



LEEDEY AMBULANCE SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**LEEDEY 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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March 7, 2022

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

Transmitted herewith is the audit report of Leedey 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



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

	<u>General Fund</u>	<u>Sales Tax Revolving Fund</u>
Beginning Cash Balance, July 1	\$ 359,773	\$ 134,147
Collections		
Ad Valorem Tax	94,309	-
Charges for Services	13,990	-
Sales Tax Revenue	-	37,066
Miscellaneous	19,768	275
Provider Relief Funds Phase 1 - CARES Act	616	-
Total Collections	<u>128,683</u>	<u>37,341</u>
Disbursements		
Personal Services	11,773	-
Maintenance and Operations	28,082	32,905
Audit Expense	3,483	-
Total Disbursements	<u>43,338</u>	<u>32,905</u>
Ending Cash Balance, June 30	<u>\$ 445,118</u>	<u>\$ 138,583</u>

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

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COUNTY SALES TAX

Dewey County voters passed a three-quarters (.75) of one (1) cent sales tax on April 1, 2014, to terminate after ten (10) years. The sales tax is restricted to the following areas:

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

Leedeey Ambulance Service District (the District) requests county sales tax that is disbursed by the Dewey County Public Facilities Authority (DCPFA) from Dewey County as required per the sales tax ballot. The Dewey County Treasurer deposits all county sales tax funds in a county bank account and funds are disbursed for the Sales Tax Revolving Fund for improvements and operations of the District.

DCPFA Board approves the disbursement of county sales tax funds to the District. The District submits a request to DCPFA detailing the item(s) the District's request for use of the county sales tax funds. The DCPFA Board votes to approve or deny the request for county sales tax funds. Upon approval of the DCPFA Board, the Dewey County Treasurer requests the bank issue a check to the vendor for the approved amount. During the fiscal year, the District requested payments totaling \$32,905 for improvements and operations of the District.

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 District received \$616 for the fiscal year 2020.

Leedey Ambulance Service District
P.O. Box 232
Leedey, Oklahoma 73654

**TO THE BOARD OF DIRECTORS OF THE
LEEDEY 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 and invested funds 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 Leedey 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 Leedey 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 Leedey 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 "Cindy Byrd". The signature is written in a cursive, flowing style.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 28, 2021

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020 001 – Lack of Internal Controls and Noncompliance Over the Open Meeting Act (Repeat Finding)

Condition: Upon inquiry and observation of the Leedey Ambulance Service District (the District) it was noted that the Board minutes were inconsistent and indeterminate regarding legibility and content as reflected below:

- Board minutes did not clearly reflect members who were present or absent at Board meetings.
- Board minutes did not clearly identify the actions taken by the Board.
- Board minutes did not record the individual Board Members' votes.
- Board minutes did not always identify each disbursement approved by the Board for payment other than "Bills were Paid."

Cause of Condition: Policies and procedures have not been designed and implemented to ensure Board minutes adequately document the Board members present or absent, the actions taken by the Board, votes of the individual Board members, and identify disbursements reviewed and approved by the Board.

Effect of Condition: These conditions resulted in noncompliance with the state statutes regarding the Open Meeting Act and could result in unrecorded transactions, undetected errors, or misappropriation of funds.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District design and implement policies and procedures to ensure the District documents an official summary of the proceedings taken by a person designated by the Board in compliance with the state statutes regarding the Open Meeting Act. The official summary should be legible, reflect clearly and accurately the members present and absent, document all matters considered by the Board, and the individual votes of the Board members. Further, OSAI recommends the Board minutes document the review and approval of each disbursement by Board members.

Management Response:

Chairman of the Board: The Board will comply with the Open Meeting Act by conducting business listed on the agenda, typing the Board minutes from each meeting and listing Board members that are in attendance and absent. The Board minutes will document the actions of the Board, recording the vote of each member and approval of the list of bills paid and the payee of each disbursement. The Board minutes will reflect the Board's approval of automatic payments made each month for recurring bills. The Board minutes from the previous meeting will be read and approved by the Board members at the beginning of each Board meeting.

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

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best practices and may be applied as a framework for an internal control system for state, local, and quasigovernmental entities.

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 25 O.S. § 305 states, “In all meetings of public bodies, the vote of each member must be publicly cast and recorded.”

