

STATUTORY REPORT

# PAULS VALLEY AMBULANCE SERVICE DISTRICT

For the year ended June 30, 2014



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**PAULS VALLEY AMBULANCE SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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# Oklahoma State Auditor & Inspector

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

August 27, 2015

**TO THE BOARD OF DIRECTORS OF THE  
PAULS VALLEY AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of the Pauls Valley Ambulance Service District for the fiscal year ended June 30, 2014.

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 "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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



# Oklahoma State Auditor & Inspector

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

Pauls Valley Ambulance Service District  
P.O. Box 368  
Pauls Valley, Oklahoma 73075

## **TO THE BOARD OF DIRECTORS OF THE PAULS VALLEY AMBULANCE SERVICE DISTRICT**

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 2014 were 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.

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.

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. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

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

August 25, 2015

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account (Repeat Finding)**

**Condition:** For the fiscal year ended June 30, 2014, it was noted that Pauls Valley Ambulance Service District (the District) did not appropriate the mandatory one-tenth mill to the audit budget account. It was also noted that the unused balances from prior year were not properly carried forward.

**Cause of Condition:** Procedures have not been designed to ensure compliance with 19 O.S § 1706.1.

**Effect of Condition:** This condition resulted in noncompliance with state statute and under-funding of the audit expense account.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that the District implement policies and procedures designed to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense account, and that any unused portion be carried forward into the next year's audit expense account in accordance with 19 O.S. § 1706.1.

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Management of the Pauls Valley Ambulance Service District will implement policies and procedures to ensure that the one-tenth mill upon the net total assessed valuation required to be appropriated pursuant to 19 Okla. Stat. § 1706.1 will be set aside in the audit expense account, and that any unused portion will be lapsed into next year audit expense account.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses.

**Finding 2014-2 – Inadequate Internal Controls Over the Estimate of Needs (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process for the fiscal year ending June 30, 2014, the following was noted:

- Ad Valorem taxes apportioned by the County Treasurer do not agree to the collections as reported on the Estimate of Needs.
- The Estimate of Needs do not reconcile to financial records.
- The Estimate of Needs for the EMS District includes revenue and expenditures of the hospital.

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- 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.

**Cause of Condition:** Procedures have not been designed and implemented to review the Estimate of Needs for accuracy prior to its approval.

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

**Recommendation:** OSAI recommends 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 the Estimate of Needs to the District's records, and to the records of the County Treasurer to ensure collections, disbursements, and cash balances are accurately presented on the Estimate of Needs.

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Management has been educated on the Estimate of Needs process. Future Estimate of Needs will be conducted by an outside firm engaged to handle this process.

**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.

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- 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.

**Finding 2014-3 – District Monies Not Accounted for by Fund and Account (Repeat Finding)**

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

- According to the contract that the Pauls Valley Ambulance Service District has with Pauls Valley Hospital Authority (the Contractual 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 are clearly ascertainable.
- The funds of the Pauls Valley Ambulance Service District are not being accounted for separately so that, at all times, the funds belonging to the Pauls Valley Ambulance Service District is clearly ascertainable.

**Cause of Condition:** Procedures have not been designed or implemented by the District Board to ensure that contractual obligations for the District are being met.

**Effect of Condition:** These conditions 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 contract are being met.

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Funds for Pauls Valley Ambulance Service District No. 1 are accounted for separately by both depositing funds into a bank account dedicated to District funds and through financial accounting systems that document and record all related transactions.

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Management will review processes to more formally document and manage our funds in accordance with contract.

**Criteria:** According to the contract that the Pauls Valley Ambulance Service District has with Pauls Valley Hospital Authority, 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 are clearly ascertainable.

Title 19 O.S. § 1713 states in part that; “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 2014-4 – Violation of Open Records Act (Repeat Finding)**

**Condition:** For the fiscal year ended June 30, 2014, no expenditure records, ledgers, or bank statements were maintained by the Pauls Valley Ambulance Service District.

**Cause of Condition:** Policies and procedures have not been designed to keep and maintain complete records of the receipt and expenditure of public funds.

**Effect of Condition:** This condition resulted in the Pauls Valley Ambulance Service District being in violation of the Open Records Act.

**Recommendation:** OSAI recommends that the District implement policies and procedures designed to keep and maintain complete records of all receipts and expenditures of any public funds.

