that claims were approved by the District Board, reflected the authorized signature of the Chairman of the Board, and checks were signed by two Board members other than the Chairman.

Objective 4: To determine if the District's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

Conclusion The District's internal controls provide reasonable assurance that payroll expenditures were accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the payroll process through discussions with the District personnel, observation, and review of documents.
- Tested controls which included reviewing a random sample of six payroll period claims for the following:
 - Ensuring that payroll claims reflected authorized signatures of the Administrator, Purchasing Agent, and District Treasurer, attesting all supporting documentation was attached to the payroll claim prior to the submission of payment.
 - Ensuring that payroll claims were approved by the District Board, reflected the authorized signature of the Chairman of the Board, and payroll checks were signed by two Board members other than the Chairman.

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Objective 5: To determine if the District's internal controls provide reasonable assurance that fixed asset inventory was accurately reported in the accounting records.

Conclusion The District's internal controls do not provide reasonable assurance that fixed asset inventory was accurately reported in the accounting records.

Methodology To accomplish our objective, we performed the following:

- Gained an understanding of internal controls related to the fixed asset inventory process through discussions with the District personnel, observation, and review of documents.

Observation **Inadequate Internal Controls Over Inventory**

An important aspect of internal controls is the safeguarding of assets which includes adequate segregation of duties. 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 acquisition, use, or disposition of inventory and safeguarding inventory from loss, damage, or misappropriation.

Upon inquiry and observation of the recordkeeping process regarding fixed asset inventory, the following was noted:

- The Administrator receives inventory, maintains inventory records, and performs the physical count of inventory.
- The Administrator does not maintain supporting documentation of the physical count of inventory.

One employee receiving inventory, maintaining records of inventory, performing the periodic physical count of inventory, and supporting documentation of the periodic physical count of inventory could result in inaccurate records, unauthorized uses of inventory, or misappropriations of inventory.

Recommendation OSAI recommends that the District implement procedures to accurately maintain fixed asset inventory records and segregate the duties over inventory. Records should be maintained in such a manner that assets can be identified by serial number, date of acquisition, and purchase price.

Further, supporting documentation of the periodic physical count of fixed asset inventory should be maintained by the District.

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Management Response Management chose not to respond.

Other Item(s) Noted:

Although not considered significant to the audit objectives, we believe the following issues should be communicated to management.

Observation Inadequate Internal Controls Over the Audit Expense Account

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.

Upon inquiry and observation of the recordkeeping process of calculating the amount appropriated and dedicated to the audit of the special ambulance service district, the Administrator does not recalculate one-tenth mill upon the net total assessed valuation to ensure the amount appropriated is correct. Further, the audit account of the 2011-2012 Estimate of Needs should reflect \$3,042.33 in appropriations set aside for the audit of the District.

This condition could result in noncompliance with state statutes.

Recommendation OSAI recommends that the District implement a system of internal controls to ensure that the net proceeds of the one-tenth mill of the net total assessed valuation is appropriated and dedicated to the audit budget account. OSAI recommends that any unused portion of these funds be carried forward and included in the next year audit budget account in accordance with 19 O.S. § 1706.1.

Management Response Management chose not to respond.

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Observation

Inadequate District-Wide Controls

Internal control is an integral component of an organization's management that provides reasonable assurance that the objectives of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations are being made. Internal control comprises the plans, methods, and procedures used to meet missions, goals, and objectives. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. District management is responsible for designing a district-wide internal control system comprised of Control Environment, Risk Assessment, Information and Communication, and Monitoring for the achievement of these goals.

Risk Assessment is a component of internal control which should provide for an assessment of the risks the District faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives.

Information and Communication is a component of internal control which should provide for a district to run and control its operations. A district must have relevant, reliable information, both financial and nonfinancial. That information should be recorded and communicated to management and others within the district who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities. In addition, the district needs to make sure that the forms of communications are broad-based and that information technology management assures useful, reliable, and continuous communications.

Monitoring is a component of internal control which should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. Ongoing monitoring occurs during normal operations and includes regular management and supervisory activities, comparisons, reconciliations, and other actions people take in performing their duties. It includes ensuring that management know their responsibilities for internal control and the need to make control monitoring part of their regular operating process.

District-wide controls regarding Risk Management, Information and Communication, and Monitoring have not been designed.

This condition could result in unrecorded transactions, undetected errors, or misappropriation of funds.

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Recommendation OSAI recommends the District implement a system of internal controls to provide reasonable assurance regarding the achievement of goals and objectives to reduce or eliminate risks to the District as a whole.

**Management
Response** Management chose not to respond.



OFFICE OF THE STATE AUDITOR AND INSPECTOR

2300 N. LINCOLN BOULEVARD, ROOM 100

OKLAHOMA CITY, OK 73105-4896

WWW.SAI.OK.GOV