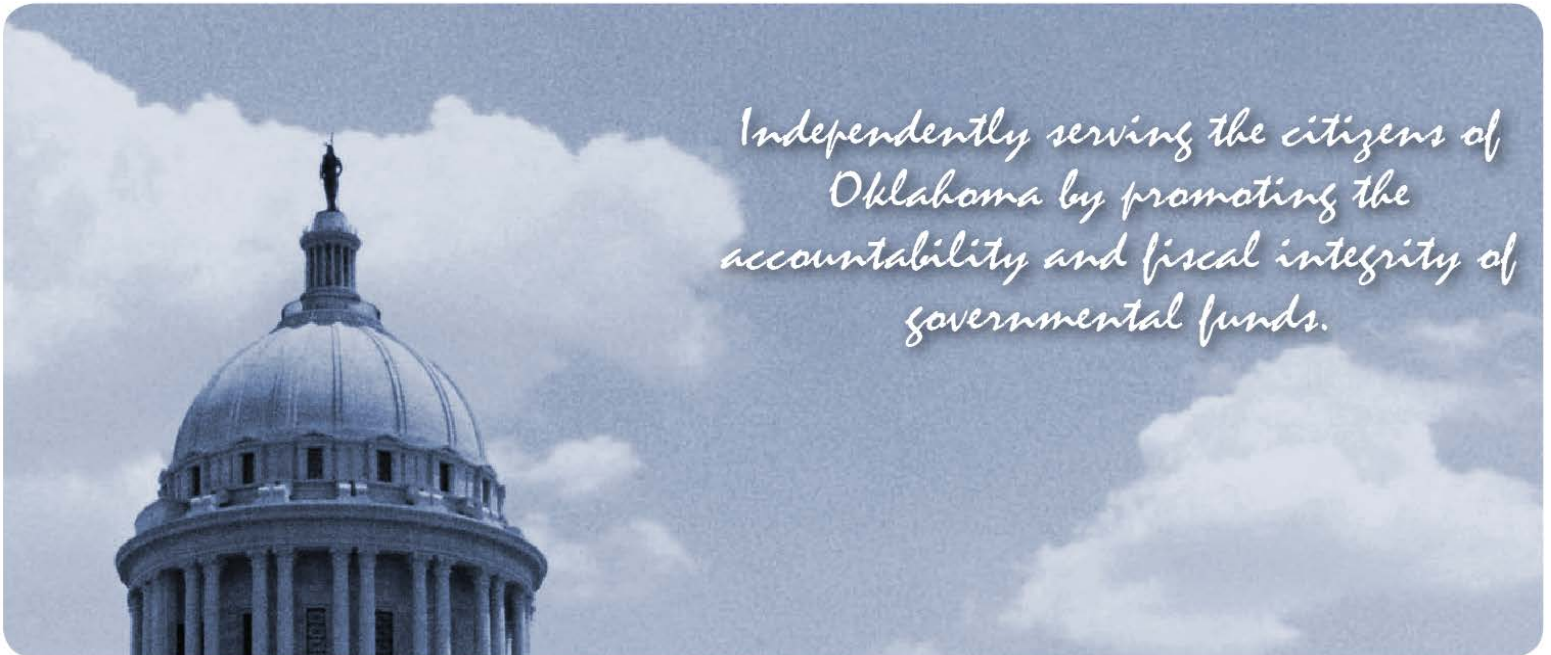


STATUTORY REPORT

SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

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

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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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

February 27, 2018

**TO THE BOARD OF DIRECTORS OF THE
SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY**

Transmitted herewith is the audit report of South West Oklahoma Ambulance Authority 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 style.

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

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2017

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 192,419
Collections	
Ad Valorem Tax	61,477
Charges for Services	100,575
Miscellaneous	<u>5,368</u>
Total Collections	<u>167,420</u>
Disbursements	
Personal Services	100,126
Maintenance and Operations	64,548
Capital Outlay	<u>628</u>
Total Disbursements	<u>165,302</u>
Ending Cash Balance, June 30	<u>\$ 194,537</u>

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



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Southwest Oklahoma Ambulance Authority
P.O. Box 88
Hollis, Oklahoma 73550

TO THE BOARD OF DIRECTORS OF THE SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

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 Authority's collections, disbursements, and cash balances for FY 2017 were accurately presented on the estimate of needs.