Title 25 O.S. § 312(A) states, “The proceedings of a public body shall be kept by a person so designated by such public body in the form of written minutes which shall be an official summary of the proceedings showing clearly those members present and absent, all matters considered by the public body, and all actions taken by such public body. The minutes of each meeting shall be open to public inspection and shall reflect the manner and time of notice required by this act.”

Finding 2020-002 – Lack of Internal Controls and Noncompliance Over the Accounting and Billing Processes (Repeat Finding)

Condition: Upon inquiry of the Board members and staff, and observation of the accounting process, the following weaknesses were noted:

- Receipts were not issued for payments received.
- The Board Treasurer did not sign checks in accordance with the Bylaws.
- Bank statement reconciliations were not presented to the Board for review and approval.
- Monthly financial reports consisted of a verbal announcement by the Bookkeeper at the Board meetings stating the bank balances.
- The District did not prepare a June 30, 2020, financial statement reflecting the cumulative totals with documentation of the Board’s review and approval.

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Further, the following exceptions were noted in the billing process for ambulance service runs:

- The Board did not have documentation of an approved fee schedule for billing patient accounts for ambulance service runs.
- The District did not maintain patient account billing records.
- Patient account payments could not be verified to bank deposits.
- Patient account amounts written-off as uncollectible for delinquent accounts were not approved and could not be verified in Board minutes.

Additionally, the third-party billing company did not provide adequate information to determine collections and accounts receivable for the fiscal year were materially accurate.

Cause of Condition: Policies and procedures have not been designed and implemented to issue receipts for collections, to ensure the Board Treasurer signs checks, provide evidence of Board review and approval of bank statement reconciliations and monthly financial reports, and preparation of fiscal year financial statements. Additionally, the Board did not design and implement policies and procedures to approve a fee schedule for ambulance service runs, to monitor the billing process for documenting patient account billing records, collection of patient account payments and patient account amounts to be written off as uncollectable. Further, the Board or staff did not monitor the third-party billing company to obtain a summary of collections and accounts receivable for patient accounts for the fiscal year.

Effect of Condition: These conditions resulted in noncompliance with state statute regarding financial statement preparation and could result in unrecorded transactions, misstated financial reports, undetected errors, or the misappropriation of funds.

Recommendation: OSAI recommends the District design and implement policies and procedures to ensure receipts are written for funds received, the Board Treasurer signs checks as required by the Bylaws, and ensure bank statements, bank reconciliations, and financial statements are presented to the Board for review and approval. Further, OSAI recommends the Board approve a fee schedule for patient account billing, monitor the collection and deposit of patient accounts, review and approve patient account amounts to be written off as uncollectable, and review and approve documentation of the third-party billing company's collections and accounts receivable summary.

Management Response:

Chairman of the Board: The Board will appoint a Chairperson, Secretary and Treasurer in accordance with the Bylaws. The Board will review and approve the monthly bank statement and the bank statement reconciliation. The Board is looking into changing to a different third-party billing company. We will require the third-party billing company to sign a yearly contract and provide a monthly report of ambulance service runs and fees charged for patient accounts. The Board will instruct the Director to maintain a monthly list of ambulance service runs submitted for insurance payment. The Director will review insurance deposits for the month as provided by the Bookkeeper and reconcile insurance payments to insurance deposits. The Board will review the summary of patient accounts outstanding and will approve the amount to be written-off as uncollectable and record the Board's actions in the monthly Board minutes.

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Auditor Response: While the Board did address aspects of the internal control weaknesses noted in this finding, the following recommendations should also be addressed by designing and implementing policies and procedures:

- Issue receipts for payments received.
- Prepare monthly financial reports for review and approval by the Board in the meeting.
- Prepare cumulative financial statements for each fiscal to be reviewed and approved by the Board.
- Document the approval of a fee schedule for billing patient accounts for ambulance service runs.

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

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.

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 – Principle 12 – Internal Control Activities – 12.04 states in part:

Documentation of Responsibilities through Policies

Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

The GAO Standards – Principle 13 – Use Quality Information - 13.04 states in part:

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

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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.

Title 19 O. S. § 1706 states in part, “It shall be the duty of the board of the district on or before the third Monday of July in each year to produce or caused to be produced ... a financial statement of the district for the preceding year ending June 30th.”

