



PAULS VALLEY AMBULANCE
SERVICE DISTRICT NO. 1

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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March 7, 2019

**TO THE BOARD OF DIRECTORS OF THE
PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1**

Transmitted herewith is the audit report of Pauls Valley Ambulance Service District No. 1 for the fiscal year ended June 30, 2018.

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



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Service Provider Contract

As of June 30, 2018, Pauls Valley Ambulance Service District No. 1 contracted the service to Pauls Valley General Hospital. Pauls Valley Ambulance Service District No. 1 also contracted to Wynnewood Emergency Medical Service District and Stratford Ambulance Service to provide service for those areas. However, as of October 12, 2018, Pauls Valley General Hospital and the Pauls Valley Ambulance Service District No. 1 ceased operations,

As of this date of fieldwork, the geographic area of Pauls Valley Ambulance Service District No. 1 has temporarily contracted with Mercy Emergency Medical Service located in Ada, Oklahoma to provide ambulance service.

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

The accounting records, Estimate of Needs and the Financial Statement for fiscal year 2017-2018 for the Pauls Valley Ambulance Service District No. 1 do not present the District funds separately from the service contract provider, Pauls Valley General Hospital; therefore, a Presentation of Collections, Disbursements, and Cash Balances of District Funds was not presented for this report.

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

Pauls Valley Ambulance Service District No. 1
P.O. Box 368
Pauls Valley, Oklahoma 73075

**TO THE BOARD OF DIRECTORS OF THE
PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1**

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

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2018 was accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Pauls Valley Ambulance Service District No. 1.

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 Pauls Valley Ambulance Service District No. 1.

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 Pauls Valley Ambulance Service District No. 1. 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

December 28, 2018

**PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-002 - Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and Financial Statements (Repeat Finding)

Condition: Upon inquiry of the Pauls Valley Ambulance Service District No. 1 (the District) accounting staff at Pauls Valley Hospital Authority (PVHA) and observation of the recordkeeping process, the following exceptions were noted:

- Ad valorem taxes apportioned by the Garvin County Treasurer in the amount of \$110,117.49 does not agree to the Estimate of Needs due to revenue not being separately accounted for on financial records.
- The Estimate of Needs did not reconcile to financial records prepared by the PVHA, because the Estimate of Needs for the District did not document revenues and disbursements of the District.
- There was no independent oversight of the accuracy of collections, disbursements, and cash balances on the Estimate of Needs by the Administrator or the District Board.

Further, the accounting records, Estimate of Needs and the Financial Statements for fiscal year 2017-2018 for the District No. 1 does not present the District funds separately from the service contract provider, PVHA; therefore, a Presentation of Collections, Disbursements, and Cash Balances of District Funds was not presented for this report.

Cause of Condition: Policies and procedures have not been designed and implemented to review the Estimate of Needs, Financial Statements, and accounting records for accuracy prior to its approval by the District Board.

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

Recommendation: The Oklahoma State Auditor and Inspector's Office (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 and Financial Statements.

Further, OSAI recommends the District Administrator or a member of the District Board compare the Estimate of Needs to the District's financial records, and to the records of the County Treasurer to ensure collections, disbursements, and cash balances are accurately presented on the District's Estimate of Needs and Financial Statements in compliance with 19 O.S. § 1709.

Management Response:

Board Chairman: The accounts payable clerk for the city of Pauls Valley now maintains an account that is separate from the PVHA for ad valorem tax collections for Pauls Valley Ambulance Service District No. 1. The monthly payment for contract services includes the ad valorem taxes remitted from the

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Wynnewood Emergency Medical Service District to the new contract service provider, Mercy Emergency Medical Service located in Ada, Oklahoma. The total monthly payment is \$28,334.00.

Criteria: Internal controls should be designed to ensure the accuracy and completeness of disbursements, collections, and cash balances are accurately presented on 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.

Further, Title 19 O.S. § 1709 states:

- A. At least thirty (30) days prior to the beginning of each fiscal year, a budget for each fund of the district for which a budget is required shall be completed by the board. Each budget shall provide a complete financial plan for the budget year. The budget format shall be as prescribed by the State Auditor and Inspector. The format shall contain at least the following in tabular form for each fund, itemized by department and account within each fund:
 1. Actual revenues and expenditures for the immediate prior fiscal year;
 2. Estimated actual revenues and expenditures for the current fiscal year; and
 3. Estimated revenues and expenditures for the budget year.
- B. The budget for each fund shall contain a budget summary. It shall also be accompanied by a budget message from the board which shall explain the budget and describe its important features.
- C. The estimate of revenues in each fund for any budget year shall include probable income by source which the district is legally empowered to collect or receive at the time the budgets are adopted. The estimate shall be based upon a review and analysis of past and anticipated revenues of the district. Any portion of the budget of revenues to be derived from ad valorem property taxation shall not exceed the estimated amount of tax which is available for appropriation or which can or must be raised as required by law. The budget of expenditures for each fund shall not exceed the estimated revenues for each fund. No more than ten percent (10%) of the total budget for any fund may be budgeted for miscellaneous purposes.
- D. The board shall determine the needs of the district for sinking fund purposes, pursuant to Section 9C of Article X of the Constitution of the State of Oklahoma and include these requirements in the debt service fund budget for the budget year.