All information included in the records of the Authority is the representation of the Southwest Oklahoma Ambulance Authority.

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 Southwest Oklahoma Ambulance Authority.

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 Southwest Oklahoma Ambulance Authority. 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

December 15, 2017

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE PERIOD ENDED JUNE 30, 2017**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2017-01 – Inadequate Internal Controls Over the Collection and Reconciliation Processes (Repeat Finding)

Condition: Upon inquiry and observation of the collection and reconciliation process of Southwest Oklahoma Ambulance Authority (the Authority), the following internal control weaknesses were noted:

- One employee issued receipts, prepared the deposit, and deposited with the bank.
- Written receipts were dated with the check date, rather than the date the payment was received.
- A monthly reconciliation was performed by the Bookkeeper for the Authority; however, there was no evidence that the reconciliation was reviewed by the Director or the Board.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the collection process and the review of the monthly reconciliation.

Effect of Condition: A single person having responsibility for more than one area of recording, authorization, custody of assets and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

Recommendation: The Oklahoma State Auditor & Inspector's Office (OSAI) recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in management's oversight of office operations and a periodic review of operations. OSAI recommends the Board provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having the Board review and approve accounting functions.

Management Response:

Chairman of the Board: The Director will initial all bank deposits. The Office Manager will date all receipts for the date that the check or EOB was received and note the direct deposit date or check date on the receipt. The Director or Office Manager will reconcile the bank statement and initial it. The Board will review the bank reconciliation and compare it with the monthly financials sent by the Bookkeeper. Policies will be written concerning the collection process and review of monthly reconciliation and submitted to the Board for approval.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. 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. To help ensure a

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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proper accounting of funds, the duties of receiving, receipting, recording, and depositing funds should be segregated and someone other than the preparer should provide evidence of a review of the reconciliation.

Finding 2017-02 – Inadequate Internal Controls Over the Disbursement Process (Repeat Finding)

Condition: Based upon inquiry of the Authority staff, and observation of thirty (30) randomly selected disbursements, we noted the following weaknesses regarding the disbursement process:

- The duties of preparing the purchase order, preparing the check, posting disbursements to accounting records, and reconciling monthly bank statements were performed by the Authority's Bookkeeper without evidence of review by the Board.
- Disbursements did not have any indication that goods and/or services had been received (i.e., receiving report, signature, etc.).

Additionally, the Authority issued safety awards totaling \$1,400.00 in December 2016; however, the Authority has not developed a written policy for issuing safety awards to employees.

Cause of Condition: Policies and procedures have not been designed and implemented over internal controls regarding the disbursement process to ensure adequate internal controls over the disbursement of funds.

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

Recommendation: OSAI recommends the Board be aware of these conditions and realize that concentration of duties and responsibilities in a limited number of individuals is not desired from a control point of view. The most effective controls lie in the Board's oversight of office operations and a periodic review of operations. OSAI recommends the Authority implement a system of internal controls to ensure all items received are reviewed for accuracy. Furthermore, OSAI recommends the Board develop a written policy for the safety awards.

Management Response:

Chairman of the Board: The Office Manager will initial goods received and will create a binder with folders for the packing slips. The Board will sign the monthly reconciliation statements and financial records provided by the Bookkeeper. The Board will discuss the safety award program to determine how best to implement a policy.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. Internal controls should be established to analyze and check accuracy, completeness, authorization, and validity of transactions, including evidence of receiving goods or services.

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Finding 2017-04 – Inadequate Internal Controls Over the Payroll Process (Repeat Finding)

Condition: Based upon inquiry, observation, and a review of Authority payroll documents, the following exception was noted:

- The Director did not complete timesheets for the audit period.

Cause of Condition: Policies and procedures have not been designed and implemented to provide reasonable assurance that payroll disbursements are properly recorded in the accounting records.

Effect of Condition: This condition could result in inaccurate records, incomplete information, or misappropriation of assets.

Recommendation: OSAI recommends the Authority ensure all employees prepare a timesheet, and that each timesheet is verified by the employee and supervisor for accuracy.

Management Response:

Chairman of the Board: An agreement will be presented to the Board in the December 2017 meeting, for approval regarding the office manager and Director’s duties and salary beginning in January 2018. After Board approval, the office manager and Director will prepare a charge sheet monthly to present to the Board for approval. The Director will prepare a timesheet and have it signed by the Chairman of the Board, employees will be required to sign and date their timesheets.