Finding 2020-003 – Lack of Internal Controls Over the Disbursement Process

Condition: Upon inquiry of the Board members and staff and observation of the disbursement process, the following exceptions were noted:

- Evidence of the review of invoices or the receiving of goods and/or services was not documented.
- Eleven (11) months of auto-pay disbursements totaling \$3,718 were not approved by the Board.
- The District opened a separate bank account for the deposit of community donations. There was no documentation regarding the manner community donations are to be expended.

Additionally, the following exceptions were noted in a test of thirty (30) disbursements:

- Twenty-seven (27) disbursements totaling \$18,290 did not have Board approval documented.
- Thirteen (13) disbursements totaling \$17,207 did not have a receiving signature or accuracy of the invoice documented.
- Five (5) disbursements totaling \$1,606 were not supported with an invoice or other documentation.
- Two (2) disbursements totaling \$1,390 did not have receipts to support the invoice.

Further, the following exceptions were noted in our test of one (1) payroll period:

- Three (3) ambulance service run sheets used to document emergency medical technicians’ compensation for ambulance runs were not approved by the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over the disbursement process which includes auto-pay disbursements, community donations, and the payroll process. Policies and procedures have not been designed and implemented to provide evidence of the Board’s review and approval of invoices or the staff’s documentation of receiving of goods and/or service.

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Further, policies and procedures have not been designed and implemented to provide evidence of the Board's review and approval of the emergency medical technicians' signature of approval on the ambulance run sheet to document compensation for ambulance runs.

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

Recommendation: OSAI recommends the Board design and implement a system of internal controls over the disbursement process, including auto-pay disbursements, community donations, documentation of the payroll process, and emergency medical technicians' signature of approval on the ambulance run sheet to document compensation for ambulance runs. These internal controls should address the employee's review of invoices, verification of receipt of goods and/or services, and documentation of the expense with invoices and receipts. Additionally, OSAI recommends that the Board review and approve each disbursement and document the approval in the monthly Board meeting minutes.

Management Response:

Chairman of the Board: The Board has hired a full-time Director as of January 1, 2022, to address the lack of internal controls over the disbursement process. The payroll documentation will be maintained by the accountant who will keep records of the amount paid for each employee, taxes withheld, and payroll taxes paid quarterly. The Board will require signed documentation to provide evidence of fuel purchased and receipt of other goods and services received by employees prior to approval of disbursements in monthly Board meetings. The Board will approve automatic payments in each Board meeting and document the review and approval in the Board minutes. The Board will verify the signed receipts to the monthly statements prior to approval of disbursements for payment at monthly meetings. The Director will maintain these records of disbursements in an orderly manner. The Board will design and implement policies and procedures to address disbursements for community donations.

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.

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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The GAO Standards – Principle 12 – Internal Control Activities – 12.04 states in part:

Documentation of Responsibilities through Policies

Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Finding 2020-004 – Lack of Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of the Board members and staff and review of documentation, the following weaknesses were noted in the fixed assets inventory:

- The fixed assets inventory was not reviewed annually.
- The fixed assets inventory did not document identifying information for each fixed asset, including the serial number, cost, date obtained, location, and was not updated routinely.

Cause of Condition: Policies and procedures have not been designed and implemented to strengthen internal controls over the fixed assets inventory, including performing and documenting an annual review of fixed assets.

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

Recommendation: OSAI recommends the Board design and implement policies and procedures to ensure that the fixed assets inventory is reviewed annually, and identifying information for each fixed asset is verified and retained. Further, OSAI recommends that the fixed assets listing is detailed with an accurate serial number, cost, date obtained and location of each fixed asset.

Management Response:

Chairman of the Board: The Board will instruct the Director to design and implement policies and procedures to address internal controls over fixed assets inventory. An inventory list will be updated with current identifying information and presented to the Board for approval of obsolete fixed assets to be removed from the fixed assets inventory. The Director will present the updated and verified inventory list to the Board annually for review and approval.

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

Segregation of Duties

Management establishes physical control to secure and safeguard vulnerable assets.

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Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

The GAO Standards Section 2 – Establishing an Effective Internal Control System - OV2.24 states:

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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