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Finding 2018-003 - Inadequate Internal Controls and Noncompliance with Contractual Provisions Over District Ad Valorem Tax Collections and City of Stratford Sales Tax Collections Reported as Separate Funds (Repeat Finding)

Condition: Upon inquiry of the District’s accounting staff and observation of the PVHA receipts ledger, the following exception was noted:

According to the contract that the District has with PVHA (the Contract Service Provider),
“All revenues and monies received may be accounted for and held as part of Pauls Valley Hospital Operating Fund provided that all such monies and funds be kept and accounted for in separate accounts so that, at all times, the funds belonging to the Pauls Valley Ambulance Service District No. 1 are clearly ascertainable.”

- The District funds were not accounted for separately so that the funds belonging to the Pauls Valley Ambulance Service District No. 1 were clearly ascertainable.

Ad Valorem Tax Collections Not Recorded on PVHA Cash Receipts Ledger for District

| Date | Amount Collected by District | Amount Verified to PVHA Cash Receipts Ledger | Variance |
|--------------------|------------------------------|--|--------------|
| July 31, 2017 | \$ 1,056.41 | \$ 0 | \$ 1,056.41 |
| September 29, 2017 | \$ 444.95 | \$ 0 | \$ 444.95 |
| October 31, 2017 | \$ 465.68 | \$ 0 | \$ 465.68 |
| November 30, 2017 | \$ 11,639.99 | \$ 0 | \$ 11,639.99 |
| February 1, 2018 | \$ 13,383.39 | \$ 0 | \$ 13,383.39 |
| Total | \$ 26,990.42 | \$ 0 | \$ 26,990.42 |

Further, upon inquiry of the Deputy City Clerk of Pauls Valley, she stated that there were no disbursements recorded or reported for the Pauls Valley Ambulance Service District No. 1. Ad valorem tax collections were receipted into the City of Pauls Valley’s (the City) computer system, deposited into the City’s bank account and a check for the same amount as the ad valorem tax collections was issued from the City’s account to the PVHA.

- Additionally, the District provided ambulance service for the City of Stratford in fiscal year 2017-2018. The City of Stratford was required to remit 33.33% of 4% city sales and use tax to the District.
- Upon attempting to verify the sales tax was recorded on the District’s financial records maintained by PVHA, we noted none of the sales tax distributions were recorded on the PVHA Cash Receipts Ledger.

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Sales Tax Collections Not Recorded on PVHA Cash Receipts Ledger for District

| Date | Amount Paid to District | Amount Verified on PVHA Cash Receipts Ledger | Variance |
|----------------|--------------------------------|---|---------------------|
| July 2017 | \$ 9,199.39 | \$ 0 | \$ 9,199.39 |
| September 2017 | \$ 9,639.97 | \$ 0 | \$ 9,639.97 |
| October 2017 | \$ 10,115.25 | \$ 0 | \$ 10,115.25 |
| November 2017 | \$ 11,206.91 | \$ 0 | \$ 11,206.91 |
| December 2017 | \$ 8,909.06 | \$ 0 | \$ 8,909.06 |
| January 2018 | \$ 8,883.09 | \$ 0 | \$ 8,883.09 |
| February 2018 | \$ 9,662.59 | \$ 0 | \$ 9,662.59 |
| March 2018 | \$ 8,612.29 | \$ 0 | \$ 8,612.29 |
| June 2018 | \$ 9,059.92 | \$ 0 | \$ 9,059.92 |
| Total | \$ 85,288.47 | \$ 0 | \$ 85,288.47 |

- Further, The City of Stratford reduced the District's city sales and use tax collections by the amount owed by the District for the rental of facilities in Stratford at \$3,520.00 by month, beginning on July 1, 2017, resulting in the District's total city sales and use tax revenue collections being understated by \$42,240.00. This also resulted in the District's disbursements being understated by \$42,240.00 for rent expense.
- Also, the City of Stratford reduced the District's city sales and use tax collections by \$368.75 for an amount owed on a utility claim and \$832.62 for repairs of an ambulance. This resulted in the District's disbursements being understated by \$1,201.37 for maintenance and operation expenses.

