

**AUDIT REPORT
SOUTHWEST OKLAHOMA
AMBULANCE AUTHORITY
FOR THE YEAR ENDED
JUNE 30, 2002**

This publication is printed and issued by the State Auditor and Inspector as authorized by Art. 10, § 9C of the Oklahoma Constitution. Pursuant to 74 O.S. § 3105, 25 copies have been prepared and distributed at a cost of \$41.75. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

March 27, 2003

TO THE CITIZENS OF
SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

Transmitted herewith is the audit of Southwest Oklahoma Ambulance Authority, for the fiscal year ended June 30, 2002. A report of this type is critical in nature; however, we do not intend to imply that our audit failed to disclose commendable features in the present accounting and operating procedures of the Southwest Oklahoma Ambulance Authority.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during the course of our audit.

The Office of the State Auditor and Inspector is committed to serve the public interest by providing independent oversight and to issue reports that serve as a management tool to the state to ensure a government which is accountable to the people of the State of Oklahoma.

Sincerely,

A handwritten signature in cursive script that reads "Jeff A. McMahen".

JEFF A. McMAHAN
State Auditor and Inspector

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

TABLE OF CONTENTS

Board Members	ii
Report of State Auditor and Inspector	1
Financial Statements	
Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - All Governmental Fund Types	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	5
Notes to the Financial Statements	6
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	11
Management Response	15

SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
BOARD MEMBERS
JUNE 30, 2002

CHAIRMAN

Robert Messenger

VICE-CHAIRMAN

Bobby Jefferson

SECRETARY/TREASURER

John Gallagher

MEMBERS

Jimmy Wright

Loyd Colson

DIRECTOR

Shelia Lewis



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

Independent Auditor's Report

TO THE BOARD OF DIRECTORS
OF THE SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

We have audited the accompanying financial statements of the Southwest Oklahoma Ambulance Authority, as of and for the year ended June 30, 2002, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

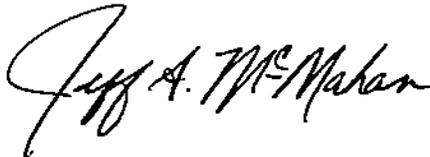
As discussed in Note 1F, the financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group is not known.

As discussed in Note 3B, the general-purpose financial statements referred to above do not include the accounts receivables for services, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded for accounts receivable for services is not known.

In our opinion, except for the effects of the omissions described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Oklahoma Ambulance Authority, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2003, on our consideration of Southwest Oklahoma Ambulance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahar". The signature is written in a cursive, flowing style.

JEFF A. McMAHAN
State Auditor and Inspector

February 19, 2003

Financial Statements

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
BALANCE SHEET
JUNE 30, 2002**

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash and investments	\$ 26,180
Ad valorem taxes receivable	445
Accrued interest receivable	<u>167</u>
Total assets	<u><u>\$ 26,792</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Warrants payable	\$ 31
Accounts payable	<u>246</u>
Total liabilities	<u>277</u>
Fund balance:	
Unreserved:	
Undesignated	<u>26,515</u>
Total fund balance	<u>26,515</u>
Total liabilities and fund balance	<u><u>\$ 26,792</u></u>

The notes to the financial statements are an integral part of this statement.

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	GENERAL FUND
Revenues:	
Ad valorem taxes	\$ 50,503
Charges for services	15,932
Miscellaneous revenues	4,913
Total revenues	71,348
Expenditures:	
Personal services	52,987
Maintenance and operations	29,567
Total expenditures	82,554
Excess revenue under expenditures	(11,206)
Beginning fund balance, as restated	37,721
Ending fund balance	\$ 26,515

The notes to the financial statements are an integral part of this statement.

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund		
	Budget	Actual	Variance
Beginning fund balances, budgetary basis	\$ 37,438	\$ 37,036	\$ (402)
Revenues:			
Ad valorem taxes	46,199	50,129	3,930
Charges for services	17,649	15,482	(2,167)
Miscellaneous revenues		5,460	5,460
Total revenue, budgetary basis	<u>63,848</u>	<u>71,071</u>	<u>7,223</u>
Expenditures:			
Personal services	55,087	52,698	2,389
Maintenance and operations	41,199	29,968	11,231
Capital outlay	5,000		5,000
Total expenditures, budgetary basis	<u>101,286</u>	<u>82,666</u>	<u>18,620</u>
Excess of revenues and beginning fund balances over expenditures, budgetary basis	<u>\$ -</u>	25,441	<u>\$ 25,441</u>
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances			
Add: Ad valorem receivable		445	
Accrued interest		167	
Adjustment to prior year reserved for encumbrances		<u>462</u>	
Ending fund balance		<u>\$ 26,515</u>	

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

1. Summary of Significant Accounting Policies

The financial statements of the Southwest Oklahoma Ambulance Authority (Authority) are required to be presented in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

A. Reporting Entity

The Authority is a governmental entity organized under the laws of the State of Oklahoma, and is not subject to federal or state income taxes. The Authority was created to provide ambulance service to all of the citizens.

