



# SUGAR CREEK AMBULANCE SERVICE DISTRICT

## Statutory Report

For the fiscal year ended June 30, 2018

**Cindy Byrd, CPA**  
State Auditor & Inspector

**SUGAR CREEK AMBULANCE SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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Cindy Byrd, CPA | State Auditor & Inspector

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September 10, 2020

**TO THE BOARD OF DIRECTORS OF THE  
SUGAR CREEK AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Sugar Creek Ambulance Service District 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". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

CINDY BYRD, CPA  
OKLAHOMA STATE AUDITOR & INSPECTOR



**SUGAR CREEK AMBULANCE SERVICE DISTRICT  
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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	\$ 352,645
Collections	
Ad Valorem Tax	215,483
Caddo County Sales Tax Remitted	37,986
Sales Tax - Passed through Town of Hinton	97,554
Contract for Service with Town of Hinton	24,000
Miscellaneous	2,828
Total Collections	<u>377,851</u>
Disbursements	
Personal Services	600
Contract Services	259,956
Maintenance and Operations	108,495
Capital Outlay	17,038
Audit Expense	6,976
Total Disbursements	<u>393,065</u>
Ending Cash Balance, June 30	<u>\$ 337,431</u>

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**SALES TAX**

**County Sales Tax of June 13, 2017**

On June 13, 2017, Caddo County voters approved a continuation of a one-quarter of one percent (1/4%) sales tax, effective July 1, 2017 expiring June 30, 2022, for the sole purpose of acquiring, continuing, equipping, repairing, renovating, operating, maintaining, and advancing ground ambulance services. These funds are accounted for in the Ambulance Service Fund Sales Tax and the Ambulance Run Fund Sales Tax of Caddo County and are distributed through an agreement with each municipality within the County. In the case of Sugar Creek Emergency Medical Service District, the Town of Hinton distributes the county sales tax derived from the Ambulance Service Fund Sales Tax to the Ambulance District. The county sales deposited in the County's Ambulance Run Fund Sales Tax is based on the number of runs for the period.

For fiscal year 2018, the District received \$37,986 in county sales tax directly from Caddo County based on the number of runs for the period and \$97,554 in county sales tax from the distribution by agreement through the Town of Hinton.

Sugar Creek Ambulance Service District  
P.O. Box 220  
Binger, Oklahoma 73009

**TO THE BOARD OF DIRECTORS OF THE  
SUGAR CREEK AMBULANCE SERVICE DISTRICT**

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 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 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 Sugar Creek Ambulance Service District.

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 Sugar Creek Ambulance Service District.

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 Sugar Creek Ambulance Service District. 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

June 25, 2020

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2018-001 – Internal Controls and Noncompliance Over the Accounting Process (Repeat Finding)**

**Condition:** Upon inquiry of the Sugar Creek Ambulance Service District (the District) contracted Secretary/Treasurer and observation of the accounting process, the following weaknesses were noted:

- Accounting duties of depositing funds, receiving the bank statements, reconciling the bank accounts and maintaining District ledgers were not properly segregated.
- The Board did not document the review and approval of the monthly financial statements.
- The District did not prepare a June 30, 2018 financial statement reflecting cumulative totals with documentation of the Board’s review and approval.
- Bank reconciliations were not signed by the preparer nor reviewed, nor signed and dated by someone other than the preparer.

Additionally, a test of five (5) deposits, for the month of December 2017, reflected three (3) instances where checks totaling \$12,265.23 were deposited between seven (7) and sixteen (16) days after the date of the receipt.

**Cause of Condition:** Policies and procedures have not been designed and implemented to segregate the duties of the accounting process, to require bank reconciliations be reviewed and signed by the preparer and reviewed and approved by someone other than the preparer, to present monthly financial information to the Board for review, and to ensure funds are deposited daily.

**Effect of Condition:** These conditions resulted in noncompliance with state statutes and could result in unrecorded transactions, misstated financial reports, clerical errors, loss of funds, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** The Oklahoma State Auditor and Inspector’s Office (OSAI) recommends the District 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 District Board’s oversight of office operations and a periodic review of operations. OSAI recommends the District Board provide segregation of duties so that no one can 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 management review and approve accounting functions.

