



GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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Cindy Byrd, CPA | State Auditor & Inspector

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September 10, 2020

**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, 2019.

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
 STATUTORY REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2019

	<u>FY 2019</u>
Beginning Cash Balance, July 1	\$ (57,362)
Collections	
Ad Valorem Tax	54,875
Charges for Services	248,800
Loan Proceeds	55,000
Miscellaneous	23
Intergovernmental Revenue	236
Total Collections	358,934
Disbursements	
Personal Services	232,239
Maintenance and Operations	76,906
Loan Lease Payments	55,237
Audit Expense	1,672
Total Disbursements	366,054
Ending Cash Balance, June 30	\$ (64,482)

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

Greer County Special Ambulance Service District
121 E. 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 June 30, 2019 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, 2019 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, 2020

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SCHEDULE OF FINDINGS AND RESPONSES

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

Condition: Based upon 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. 70310702

- Per the Board minutes of October 23, 2017, the District Board gave the Administrator permission to enter into Security Agreement No. 70310702 on October 26, 2017, for a loan totaling \$74,609.59 with a local financial institution.
- The Security Agreement states the term of the loan will be thirty (30) months for the period beginning December 1, 2017 through June 1, 2020.
- The Board minutes reflected the approval of using the District’s equipment as collateral to secure the loan.
- The monthly payment increased from \$2,635.31 to \$2,661.79, based on interest accrued on the debt.
- At June 30, 2019, the balance on the loan was \$30,622.55.

Security Agreement No. 70310052

- The District Board minutes of October 23, 2017 reflected the Board gave the District Administrator permission to enter into Security Agreement No. 70310052, a “*second lease agreement*” in the amount of \$48,000.00
- This six-month lease agreement was to be paid back in full upon the selling of the District’s GMC C1500 ambulance.
- The loan balance at June 30, 2018 of \$48,306.00 was not paid but was added to the renewal of the Security Agreement No. 70310052 (loan) on August 1, 2018.

Renewal of Security Agreement No. 70310052

- The District Board minutes of June 29, 2018 reflect the Board approved the District Administrator to enter into a “*renewal*” of Security Agreement No. 70310052 on August 1, 2018 in the amount of \$103,711.00.
- According to the loan agreement and payment schedule the previous loan balance was \$48,306.00 and an additional loan of \$55,000.00 with \$405.00 in fees was included in the renewed loan for a

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total loan balance of \$103,711.00 for a term of sixty (60) months, beginning September 1, 2018 through September 1, 2023.

- The Board minutes reflected the approval of “*re-leasing*” ambulance units #112 and #114 as collateral to secure the loan.
- The monthly payment was \$2,071.13 with a late fee of \$103.55.
- At June 30, 2019 the loan balance was \$89,898.39.

Negative Bank and Fund Balance

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

- The District did not reconcile the monthly bank statements to financial records in a timely manner.
- The bank statement reconciliations were not approved by the Board.
- On three occasions during the fiscal year, the District’s bank account had a negative reconciled bank balance.

Further, the District financial statements reflected a *negative fund balance* for operations at June 30, 2019 in the amount of - \$64,482.05. The negative fund balance was a result of outstanding checks and reserves for payroll expenses not being accounted for correctly in the District’s financial statements and expending funds in excess of the amount budgeted for disbursements for the fiscal year.

Cause of Condition: The District has not designed and implemented policies and procedures to ensure adequate internal controls and compliance with state statute and the Oklahoma Constitution. Additionally, the District has not designed and implemented policies and procedures to ensure the financial stability of the District including timely review and approval of bank statement reconciliations and financial statements.

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 result in a negative bank and fund balances. Further, these conditions could result in unrecorded transactions, undetected errors, misappropriation of funds, and fraud and abuse.

Recommendation: The Oklahoma State Auditor and Inspector’s office (OSAI) recommends the District discontinue bank loans that incur unauthorized debt and expending funds in excess of the amount budgeted for disbursements that result in a negative fund balance and noncompliance with Title 19 O.S. § 1717 (B). Further, OSAI recommends the Board require administrative personnel to gain the knowledge regarding the financial processes to ensure proper financial management of the District.