Sales Tax Collections Underpaid to the District as Per City of Stratford Contract

| Date | Total Sales Tax Collections for City of Stratford | % To District Per District Contract | Re-Calculated Amount | Amount Paid to District | Variance |
|----------------|--|--|-----------------------------|--------------------------------|-----------------|
| July 2017 | \$ 38,162.00 | 0.3333 | \$ 12,719.39 | \$ 9,199.39 | \$ -3,520.00 |
| August 2017 | \$ 38,605.96 | 0.3333 | \$ 12,867.37 | \$ 9,347.37 | \$ -3,520.00 |
| September 2017 | \$ 39,483.85 | 0.3333 | \$ 13,159.97 | \$ 9,639.97 | \$ -3,520.00 |
| October 2017 | \$ 40,909.85 | 0.3333 | \$ 13,635.25 | \$ 10,115.25 | \$ -3,520.00 |
| November 2017 | \$ 44,185.15 | 0.3333 | \$ 14,726.91 | \$ 11,206.91 | \$ -3,520.00 |
| December 2017 | \$ 37,290.90 | 0.3333 | \$ 12,429.06 | \$ 8,909.06 | \$ -3,520.00 |
| January 2018 | \$ 37,213.00 | 0.3333 | \$ 12,403.09 | \$ 8,883.09 | \$ -3,520.00 |
| February 2018 | \$ 39,551.72 | 0.3333 | \$ 13,182.59 | \$ 9,662.59 | \$ -3,520.00 |
| March 2018 | \$ 36,400.52 | 0.3333 | \$ 12,132.29 | \$ 8,243.54 | \$ -3,888.75 |
| April 2018 | \$ 37,073.42 | 0.3333 | \$ 12,356.57 | \$ 8,836.57 | \$ -3,520.00 |
| May 2018 | \$ 39,683.70 | 0.3333 | \$ 13,226.58 | \$ 9,706.58 | \$ -3,520.00 |

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| Date | Total Sales Tax Collections for City of Stratford | % To District Per District Contract | Re-Calculated Amount | Amount Paid to District | Variance |
|--------------------------|--|--|-----------------------------|--------------------------------|-----------------|
| June 2018 | \$ 37,743.52 | 0.3333 | \$ 12,579.92 | \$ 8,227.30 | \$ -4,352.62 |
| Total Underpaid Revenues | \$ 466,303.59 | | \$ 155,418.99 | \$ 111,977.62 | \$ -43,441.37 |

Cause of Condition: Policies and procedures have not been designed or implemented by the District Board to ensure that contractual obligations for the District are being met with regard to accounting for the District's funds in compliance with state statute.

Effect of Condition: These conditions resulted in noncompliance with contractual provisions of the service provider and state statute and could result in misuse or misappropriation of District funds.

Recommendation: OSAI recommends the District Board design and implement procedures to ensure the provisions of the service provider contracts are being met and ensure compliance with Title 19 O.S. § 1713.

Management Response:

Board Chairman: The accounts payable clerk for the City of Pauls Valley now maintains an account that is separate from the PVHA for ad valorem tax collections for Pauls Valley Ambulance Service District No. 1. The monthly payment for contract services includes the ad valorem taxes remitted from the Wynnewood Emergency Medical Service District to the new contract service provider, Mercy Emergency Medical Service located in Ada, Oklahoma. The total monthly payment is \$28,334.00. When the ad valorem taxes are insufficient to meet the monthly service contract payment, the City of Pauls Valley supplements the payment.

The City of Stratford no longer contracts with the District to provide ambulance services; therefore, city sales tax is no longer collected.

Criteria: Internal controls should be designed to ensure the accuracy and completeness of collections, disbursements, and balances are accurately presented on the District's accounting records.

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 misappropriations.

According to the service provider contract with PVHA,

"All revenues and monies received may be accounted for and held as part of the Pauls Valley Hospital Operating Fund provided that all such monies and funds be kept and

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accounted for in separate accounts so that, at all times, the funds belonging to the Pauls Valley Ambulance Service District No. 1 are clearly ascertainable.”

