



SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

Statutory Report

For the fiscal year ended June 30, 2019

Cindy Byrd, CPA
State Auditor & Inspector

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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January 21, 2022

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

Transmitted herewith is the audit report of Southwest Oklahoma Ambulance Authority for the fiscal year ended June 30, 2019.

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,



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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Presentation of Collections, Disbursements, and Cash Balances of Authority Funds for FY 2019

	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ 190,863
Collections	
Ad Valorem Tax	59,852
Charges for Services	87,177
Miscellaneous	450
Total Collections	<u>147,479</u>
Disbursements	
Personal Services	100,433
Maintenance and Operations	99,490
Capital Outlay	6,500
Total Disbursements	<u>206,423</u>
Ending Cash Balance, June 30	<u>\$ 131,919</u>

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

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 charges for services were billed and collected in accordance with Authority Policies.
- 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 for the fiscal year ended June 30, 2019 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 and 61 O.S. §101-139.
- 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 the fiscal year ended June 30, 2019 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.



CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

December 7, 2021

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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2019-002 – Lack of Internal Controls Over the Billing and Collection Processes and Noncompliance Over the Daily Depositing of the Ad Valorem Taxes (Repeat Finding)

Condition: Upon inquiry of Southwest Oklahoma Ambulance Authority (the Authority) employees, observation of the billing and collection processes and a test of thirty-four (34) ambulance service runs, the following exceptions were noted:

Ambulance Service Run Billing and Collection Processes:

The Authority does not have access to the third-party billing company software to determine the status of patient accounts by name or account number; therefore, the following exceptions were noted:

- There was no evidence that patient account balances were reviewed by the employees or the Board to determine the following:
 - the patient account should be sent to a collection agency for possible payment, or
 - the patient account balances are current and accurately billed.
- In seven (7) instances, the third-party billing company did not provide a record of an ambulance service run; therefore, it could not be determined if the ambulance run had been billed correctly.
- After a review of Board Minutes, we noted that the Board did not provide evidence of review or approval of delinquent accounts or amounts to be written-off as uncollectable.

Further, an analysis of the total amount billed for ambulance service runs, the amount collected for ambulance service runs, and the accounts receivable for patient accounts could not be performed due to the third-party billing company not providing this information to the Board for review and approval at monthly meetings or for the fiscal year.

Ad Valorem Tax Deposits:

The verification of twelve (12) ad valorem tax deposits reflected the following exceptions:

- Eight (8) instances were noted, in which the ad valorem tax remittance was deposited eight (8) to twelve (12) days after the date it was issued by the Harmon County Treasurer.

Cause of Condition: Policies and procedures have not been designed and implemented to monitor the accounting for billing ambulance service runs and collection of patient accounts, accounts receivable and accounts to be written-off as uncollectable. Additionally, procedures are not in place to ensure timely depositing of ad valorem tax received by the Authority.

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

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Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends that the Authority employees obtain monthly patient account reports from the third-party billing service, which reflect the ambulance service runs billed, amounts collected, and ending balances of patient accounts receivable. Further, OSAI recommends the Authority employees review delinquent patient accounts receivable to provide the Board evidence for determination of action to be taken on delinquent accounts including sending those accounts to a collection agency or writing off accounts as uncollectable.

Additionally, OSAI recommends the Board fully design and implement policies and procedures to ensure evidence of the review and approval of the ambulance service runs billed, patient account collections, accounts receivable and delinquent accounts.

Further, OSAI recommends the Board develop policies and procedures to ensure ad valorem tax remittances are deposited daily in accordance with 62 O.S. § 517.3 B.

Management Response:

Director: We will reach out to the third-party billing company Director and request monthly billing and collection reports that include accounts receivable for patient accounts. If the billing company is unable to provide this information, we will search for another third-party billing company. In the absence of the Authority Director, the other administrative employee will make the deposits on a timely basis.

Chairman of the Board: The Authority is working with the third-party billing company contact person concerning a method to track our accounts receivable and patient accounts. We have requested access to the patients accounts to print reports for the Board’s review. If the attempt to rectify these issues is not resolved, the Board will search for another third-party billing company to provide these reports and facilitate communication with the third-party billing company.

Criteria: The United States Government Accountability Office’s *Standards for Internal Control in the Federal Government* (2014 version) aided in guiding our assessments and conclusion. Although this publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as a framework for an internal control system for state, local, and quasi-governmental entities.