The accompanying financial statements include all Authority funds, functions, and activities over which the Authority Board exercises significant influence. Significant influence or accountability is based primarily on the oversight exercised by the Authority Board. The Authority has no component units.

B. Basis of Presentation - Fund Accounting

Governmental entities use funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregation of transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Funds

Governmental funds are used to account for all or most of an Authority's general activities. The general fund is used to account for all activities of the Authority not accounted for in some other fund.

General Fund - The general fund accounts for all revenues and expenditures applicable to the general operations of the Authority.

General Fixed Assets Account Group (GFAAG)

Generally accepted accounting principles (GAAP) require that those fixed assets of a government entity not reported in a proprietary fund or in a trust fund be reported in a general fixed assets account group (GFAAG). It does not have a balance sheet as such, nor does it report operations.

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

Instead, the GFAAG serves as a list of the Authority's fixed assets and is designed to ensure accountability.

General Long-Term Debt Account Group (GLTDAG)

A general long-term debt account group (GLTDAG) is used to account for a government's unmatured long-term indebtedness that has not been identified as a specific fund liability of a proprietary or trust fund. In addition to general obligation debt instruments (e.g., bonds, notes, warrants), the GLTDAG is also used to report revenue bonds that will be repaid from general government resources, special assessment debt when the government is "obligated in some manner," special revenue bonds, and certain liabilities that are normally not expected to be liquidated with expendable available financial resources (e.g., capitalized lease-purchase obligations).

Account Groups are not presented because the Authority does not report long-term debt or fixed assets.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

The modified accrual basis of accounting is used for governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be quantified, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers property taxes as available if collected within 60 days after year-end. Expenditures are recorded when incurred, and the related fund liability is expected to be paid from available spendable resources.

Those revenues susceptible to accrual are property taxes and interest revenue.

D. Budgetary Policies and Procedures

The budget presented for the general fund includes the originally approved budgeted appropriations for expenditures as adjusted for supplemental appropriations and approved transfers between budget categories.

SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Summary of Significant Accounting Policies (continued)

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund. At the end of the year, unencumbered appropriations are lapsed. There were no encumbered appropriations at June 30, 2002.

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund presents comparisons of the legally adopted budget with actual data. The "actual" data, as presented in the comparison of budget and actual, will differ from the data as presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance because of adopting certain aspects of the modified accrual basis of accounting and the adjusting of encumbrances to their related budget year.

E. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with maturity date within three months of the date acquired by the Authority.

All funds were fully invested as of June 30, 2002. State statutes authorize the governmental entity to invest in obligations of the U.S. Treasury, certificates of deposit or savings accounts of banks, savings and loans, and trust companies if secured by acceptable collateral where the collateral has been deposited with a trustee or custodian bank.

F. General Fixed Assets

General fixed assets are not reported by the Authority, as required by accounting principles generally accepted in the United States of America, because the governmental entity does not maintain fixed assets listings.

G. Risk Management

The Authority is exposed to various risks of loss related to: torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority continues to carry commercial insurance for these types of risk. The Authority has worker's compensation insurance with CompSource Oklahoma. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage during the fiscal year 2002.

H. Compensated Absences

The Authority does not accrue any liability for future vacation benefits. Vacation benefits are earned by the employee during the year and may be accumulated up to 30 days. In management's

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002**

Summary of Significant Accounting Policies (continued)

opinion, the amount of accumulated unpaid vacation benefits is not material to the financial statements for the fiscal year ending June 30, 2002.

2. Stewardship, Compliance, and Accountability

Budgetary Compliance

On or before June 1 of each year, a budget for each fund, as required by the Board, shall be completed. The budget is approved by fund and object. The Authority Board may approve changes of appropriations within the fund by object. To increase or decrease the budget by fund requires approval by the Excise Board.

3. Detailed Notes on Account Balances

A. Deposits

At year-end, the carrying amount of the Authority's deposits was \$26,180 and the bank balance was \$26,211. Of the bank balance, all funds were covered by federal depository insurance.

B. Receivables

The Authority receives ad valorem tax from the County's ad valorem tax collections.

The property tax is levied each October 1 on the assessed value listed as of January 1 of the same year for all real and personal property located in the County, except certain exempt property. Assessed values are established by the County Assessor within the prescribed guidelines established by the Oklahoma Tax Commission and the State Equalization Board.