Criteria: Accountability and stewardship are overall goals of the Board in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the entity’s objectives with regard to the reliability of financial reporting. An important aspect of internal controls is to ensure timekeeping records are accurately prepared to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Finding 2017-05 - Inadequate Internal Controls Over Fixed Assets Inventory

Condition: Upon inquiry of the Authority staff and observation of fixed assets inventory records, the following weaknesses were noted:

- One individual orders fixed assets, receives fixed assets, and maintains fixed assets records.
- An annual review and physical verification of fixed assets inventory was not adequately documented.
- The fixed assets inventory listing does not include serial numbers and/or vin numbers.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure inventory is properly accounted for, maintained, and updated through a periodic review by the Authority.

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

Recommendation: OSAI recommends annual physical fixed assets inventory verification be performed by someone other than the individual maintaining inventory records to ensure accurate records are properly maintained, updated and documented.

Management Response:

Chairman of the Board: The Director and Office Manager will implement the use of a spreadsheet for fixed assets and attach stickers to property. The spreadsheet will include all new and obsolete equipment and be verified annually.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

Finding 2017-6 - Inadequate Internal Controls Over Patient Account Billing Statements (Repeat Finding)

Condition: The Authority contracts with a third-party billing company to prepare and send the billing statements for the Authority's ambulance runs. The Authority obtains statements that document the total amount billed, paid and total receivable. The Authority receives an Estimate of Benefits Sheet (EOB) from the third-party billing company that details the patient charges, receipts and patient balance; however, this statement is not accurate and is outdated before it is received by the Authority. Additionally, the software that the billing company uses does not allow the Authority to access a patient account by name or account number; therefore, the following exceptions were noted:

- Receipts could not be traced to patient files to verify payment.
- Although our tests reflected old account balances, evidence of individual account balances being written off was not maintained and Board Minutes did not reflect uncollectible debt to be written off.
- There was no evidence that patient account balances were reviewed by the Board to determine if accounts should be sent to a collection agency to pursue payment.

The test of thirty (30) ambulance runs and patient account records reflected the following exceptions:

- Five (5) ambulance run sheets were not located by the third-party billing company.
- Eleven (11) patient accounts had balances that did not appear to be reviewed by the Board for further attempts to collect on outstanding balances.

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- Two (2) patient files did not have activity for payments or amounts written off posted by the third-party billing company.
 - Account 17-101 dated April 06, 2017.
 - Account 16-219 dated September 6, 2016.

Cause of Condition: The Authority has not designed and implemented policies and procedures to ensure that proper accounting records are maintained to determine patient accounts are reviewed for collections and/or amounts written off by the Board. Further, policies and procedures have not been designed and implemented to provide assurance the amounts received for patient accounts are posted to patient accounts so that the Authority can communicate with customers.

Cause of Condition: The Authority has not designed and implemented policies and procedures to ensure that proper accounting records are maintained to determine patient accounts are reviewed for collections and/or amounts written off by the Board. Further, policies and procedures have not been designed and implemented to provide assurance the amounts received for patient accounts are posted to patient accounts so that the Authority can communicate with customers.

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

Recommendation: OSAI recommends that the Authority obtain monthly patient account statements which reflect amounts billed, paid, and ending balances of individual patient accounts and review those statements for propriety. Further, we recommend evidence of the amounts to be written off and/or sent to the collection agency is documented for Board approval in the Board minutes.

Management Response:

Board Chairman: The Director and Office Manager will work with the third-party billing company to receive current and accurate billing information monthly. Past due balances will be presented to the Board twice yearly for review on whether to send the balance to an outside collection agency or to write the balance off.

Criteria: An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of errors or misappropriation for amounts billed, paid, and ending balances of individual patient accounts.

Finding 2017-07 – Inadequate Internal Controls and Noncompliance Over the Establishment of the Board

Condition: Upon review of the creation documents for Southwest Oklahoma Ambulance Authority, the following was noted:

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- The citizens of Harmon County approved the creation of an Ambulance Service District on November 2, 1982; however, an Ambulance Service District Board was not appointed by the Harmon County Board of County Commissioners as required by Oklahoma Constitution Article 10 § 9(c).
- An Estimate of Needs for the Ambulance Service District has not been prepared.
- A service provider contract between the Ambulance Service District and the Southwest Oklahoma Ambulance Authority has not been prepared.
- Ad valorem taxes collected for the benefit of the Ambulance Service District are remitted directly to Southwest Oklahoma Ambulance Authority, instead of the Ambulance Service District.