The GAO Standards – Principle 10 – Design Control Activities – 10.03 states in part:

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Appropriate documentation of transactions and internal control

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

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The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

The GAO Standards – Principle 12 – Internal Control Activities – 12.04 states in part:

Documentation of Responsibilities through Policies

Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

The GAO Standards – Principle 13 – Use Quality Information – 13.04 states in part:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

Title 62 O.S. § 517.3 B states in part, “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office ...”

Finding 2019-003 – Lack of Internal Controls and Noncompliance Over the Estimate of Needs and Financial Statement

Condition: Based on inquiry of the Authority employees and review of the Estimate of Needs (EON) and Financial Statement, the following exceptions were noted:

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- There is no evidence of independent oversight of the accuracy and completeness of the EON and Financial Statement by the Authority employees or the Authority Board.
- Ad valorem taxes reported on the EON did not agree to the ad valorem tax remittances received from the Harmon County Treasurer or ad valorem tax deposits made with the bank.

Ad Valorem Tax Received	Ad Valorem Tax Reported on EON	Variance November Ad Valorem Tax
\$68,708	\$59,852	\$ (8,856)

- The EON reflected checks issued exceeded the appropriations for the maintenance and operations expenditure category.

Warrants Issued	Budgeted Amount Approved for EON	Unencumbered Balance (Overspent)
\$97,371	\$60,807	\$ (36,564)

- The EON reflected checks issued exceeded the appropriations for the capital outlay expenditure category.

Warrants Issued	Budgeted Amount Approved for EON	Unencumbered Balance (Overspent)
\$6,500	\$5,000	\$ (1,500)

- The EON reflected the net appropriations for the audit expense account were not reported as approved by the Authority Board or the County Excise Board.

Net Appropriations	Warrants Issued	Needs as Estimated by Governing Board	Approved by County Excise Board
\$7,900	\$ -0-	\$ -0-	\$ -0-

Cause of Condition: Policies and procedures have not been designed and implemented regarding the preparation and approval of complete and accurate financial information as reported on the EON and Financial Statement.

Effect of Condition: These conditions resulted in noncompliance with state statutes, an incomplete and incorrect EON, and the Financial Statement being approved by the Authority Board.

Recommendation: OSAI recommends Authority employees review the EON and Financial Statement prior to submitting it to the Authority Board for approval to ensure that financial information is complete and accurately presented in the format in compliance with state statutes.

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Management Response:

Director: Due to the sudden death of our accountant, we are working to hire a new accountant to prepare monthly financial reports, payroll checks and disbursements. We are also actively seeking an accountant to submit our Estimate of Needs and Financial Statement to the Board in a timely and accurate manner.

Chairman of the Board: The Board is planning on hiring an accountant that will prepare and submit the Estimate of Needs and Financial Statement in a timely and complete manner. Further, the Board plans to hire an accountant that will prepare monthly financial reports, payroll checks and related disbursement checks for the Board’s review and approval at monthly meetings.

Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.23 states in part:

Compliance Objectives

Management conducts activities in accordance with applicable laws and regulations. As part of specifying compliance objectives, the entity determines which laws and regulations apply to the entity. Management is expected to set objectives that incorporate these requirements.

The GAO Standards – Principal 13 – Use Quality Information– 13.04 states the following:

Relevant Data from Reliable Sources

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability.

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

1. Establish uniform and sound fiscal procedures for the preparation, adoption, execution and control of budgets.
2. Enable districts to make financial plans for both current and capital expenditures and to ensure that their directors administer their respective functions in accordance with adopted budgets.
3. Make available to the public and investors sufficient information as to the financial conditions, requirements and expectations of the district; and
4. Assist districts to improve and implement generally accepted accounting principles as applied to governmental accounting, auditing and financial reporting and standards of governmental finance management.”

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Additionally, 19 O.S. § 1709 states in part,

“A. ...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.”

Further, 19 O.S. § 1722 states, “For the purpose of carrying into effect the provisions of this act, and for its proper administration, the State Auditor and Inspector is hereby empowered to promulgate and enforce such rules and regulations as may be necessary but not inconsistent herewith, and he shall prescribe all the forms of whatsoever nature referred to in this act including but not necessarily limited to budget forms, supporting schedule forms and all other accounting stationery required, desired or needed under the provisions of this act.”

O·K·L·A·H·O·M·A
S·A·I
STATE AUDITOR & INSPECTOR



Cindy Byrd, CPA | State Auditor & Inspector

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