Management Response:

Chairman: Management was unaware that the District could not enter into a loan agreement unless it would be a lease-purchase agreement . Now that the District is aware of the situation, the District will continue to payback the debt and not enter any further debt unless for a lease-purchase agreement. One loan has been paid in full as of June 2020. There is one loan remaining that is structured on monthly payments.

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The District is also requiring more in-depth discussion of financial information at each meeting due to the current financial situation.

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 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.

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.”

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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 2019-002 - Internal Controls and Noncompliance Over Billing Process (Repeat Finding)

Condition: Upon inquiry of the District personnel, observation of records, and the test of forty (40) ambulance runs, the following exceptions were noted:

- In twenty (20) instances the patient billing records were incomplete; therefore, it could not be determined if the fees were accurately charged, a receipt was issued, or a deposit was made.
- The following exceptions were noted in the remaining sample of twenty (20) patient billing records that were reviewed for completeness and accuracy
 - The fees could not be verified to the billing records in two (2) instances.
 - The billing records could not be verified to a payment made by a receipt number in six (6) instances.
 - The receipt number could not be verified to a deposit in six (6) instances; however, the payment was verified as deposited.
- Seven (7) patient accounts did not reflect that a second billing was sent to the patient for collections.

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.

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 when 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 and deposits are made in a timely manner in accordance with state statute.

Effect of Condition: This condition resulted in noncompliance with state statute regarding daily depositing of funds and in inaccurate patient billing records and incomplete documentation and could result in billing incorrect amounts for patient accounts which would result in loss of patient revenue.

Recommendation: : OSAI recommends the District design and implement billing and collection policies and procedures to ensure patient accounts are billed accurately. Further, OSAI recommends second billings

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be sent when no payment is received after the first billing and delinquent patient accounts are reviewed and approved by the Board to be written off as uncollectable and documented. Additionally, deposits should be made daily in accordance with 62 O.S. § 517.3B.

Management Response:

Chairman: To address the billing issues, the District has recently entered into a contract with third-party billing service to handle the billing for the District. The third-party billing service will also handle the second billings and handle delinquent accounts for collections, if an account requires collection. The District will instruct employees, who handle deposits, to make sure the deposits are made the same day as when the deposit is received.

Criteria: The GAO Standards – Principal 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 62 O.S. § 517.3B states in part,

“The treasurer of every public entity shall deposit daily, not later than the immediately next banking day.”

Finding 2019-003 - Internal Controls and Noncompliance Over the Disbursements Process (Repeat Finding)

Condition: Upon inquiry of the District staff, observation of the disbursements process, and a test of thirty-four (34) purchase orders, the following exceptions were noted:

- In one (1) instance the District paid sales tax on a purchase order.
- In one (1) instance the District paid a service charge for late payment on a purchase.
- In one (1) instance it could not be determined the purchase order was an appropriate expense for the District.

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In addition, the review of nine (9) cell phone purchase orders indicated disbursements totaling \$2,470.83 that do not appear to be an appropriate expense for the operation of the District.

- The documentation on the cell phone statements indicated the unauthorized cell phone charges and phone equipment charges resulted from usage of family members of the Administrator.

Further, there were no policies and procedures to determine the use of credit cards, the payment of credit cards being made in a timely manner and the safeguarding of the credit cards for the lawful operation of the District.

The test of 100% or twenty (20) credit card statements, of which fifteen (15) payments were for fuel and five (5) payments were for supplies, resulted in the following exceptions:

- The District paid late fees and/or interest on all five (5) credit card statements reviewed from the Credit Card Center.
- In four (4) of the five (5) statements paid to the Credit Card Center, a purchase order could not be located; therefore, we could not determine the purchases was appropriate for the lawful operation of the District.
- In nine (9) instances fuel was purchased using a fuel credit card; however, the fuel pump receipts were not attached to the statements.
- In nine (9) instances the fuel pump receipts were attached to the statements; however, the receipts were not a signed by an employee as verification of the purchase.