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Management does not believe any violation of the open records act have taken place. Public meetings with required formal notice were posted as required for any and all Pauls Valley Ambulance Service District No. 1 meetings that have taken place. In addition, minutes and other proper record keeping have taken place during the meeting. We understand that such documents were not able to be produced during the audit term although we know such documents are stored as part of long-term archival of these documents.

**Auditor Response:** Proper documentation of expenditures and ledgers were not available for inspection during the noted period. Without proper documentation, OSAI was unable to document that records existed and that the Pauls Valley Ambulance Service District complied with the Open Records Act.

**Criteria:** In accordance with 51 O.S. § 24A.4, every public body and public official has a specific duty to keep and maintain complete records of the receipt and expenditure of any public funds reflecting all



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financial and business transactions relating thereto, except that such records may be disposed of as provided by law.

**Finding 2014-5 – Violation of Open Meetings Act (Repeat Finding)**

**Condition:** Upon inquiry and observation of the recordkeeping process, it was noted that there were no Board meeting minutes kept and maintained for the fiscal year ended June 30, 2014.

**Cause of Condition:** Policies and procedures have not been designed to keep and maintain complete records of the Board meeting minutes.

**Effect of Condition:** This condition resulted in the Pauls Valley Ambulance Service District being in violation of the Open Meetings Act.

**Recommendation:** OSAI recommends the District implement policies and procedures designed to keep and maintain complete records of all Board meeting minutes.

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Management does not believe any violation of the open records act have taken place. Public meetings with required formal notice were posted as required for any and all Pauls Valley Ambulance Service District No. 1 meetings that have taken place. In addition, minutes and other proper record keeping have taken place during the meeting. We understand that such documents were not able to be produced during the audit term although we know such documents are stored as part of long-term archival of these documents.

**Auditor Response:** Board minutes were not available for inspection during the noted period. Without proper documentation, OSAI was unable to document that Board minutes existed and that the Pauls Valley Ambulance Service District complied with the Open Meetings Act.

**Criteria:** According to 25 O.S. § 312, 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 2014-6 – Improper Appointment of Board Members (Repeat Finding)**

**Condition:** We were unable to determine who was appointing the Board members for the Pauls Valley Ambulance Service District. The current board members are also the Board members for the Pauls Valley Hospital Authority.

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**Cause of Condition:** The members of the Pauls Valley Hospital Authority have been serving as the Pauls Valley Ambulance Service District Board and were unaware that the Pauls Valley City Council was to serve or appoint the Board members.

**Effect of Condition:** These conditions resulted in a violation of the Oklahoma Constitution article 10 section 9c(p).

**Recommendation:** OSAI recommends the Pauls Valley Ambulance Service 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).

**Management Response:**

**Pauls Valley Ambulance Service District Board:** Management believes that it is not a correct statement that members of the Pauls Valley Hospital Authority “were unaware that the Pauls Valley City Council were to serve or appoint the board members.” The terms of the contract between the ambulance district and the Pauls Valley Hospital Authority are that the Hospital Authority will manage the ambulance district. At the time the agreement was entered into between the ambulance district and the Hospital Authority, the Authority had appointed a “Board of Control” to manage both the hospital and the ambulance service district. Since that time, Board of Control has been dissolved and the Hospital Authority has taken direct management of both the hospital and the ambulance service district. Prior to the dissolution of the Board of Control, the Pauls Valley City Council appointed members to the Board of Control; there is no need for appointment of any board member because the members of the Pauls Valley Hospital Authority serve as the Board of Directors of the Pauls Valley Ambulance Service District No. 1. At all times where members were appointed to the Board of Control, appointment to that board was made by the Pauls Valley City Council by appropriate action in open meetings with proper legal notice. Going forward, it is opinion of legal counsel that there is no need for appointment of members to the Pauls Valley Ambulance Service District No. 1 because, pursuant to 19 Okla. Stat. § 1203, “[w]hen a district is totally within the municipal city limits of a city, the board of directors of the district or their designee may be the governing body of the city or town.” The applicable entities, that is, the Pauls Valley Ambulance Service District No. 1 and the Pauls Valley Hospital Authority have established by their contract that the members of the Pauls Valley Hospital Authority will serve as the board of directors of the ambulance district for the duration of the contract.

**Auditor Response:** District Board minutes were not available for inspection during the noted period. Without proper documentation, OSAI was unable to document who appointed the Board members to the Pauls Valley Ambulance Service District.

**Criteria:** 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

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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.”



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