Cause of Condition: The Ambulance Service District for Harmon County, was not established in accordance with the Oklahoma Constitution.

Effect of Condition: These conditions resulted in a violation of the Oklahoma Constitution Article 10 § 9C.

Recommendation: OSAI recommends the Harmon County Board of County Commissioners appoint Board members to an Ambulance Service District, the District should prepare and approve an Estimate of Needs each fiscal year, the District Board contract with a service provider (the Authority), and ad valorem tax collections be remitted to the Ambulance Service District to comply with the Oklahoma Constitution Article 10 § 9C.

Management Response:

Chairman of the Board: The Harmon Board of County Commissioners is preparing a resolution to create an Emergency Medical Service District Board and to change SWOKAA to Harmon County Emergency Medical Service. The Board will be appointed by the Harmon Board of County Commissioners and comply with applicable laws with the with regards to the Oklahoma Constitution.

Criteria: Oklahoma Constitution Article 10 § 9C(a) states in part,

“The board of county commissioners, or boards if more than one county is involved, may call a special election to determine whether or not an ambulance service district shall be formed. An election shall also be called by the board or boards involved upon petition signed by not less than ten percent (10%) of the registered voters of the area affected. Said area may embrace a county, a part thereof, or more than one county or parts thereof, and in the event the area covers only a part or parts of one or more counties, the area must follow school district boundary lines. All registered voters in such area shall be entitled to vote, as to whether or not such district shall be formed, and at the same time and in the same question authorize a tax levy not to exceed three (3) mills for the purpose of providing funds for the purpose of support, organization, operation and maintenance of district ambulance services, known as emergency medical service districts and hereinafter referred to as "districts." If the formation of the district and the mill levy is approved by a majority of the votes cast, a special annual recurring ad valorem tax levy of not more than three (3) mills on the dollar of the assessed valuation of all taxable property in the district shall be levied. The number of mills shall be set forth in the election proclamation, and may be

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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increased in a later election, not to exceed a total levy of three (3) mills. This special levy shall be in addition to all other levies and when authorized shall be made each fiscal year thereafter.

Each district which is herein authorized, or established, shall have a board of trustees composed of not less than five members. Such trustees shall be chosen jointly by the board or boards of county commissioners, provided that such membership shall be composed of not less than one individual from each county or part thereof which is included in said district. ...”

Finding 2017-08 - Inadequate Internal Controls and Noncompliance Over the Estimate of Needs and District Financial Statements (Repeat Finding)

Condition: Based on inquiry of the District staff and review of the District’s cash balances, financial statements and Estimate of Needs (EON) for the fiscal year, the following variances were noted:

- Ad valorem tax collections were reported as \$66,092.06 on the EON. This amount does not agree to the ad valorem tax remitted to the Authority by the County Treasurer as reported as \$61,477.00.
- The beginning cash balance, as reported in the 2017 EON of \$187,346.32, does not agree to the ending cash balance as reported in the 2016 EON of \$182,001.18, resulting in a variance of \$5,345.04.

Further, there is no independent oversight of the accuracy of collections, disbursements, and cash balances on the Estimate of Needs by the Administrator or the Authority Board.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure that the EON is accurately completed and reconciles to the Authority’s financial records in compliance with 19 O.S. § 1702.

Effect of Condition: These conditions resulted in noncompliance with state statute and the Authority presenting inaccurate financial records with incomplete information. Further, these conditions could result in misappropriation of assets.

Recommendation: OSAI recommends the Authority implement a system of internal controls to provide reasonable assurance that collections, disbursements, and cash balances are accurately presented on the Authority’s Estimate of Needs to ensure compliance with 19 O.S. § 1702.

Management Response:

Board Chairman: The Chairman of the Board will present a proposal at the next Board meeting to possibly make changes regarding the preparation of the Estimate of Needs.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. Effective internal controls are essential to provide reasonable assurance about the achievement of the

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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entity's objectives regarding reliability of financial reporting and compliance with applicable laws and regulations.

Title 19 O.S. § 1702 states in part, "The purpose of this act is to provide a budget procedure for emergency medical service districts which shall:

3. Make available to the public and investor's sufficient information as to the financial conditions, requirement of expectations of the District..."



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