According to the service provider contract with the City of Stratford, compensation is as follows;

“a monthly amount equal to the monthly sales tax received by the city attributable to the 33.33% sales and use tax imposed by the city for EMS;”

Further, Title 19 O.S. § 1713 states in part, “*Any monies received or expended by the district must be accounted for by fund and account. Each district shall prepare a budget for the general fund and for other funds as the board may require pursuant to this act....*”

Finding-2018-004 - Inadequate Internal Controls Over the District’s Service Provider Contracts with the Pauls Valley Hospital Authority, Wynnewood Emergency Medical Service District and the City of Stratford (Repeat Finding)

Condition: The Service Provider Contracts between the District and Pauls Valley Hospital Authority, Wynnewood Emergency Medical Service District and the City of Stratford were not renewed for the fiscal year by the District Board in the District’s minutes. The following exceptions were noted:

- The Contract with the Pauls Valley Hospital Authority has not been renewed since July 16, 1991, when the contract was originally signed.
- The Contract with the Wynnewood Emergency Medical Service District has not been renewed since February 17, 2004 when the contract was originally signed.
- The Contract with the City of Stratford has not been renewed since October 16, 2016 when the contract was originally signed.

Additionally, one of the contracts states, as follows;

“All tax subsidies (ad valorem tax) paid to the District shall be given to the Board (PVHA). The Board (PVHA) shall have exclusive control of expenditure of revenues collected and deposited to the credit of the District insofar as such expenditures relate to the costs and expenses of operation, maintenance, repair, replacement and improvement of District business or property.”

Cause of Condition: Policies and procedures have not been designed to ensure contractual provisions are reviewed annually.

Effect of Condition: These conditions could result in the District being exposed to potential litigation, claims, or assessments.

Recommendation: OSAI recommends that the District renew and approve service provider contracts from the Pauls Valley Hospital Authority, Wynnewood Emergency Medical Service District, and City of Stratford prior to the beginning of each fiscal year.

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Management Response:

Board Chairman: The District no longer contracts with the PVHA. Currently, the District has a temporary contract with Mercy Emergency Medical service located in Ada, Oklahoma. The contract is \$28,334.00 per month and extends to June 30, 2019.

Criteria: Safeguarding controls are an important aspect of internal controls. Safeguarding controls relate to the prevention or timely detection of unauthorized transactions and unauthorized access to assets. Failure to perform tasks that are part of internal controls, such as obtaining approved contracts are deficiencies in internal control. Further, all contracts should be approved and signed by the Board prior to the start of each fiscal year.

Finding 2018-005 - Inadequate Internal Controls and Noncompliance Over Appointment of Board Members and Officials Liability Insurance (Repeat Finding)

Condition: The current District Board members are also the Board members for the Pauls Valley Hospital Authority and the City of Pauls Valley. There was no evidence of documentation for the appointment of Board members

Additionally, we noted the official liability insurance did not include the District Board of Trustees; rather, the blanket bond for official liability insurance names the Pauls Valley City officials and employees.

Cause of Condition: Policies and procedures have not been designed and implemented to appoint the Board members of the Pauls Valley Ambulance Service District No. 1 Board in accordance with the Oklahoma Constitution and District Bylaws and provide officials liability insurance for those District Board members.

Effect of Condition: These conditions resulted in violation of the Oklahoma Constitution Article 10 Section 9c(p) and noncompliance with the District's bylaws and could result in conflict of interest between the contracted service provider and District due to the Board members serving on both Boards.

Additionally, without naming the District Board members in the official liability insurance policy, the District may not be assured of insurance coverage for the District Board in the event of errors or omissions.

Recommendation: OSAI recommends the District Board members be appointed by the Pauls Valley City Council, or the City Council act as the Board as required by the Oklahoma Constitution Article 10 Section 9c(p) and be approved by the Garvin County Board of County Commissioners. Additionally, OSAI recommends the District obtain official liability insurance for District Board members in compliance with Article 10 section 9c(a).

Management Response:

Board Chairman: The District Board will verify with the insurance agent that the official liability insurance names the District Board in the insurance policy and discuss with the Garvin County Commissioners the appointment of District Board members.

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Criteria: The Oklahoma Constitution Article 10 Section 9c(p) states,

“In lieu of proceeding to establish a district as outlined hereinabove through the county commissioners, the governing body of any incorporated city or town may proceed to form a district, join an existing district or join with other incorporated cities or towns in forming a district. In such case, said governing body shall be considered as being substituted as to the powers and duties of said county commissioners as set forth hereinabove; provided, further, said city or town shall be considered as being substituted as to the powers and duties of a district formed, as set forth hereinabove. All rights, duties, privileges and obligations of the residents and voters in such city or town shall be the same as those outlined for the district as set forth above.”

Further, Article 10 section 9c(a) states in part, “Such board of trustees shall have the power and duty to promulgate and adopt such rules, procedures and contract provisions necessary to carry out the purposes and objectives of these provisions and shall individually post such bond as required by the county commissioners, which shall not be less than Ten Thousand Dollars (\$10,000.00).”

O·K·L·A·H·O·M·A
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