In addition, the District did not require employees to maintain vehicle mileage logs to document the fuel expense.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure all purchase orders including the use of the 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 on a monthly basis, 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 prior to payment and disbursements are for the lawful operation of the office. Further, OSAI recommends the District avoids paying late fees or interest on credit card disbursements and the District 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 entity from payment of sales tax.

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Management Response:

Chairman: Just a month prior to this audit taking place, the District began to uncover some questionable expenditures dating back to 2018. The current Board was unaware of these expenditures although the purchase orders were approved by the prior Chairman. This situation prompted the current Chairman to review the receipts and expenses of the District's credit card account. The credit card account has been closed and has been structured on a small monthly payment to payback the debt. Upon receipt of these audit findings, the Chairman's review of the findings was confirmed. The District has hired an accounts payable secretary in September 2019, and the new employee has been very diligent in reconciling all accounts and bringing any discrepancy to the District for review at the time of approval. Furthermore, the questionable expenditures will be addressed by the District with the Administrator, who is responsible for the expenses. Mileage logs will be required going forward so the District can show justification of the fuel bills along with having signed receipts.

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

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
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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 2019-004 - Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Upon inquiry of District staff, observation of records and a test of documentation for one payroll period, August 2018, including twenty (20) employees of the District, resulted in the following exceptions:

- Four (4) employees did not complete a timesheet, including the Administrator, one full-time employee and two part-time employees.

Additionally, the District did not utilize a standard timesheet. Some employees recorded hours worked on a handwritten memo, while other employees used a run log to record days worked; however, the time worked was not recorded on the run log in some cases.

Delinquent Payroll Expense

Based on information obtained and records observed, the District has not filed Form 941 with the Internal Revenue Service since the first quarter of 2018. At the date of fieldwork, the District is in arrears for some employee salaries and has not filed all the required Internal Revenue Service payroll reports, nor paid the withholding taxes. The dollar amount owed is not known at this time.

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 fulltime 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.

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Effect of Condition: These conditions resulted in delinquent payroll expenses and reports and misstated financial reports, and 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 hard copy or electronic timesheet and is filed in a secure location to document the time worked. OSAI recommends the Board and management determine the amount owed for delinquent payroll expenses in order to pay those employees, and file tax reports in accordance with state and federal regulations.

Management Response:

Chairman: The District is slowly addressing the delinquent payroll owed to employees associated with the District. All employees are now updated on the status of the payroll issues. The status of delinquent payroll was not fully known by the Board due to the Administrator and previous accounts payable secretary not fully disclosing to the Board the financial situation that the District was experiencing. After the Board became informed of the delinquent payroll and financial issues, the Board now requires in-depth discussion of financial information at each meeting. The District will implement hard copy/electronic time recordkeeping to be able to track each employee's hours of work. This documentation will be kept in a secure location.

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.

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 and state payroll regulations.

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Finding 2019-005 - Internal Controls Over Fixed Assets Inventory and Fuel Usage

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

- No documentation of annual fixed assets inventory verification was maintained by the District.
- The District has not established policies and procedures regarding the dollar limit for the inclusion of fixed assets and the safeguarding and verification of fixed assets.

Monitoring Fuel Usage:

- Fuel usage was not documented.
- Employees entered mileage at the pump when purchasing fuel; however, fuel receipts were not signed and attached to statements for payment.
- Employees were not required to maintain fuel or mileage logs.

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.

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 an inventory. Furthermore, OSAI recommends annual physical fixed assets inventory verification by someone other than the individual maintaining inventory. OSAI further recommends fuel consumption should be documented by an employee and a vehicle and the receipts for fuel be signed, maintained, and attached to the statement for payment.

Management Response:

Chairman: Mileage logs will be required going forward so the District can show justification of the fuel bills along with having receipts. The District will also compile a list of fixed assets with a cost and the asset location.

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.

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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 – Objects 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
S·A·I
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