



SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY

Statutory Report

For the fiscal year ended June 30, 2018

Cindy Byrd, CPA
State Auditor & Inspector

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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June 22, 2020

**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, 2018.

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 "Cindy Byrd".

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR



**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2018

	<u>FY 2018</u>
Beginning Cash Balance, July 1	\$ 194,537
Collections	
Ad Valorem Tax	69,255
Charges for Services	109,254
Miscellaneous	388
Total Collections	<u>178,897</u>
Disbursements	
Personal Services	101,717
Maintenance and Operations	74,585
Audit Expense	6,269
Total Disbursements	<u>182,571</u>
Ending Cash Balance, June 30	<u>\$ 190,863</u>

Source: District 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 District 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, 2018 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 compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2018 were accurately presented on the estimate of needs.

All information included in the records of the District 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

October 15, 2019

**SOUTHWEST OKLAHOMA AMBULANCE AUTHORITY
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2018-001 – Internal Controls Over the Collections and Reconciliation Processes (Repeat Finding)

Condition: The Southwest Oklahoma Ambulance Authority (the Authority) has designed and implemented some mitigating controls to segregate the duties of the collections and reconciliation processes; however, a lack of segregation of duties continues to be a concern.

- The office manager issues receipts, prepares deposits, and delivers the deposits to the bank.
- Policies and procedures do not identify the employee by job description to ensure duties are properly segregated.
- Evidence of the Board’s review and approval of bank statement reconciliations as prepared by the bookkeeper was not documented.

Further, Board minutes stated the monthly financial statements were reviewed and approved by the Board; however, the financial statements as prepared by the bookkeeper could not be reconciled to bank statement activity for the fiscal year.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the duties of the collections and reconciliation processes, including providing evidence of a review process by the Board members to ensure funds are accurately reported.

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. Additionally, this condition could result in the Authority having inaccurate records, incomplete information, and/or the loss of revenue.

Recommendation: The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the Authority Board be aware of these conditions and realize that a 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 Authority Board’s oversight of office operations and a periodic review of operations. OSAI recommends the Authority Board provide segregation of duties so that no one can perform all accounting functions. Mitigating controls would include evidence of the review of the monthly report by the Authority Board members and separating the duties of receiving the mail and depositing the funds in the bank.

Management Response:

Chairman of the Board: The Board has directed the office staff to segregate duties in the following manner:

- The mail is delivered to the Director each day.

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- If there are accounts receivable payments in the mail, the Director will make a deposit slip and date the payment the day it is received on the EOB.
- The deposit slip and EOB are then given to the office manager.
- The office manager will check the deposit slip and initial it.
- The office manager will complete a receipt and post the receipt number on the EOB.
- If the payment is from a secondary insurance provider, the office manager will reference the primary insurance payment.
- The office manager will then deposit the payment and scan the deposit and EOB to the billing service provider.
- The Board will review and approve monthly bank statement reconciliations and financial statement information.

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:

Segregation of Duties

Management divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.

Additionally, Principle 10 - Segregation of Duties states:

10.12–Management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk.

10.13 – Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

10.14 – If segregation of duties is not practical within an operational process because of limited personnel or other factors, management designs alternative control activities to address the risk of fraud, waste, or abuse in the operational process.

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Finding 2018-002 – Internal Controls Over the Year End Cash Bonuses

Condition: Based upon review of bank statements and the financial statements prepared by the bookkeeper, the Authority issued a handwritten check to “Cash” in the amount of \$1,300.00. The “Cash” was used to pay “Year End Bonuses” to the employees. The following exceptions were noted:

- The handwritten check was issued from the EMS Special bank account, check #1031 dated December 4, 2017, and signed by the Director, outside of the Board’s open meeting.
- A written policy for year-end bonuses was not designed and implemented at the time the cash bonuses were provided to the employees.
- The bonuses were not included in W-2 wages for 2017.

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

Effect of Condition: This condition could result in misstated financial reports, undetected errors, or misappropriation of funds.

Recommendation: OSAI recommends the Authority Board be aware of these conditions and realize that a 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 Authority Board’s oversight and a periodic review of operations. OSAI also recommends that the Authority implement a system of internal controls to ensure all compensation issued to employees is taxable and is reported accurately. Furthermore, OSAI recommends the Board develop a written policy for compensation paid to employees as bonuses.

Management Response:

Board Chairman: The Authority has two bank accounts at the local bank. One is the general account and one is the special account. The general account is used for all transactions including tax payments and accounts receivable payments. The special account includes funds donated to the service or money collected through fundraisers. This account is used for special items that are not mandatory to run the service. This account can also be used for year-end stipends.

Starting December 3, 2019 all stipends will be paid from payroll from the general account with the proper tax deductions. If necessary, the funds will be transferred from the special account into the general account upon direction of the Board.

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.

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The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states in part:

Safeguarding Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

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

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. 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.

Finding 2018-004 – Inadequate Internal Controls Over Fixed Assets Inventory Records (Repeat Finding)

Condition: Although the Authority Board designed policies regarding the safeguarding of fixed assets, based on inquiry of the Board Chairman, observation of equipment, and review of the fixed assets inventory records, the following exceptions were noted:

- An inventory listing of fixed assets was not maintained.
- An annual physical inventory verification was not performed.

Cause of Condition: Although policies and procedures have been designed to safeguard fixed assets, they have not been implemented to ensure inventory is properly maintained or updated through a periodic review by the Authority.

Effect of Condition: These conditions could result in inadequate fixed assets inventory records, misappropriation of assets, and possible loss of Authority equipment.

Recommendation: OSAI recommends the policies and procedures designed by the Ambulance Authority Board be implemented to ensure that equipment owned by the Authority is protected against loss and fixed assets inventory records are properly maintained.

Management Response:

Chairman of the Board: The Board has designed and implemented policies and procedures for the safeguarding of fixed assets, including recording, identification, and accountability of equipment having a minimum cost of \$500.00 for each asset and life expectancy of over one year. Further, it is the responsibility of the Director and Inventory Manager to maintain proper equipment records and to ensure fixed assets are identified by serial number and/or model number and monitored each month to make sure it is current.

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Criteria: The GAO Standards – Section 2 – Objectives of an Entity - OV2.24 states:

Safeguarding Assets

Management designs an internal control system to provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets.

Finding 2018-007 - Internal Controls Over Patient Account Billing Statements (Repeat Finding)

Condition: The Authority contracts with a third-party billing company to prepare and send the patient account billing statements for ambulance runs.

Based upon inquiry and observation of the billing process, the following weaknesses were noted:

- The Authority receives an Estimate of Benefits (EOB) statement from the third-party billing company that reflects patient account charges, amounts received as payment and the patient account balance; however, this statement is not accurate and is outdated before it is received by the Authority.

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

- There was evidence that patient account balances were reviewed by the Board to determine:
 - the patient account should be sent to a collection agency for possible payment.
 - the patient account balances are current and accurately billed.

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 or to ensure account balances are accurate. Further, policies and procedures have not been designed and implemented to ensure the Authority is communicating with the third-party billing service and is provided with the documentation to ensure patient account balances are accurate and provide assurance the amounts reflected in the Authority's records are accurate and current.

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

Recommendation: OSAI recommends that the Authority obtain current monthly patient account statements from the third-party billing service, which reflect amounts billed, paid, and ending balances of individual patient accounts and review those statements for propriety.

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Management Response:

Board Chairman: The Authority is working with the third-party billing contact person concerning a method to track our accounts receivable and patient accounts. We have requested access to the patient accounts to print reports for the Board's review.

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

Establishment and review of performance measures and indicators

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made, and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

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.

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