Article X, § 9C of the Oklahoma Constitution authorized the formation of EMS districts and authorized a tax levy not to exceed three (3) mills for the purpose of providing funds to support, organize, operate, and maintain district EMS. County voters approved a three (3) mill levy to support the operations of the Authority. Property taxes are considered currently receivable if collected within 60 days.

The assessed property value as of January 1, 2001, was approximately \$17,309,537, net of homestead exemptions.

Taxes are due on November 1 following the levy date, although they may be paid in two equal installments. If the first half is paid prior to January 1, the second half is not delinquent until April 1. Unpaid real property taxes become a lien upon said property on October 1 of each year. Unpaid delinquent personal property taxes are published usually in May. If the taxes are not paid within 30 days from publication, they shall be placed on the personal tax lien docket.

SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

Detailed Notes on Account Balances (continued)

Tax collections for the year ended June 30, 2002, were approximately 99 percent of the tax levy.

The Authority did not maintain accounts receivable for ambulance charges for the fiscal year 2002. The amount of accounts receivable and any allowance for doubtful accounts for the fiscal year 2002 cannot be determined.

4. Restatement of Beginning Fund Balance

	General Fund
Beginning fund balance July 1, 2001	\$ 59,667
Deduct accounts receivable (net of allowance for doubtful accounts)	<u>(21,946)</u>
Beginning fund balance, as restated	<u><u>37,721</u></u>

The beginning fund balance was restated to remove the unsubstantiated amount of charges for services recorded at June 30, 2001.

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***



STATE OF OKLAHOMA
OFFICE OF THE AUDITOR AND INSPECTOR

JEFF A. McMAHAN
State Auditor and Inspector

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

TO THE OFFICERS OF
SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

We have audited the financial statements of Southwest Oklahoma Ambulance Authority, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 19, 2003. We qualified our opinion because the general fixed assets and the accounts receivable for services were not included in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Southwest Oklahoma Ambulance Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Oklahoma Ambulance Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described below.

Finding 1996-1 – Segregation of Duties

Criteria: Good internal controls dictate that the most effective controls lie in management's knowledge of Authority operations and a periodic review of operations.

Condition: The limited number of office personnel within the Authority prevents a proper segregation of accounting functions, which is necessary to assure adequate internal control structure.

Recommendation: We recommend management be aware of this condition and realize the concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in management's knowledge of Authority operations and a periodic review of operations.

Finding 1998-1 – Fixed Assets

Criteria: Good internal controls dictate that the Authority maintain a continuous updated inventory record of all equipment.

Condition: Inventory records for the Authority are not kept up to date, indicating date acquired, description with serial number if applicable, and historical cost.

Recommendation: We recommend the Authority update the fixed assets inventory records to provide proper controls over fixed assets.

Finding 2002-1 – Accounts Receivable

Criteria: Good internal controls dictate that a detailed record of accounts receivable be maintained, which includes the run date, the charge for service and date that payments are made.

Condition: The Authority did not have adequate records of service runs, payments on accounts and allowances for doubtful accounts. The amounts written off as uncollectable were informally documented and did not receive formal Board approval.

Based on records maintained by the Authority, we were unable to determine the amount of accounts receivable that should be recorded net of allowance for doubtful accounts.

Recommendation: We recommend the Authority's Board take immediate action to obtain current and accurate records of accounts receivable detailing the accounts receivable for each service run, date of run, amount to be collected, amount and date of each collection and reference to any adjustments due to Medicare, Medicaid, or private insurance payments. Additionally, we recommend the Board promptly and formally act on any doubtful accounts by documenting their action in the monthly Board meeting minutes.

Finding 2002-2 - Purchasing

Criteria: Good internal controls dictate that adequate documentation be attached to purchase orders such as invoices for proper expenditure of Authority funds. Additionally, expenditures of the Authority paid with ad valorem taxes should be for the direct support of the Authority.

Condition: A sample of 22 purchase orders were selected from a population of 241 checks issued during the fiscal year. The following 5 exceptions were noted:

Purchase order 4468 for \$85.54 paid on 2-12-02 to United Super Markets was for Christmas hams for employees. The account charged was for supplies.

Purchase order 4538 for \$365.00 was paid on 6-11-02 to Carl and Carmen's Creations. The invoice did not indicate the purpose of the purchase, however, Authority personnel indicated that trophies were purchased for a tractor pull held to raise funds for the hospital and Authority. The account charged was for supplies.

