

STATUTORY REPORT

PAULS VALLEY AMBULANCE SERVICE DISTRICT No. 1

For the fiscal year ended June 30, 2017



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



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

**PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Oklahoma State Auditor & Inspector

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

January 9, 2018

**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, 2017.

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 written in a cursive, flowing style.

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



Oklahoma State Auditor & Inspector

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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 2017 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

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

October 24, 2017

**PAULS VALLEY AMBULANCE SERVICE DISTRICT NO. 1
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FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Budget Account (Repeat Finding)

Condition: The Pauls Valley Ambulance Service District No. 1 (the District) did not appropriate the mandatory one-tenth mill to the audit expense budget account.

- The Estimate of Needs did not reflect an amount appropriated for the audit expense budget account.
 - The current year appropriations of audit expense budget account should have been calculated as \$3,451.18.
 - The cumulative audit expense budget account including prior year funds not carried forward is underfunded in the amount of \$22,831.01.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the Estimate of Needs was prepared in accordance with 19 O.S. § 1706.1.

Effect of Condition: This condition resulted in noncompliance with state statute and the underfunding of the audit expense budget account in the amount of \$22,831.01.

Recommendation: The Oklahoma State Auditor and 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 budget account, and that any unused portion be carried forward into the next year’s audit expense budget account in accordance with 19 O.S. § 1706.1.

Management Response:

Board Chairman: Management agrees and the District is working to implement policies and procedures to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit expense budget account, and that any unused portion be carried forward into the next year’s audit expense budget account in accordance with 19 O.S. § 1706.1.

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.

Title 19 O.S. § 1706.1 states in part, “The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit...”

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Finding 2017-2 - Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and Financial Records (Repeat Finding)

Condition: Upon inquiry of the District's 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 \$102,532.32 do not agree to the collections as reported on the District's financial records prepared by the PVHA of \$92,539.27 nor do they agree to the Estimate of Needs due to no revenue or expenditures being recorded on this document.
- 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 by the District Director or the District Board of the accuracy of collections, disbursements, and cash balances on the Estimate of Needs.

Further, because neither the Estimate of Needs nor the financial records account for the District funds separately from the PVHA records, we were unable to present financial statements for this report.

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

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

Recommendation: OSAI recommends that the District implement a system of internal controls to provide reasonable assurance that collections, disbursements, and cash balances are accurately presented on the District's Estimate of Needs and recorded in the financial records.

Further, OSAI recommends 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 Estimate of Needs and financial records of the District in compliance with 19 O.S. § 1709.

Management Response:

Board Chairman: Management agrees and the District is taking steps to 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 recorded in the financial records. District will also compare records with the County Treasurer records.

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

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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.

Finding 2017-3 - Inadequate Internal Controls and Noncompliance with Contractual Provisions Over District Ad Valorem Tax Collections and City Sales Tax Collections Reported as Separate Funds (Repeat Finding)

Condition: Upon inquiry of the District's accounting staff and observation of the Pauls Valley Hospital Authority (PVHA) receipts ledger, the following exception was noted:

According to the contract that the Pauls Valley Ambulance Service District No. 1 has with PVHA (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 No. 1 are clearly ascertainable."

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- The funds of the District were not accounted for separately so that, at all times, 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 the District**

Date	Amount Collected By District	Amount Verified To PVHA Cash Receipts Ledger	Variance
August, 2016	\$235.80	\$0	(\$235.80)
October, 2016	\$630.39	\$0	(\$630.39)
November, 2016	\$247.67	\$0	(\$247.67)
December, 2016	\$8,879.19	\$0	(\$8,879.19)
Total	\$9,993.05	\$0	(\$9,993.05)

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 received into the Pauls Valley City's 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 entered into a service provider contract with the City of Stratford in fiscal year 2016-2017 to provide ambulance service to the City of Stratford. The contract required the City of Stratford to remit 33.33% of a 4% city sales and use tax to the District; however, upon attempting to verify that the sales tax was recorded on the District's financial records maintained by PVHA, we noted the following variances:

**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
October 16, 2016	\$4,336.36	\$0	(\$4,336.36)
November 2016	\$8,717.22	\$8,717.72	\$.50
February 2017	\$9,061.76	\$0	(\$9,061.76)
March 2017	\$7,801.58	\$0	(\$7,801.58)
Total	\$72,559.33	\$51,360.13	(\$21,199.20)

- 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 October 16, 2016, resulting in the District's total city sales and use tax revenue collections being understated by \$29,862.73. This also resulted in the District's disbursements being understated by \$29,862.73 for rent expense.

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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	Amount Not Received to District
October 16, 2016 *	\$37,449.17	0.3333	\$6,039.59	\$4,336.36	(\$1,703.23)
November 2016	\$36,715.32	0.3333	\$12,237.22	\$8,717.72	(\$3,519.50)
December 2016	\$36,591.33	0.3333	\$12,195.89	\$8,675.89	(\$3,520.00)
January 2017	\$34,466.49	0.3333	\$11,487.68	\$7,967.68	(\$3,520.00)
February 2017	\$37,749.06	0.3333	\$12,581.76	\$9,061.76	(\$3,520.00)
March 2017	\$33,968.13	0.3333	\$11,321.58	\$7,801.58	(\$3,520.00)
April 2017	\$35,709.80	0.3333	\$11,902.08	\$8,382.08	(\$3,520.00)
May 2017	\$37,688.67	0.3333	\$12,561.63	\$9,041.63	(\$3,520.00)
June 2017	\$36,289.03	0.3333	\$12,095.13	\$8,575.13	(\$3,520.00)
Total Underpaid Revenues	\$326,627.00		\$102,422.56	\$72,559.83	(\$29,862.73)

*Contract started October 16, 2016, pro-rated for one-half month.

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 19 O.S. § 1713.

Management Response:

Board Chairman: Management agrees and the District is taking steps to implement procedures to ensure the provisions of the service provider contracts are being met and in compliance with 19 O.S. § 1713.

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.

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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 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 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 2017-4 - Inadequate Internal Controls Over the District’s Contracts with the Pauls Valley Hospital Authority, Wynnewood Emergency Medical Service District and the City of Stratford (Repeat Finding)

Condition: The Contracts between the District and Pauls Valley Hospital Authority, Wynnewood Emergency Medical Service District and the City of Stratford were not renewed each 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, two of the contracts state, as follows;

“All tax subsidies (ad valorem tax) paid to the District shall be given to the Board (PVHA and Wynnewood Emergency Medical Service District). The Board (PVHA and Wynnewood Emergency Medical Service District) 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.

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

Management Response:

Board Chairman: Management agrees and District will take steps to renew and approve service contracts from the Pauls Valley Hospital Authority and Wynnewood Emergency Medical Service District prior to the beginning of each fiscal year.

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 2017-5 - Inadequate Internal Controls and Noncompliance Over 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.

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 by-laws.

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

Recommendation: OSAI recommends the Pauls Valley Ambulance Service District No. 1 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 approved by the Board of County Commissioners.

Management Response:

Chairman of the Board: Management agrees City Council will act as the Board as required by the Oklahoma Constitution Article 10 Section 9c(p).

Criteria: The Oklahoma State 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

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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.”



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