Purchase order 4541 for \$111.39 was paid on 6-11-02 to Harmon Memorial Hospital for brisket. The invoice indicated that the brisket was for EMS Day. Additionally, the total of the invoice was for \$144.25 less a donation of \$32.86.

Purchase order 4486 for \$268.68 issued on 3-12-02 was for fuel to the Harmon Co-Op. The invoice indicated that \$1.94 was charged as a late fee because the Authority did not pay the invoice in a timely manner.

Additionally, the Authority paid a late charge of \$2.84 on fuel charges of \$293 paid to Harmon Co-Op on purchase order 4362 paid 9-11-01.

Recommendation: We recommend the Authority Board expend funds of the ad valorem based fund for operational expenses of the Authority. Additionally, there is no provision for employees to receive bonuses or for the Authority to pay late charges.

Finding 2002-3 – Cash/Revenue--Receipts

Criteria: Good internal controls dictate that cash receipts be marked as to check, cash, or money order when received and receipts are written.

Condition: The Authority did not mark receipts as to mode of payment, i.e. check, cash, or money order.

Effect: To better document records.

Recommendation: We recommend the Authority administrator document the mode of payment, i.e. check, cash, or money order to more clearly identify type of payment being made.

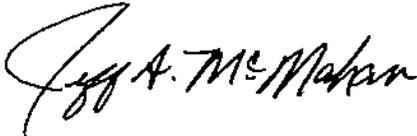
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1996-1, 1998-1, and 2002-1 to be material weaknesses.

The American Institute of Certified Public Accountants' Statement on Auditing Standards No. 87 requires the inclusion of the following paragraph in this report:

This report is intended solely for the information and use of the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

However, the Oklahoma Open Records Act states that all records of public bodies and public officials shall be open to any person, except as specifically exempted. The purpose of this Act is to ensure and facilitate the public's right of access to and review of government records so they may efficiently and intelligently exercise their inherent political power. Therefore, this report is a matter of public record and its distribution is in no way limited or restricted.

Sincerely,

A handwritten signature in black ink that reads "Jeff A. McMahán". The signature is written in a cursive style with a large, stylized initial "J".

JEFF A. McMAHAN
State Auditor and Inspector

February 19, 2003

Management Response

Southwest Oklahoma Ambulance Authority

P.O. Box 88

Hollis, Oklahoma 73550

Phone 580-688-2289

Fax 580-688-2246

Sheila Lewis, Director

March 18, 2003

Sherri Merle
Weatherford District Manager
State Auditor's Office
1401 Lera, Suite 9.
Weatherford, Oklahoma 73906

Dear Sherri:

I'm writing in response to the comments and recommendation that were made following our audit.

Finding 1996-1 Segregation of Duties

We do not have enough full time employees to segregate the accounting functions of the service and the Board is aware of this problem. Our options include hiring additional office personnel or to outsource our billing. Our Director has visited with Life EMS Billing Service and feels that this is a good solution to our problem. However, they can not meet with the Board until April 4, 2003 and at that time a decision will be made.

Finding 1998-1 Fixed Asset

Our list of fixed assets has been updated as of 3-17-03, which will be enclosed with this letter.

Finding 2002- 1 Accounts Receivable

We are in the process of reviewing our accounts receivable list. Private pay accounts from 1999 up to July 2002, that have had no payment activity will be presented to the Board to be written off. Medicare and Medicaid denials from 2001 to present will be reviewed. The Board will decide which accounts are workable and these will be turned over to Life EMS Billing Service if the Board votes to outsource our billing. If there are any denials for 2000 that Life EMS feel that are collectable these will also be turned over to them. Delinquent accounts will be presented to the Board on a monthly basis for review and action.

Continued on page two

Page 2

Finding 2002- 2 Purchasing

The EMS has two accounts established at GPNB in Hollis, Oklahoma. One is for operational expenses, which is made up of revenue from ad valorem money and other reimbursements. The second account, EMS Special, is made up of donations. This account will be used to pay for expenses for EMS Day activities.

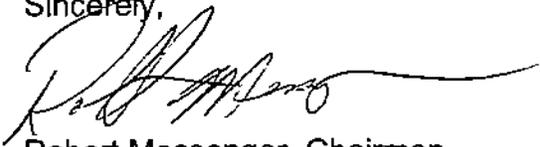
Our accountant has been informed of the fact that we can not pay late charges or overdraft charges with the ad valorem funds. He will watch this more closely in the future.

The Board is also aware that employees are not to be given bonuses from the general fund.

The mode of payment will be documented in the cash receipt book to identify the type of payment being made.

Thank you for all your help.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Messenger", with a long horizontal flourish extending to the right.

Robert Messenger, Chairman
Southwest Oklahoma Ambulance Authority