Additionally, OSAI recommends the District Board design and implement policies and procedures to ensure that the District deposit all monies daily in accordance with Title 62 O.S. § 517.3B and that bank reconciliations are signed and dated by the preparer and reviewed, signed and dated by someone other than the preparer.



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Furthermore, OSAI recommends the District Board document their review of District financial information on a monthly basis and prepare a financial statement of the District for the preceding year ending June 30 in accordance with Title 19 O.S. § 1706.

**Board Response:**

1. Reconciliations are signed by one Board member and the Secretary/Treasurer.
2. Deposits will be made daily upon receipt of checks.
3. Receipts will be made for each check and credit card payment received.
4. White and yellow copies shall be initialized by a Board member along with bank deposit slip.
5. The Monthly financial report with cumulative balances of revenue, disbursements and totals shall be reviewed and signed by the Board members.

**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 quasigovernmental 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.”

The GAO Standards - Principle 16 – Perform Monitoring Activities – 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

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62 O.S. § 517.3B states in part: “The treasurer of every public entity shall deposit daily, not later than the immediately next banking day...”

19 O.S. § 1706 states in part: “It shall be the duty of the board of the district on or before the third Monday of July in each year to produce or caused to be produced ... a financial statement of the district for the preceding year ending June 30<sup>th</sup>.”

**Finding 2018-002 - Internal Controls and Noncompliance Over Pledged Collateral (Repeat Finding)**

**Condition:** Upon inquiry of the District’s contracted Secretary/Treasurer, observation, and review of documents regarding the pledged collateral process, the following was noted:

- The Secretary/Treasurer did not monitor the bank balance daily throughout the year to ensure that District funds were adequately secured.
- At June 30, 2018, the District’s deposits were not secured by pledged collateral at a local bank in the amount of \$87,431.17.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure that bank deposits are adequately secured with pledged collateral when deposits exceed FDIC amounts of \$250,000.00.

**Effect of Condition:** This condition resulted in noncompliance with state statute and unsecured District funds. Further, this condition could result in possible loss of funds.

**Recommendation:** OSAI recommends the District implement policies and procedures to ensure bank balances are adequately secured and ensure compliance with 62 O.S. § 517.4.

**Board Response:**

1. Accounts will be kept under the secured amount of \$250,000.00. This is the total of both accounts together.
2. An Account will be opened at another bank for \$100,000.00 for secured purposes.

**Criteria:** The GAO Standards - Principle 16 – Performance Monitoring Activities: 16.05 states in part:

*Internal Control System Monitoring*

Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations and other routine actions.

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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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Title 62 O.S. § 517.4.A. states, “A treasurer of a public entity shall require that financial institutions deposit collateral securities or instruments to secure the deposits of the public entity in each such institution. The amount of collateral securities or instruments to be pledged for the security of public deposits shall be established by the treasurer of the public entity consistent with the provisions of the Security for Local Public Deposits Act; provided, such amount shall not be less than the amount of the deposit to be secured, less the amount insured.

**Finding 2018-003 – Internal Controls and Noncompliance Over the Bidding Process**

**Condition:** Upon inquiry of District Board members and observation of the disbursement process of the District, the following weakness was noted:

- The Board minutes of July 10, 2017 reflected that the District Board did not solicit bids for the remount of an ambulance, but rather accepted bids as presented by the third-party service provider in the Board meeting.

There was no evidence the third-party service provider complied with state statutes over the bidding process.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure compliance over the bidding process to ensure compliance with state statute.

**Effect of Condition:** This disbursement resulted in noncompliance with the state statute regarding bid requirements of equipment purchases exceeding \$15,000.00.

**Recommendation:** OSAI recommends the District design and implement policies and procedures to ensure the District follow the bidding requirements for purchase of equipment exceeding \$15,000.00 in accordance with Title 19 O.S. § 1723.

**Chairman of the Board Response:** The District will comply with bidding requirements when purchasing new equipment.

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**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. Some entities may set objectives to a higher level of performance than established by laws and regulations. In setting those objectives, management is able to exercise discretion relative to the performance of the entity.

Title 19 O.S. § 1723 requires Districts to make equipment purchases in accordance with the county purchase procedures as outlined in 19 O.S. § 1501 and § 1505, which requires all purchases in excess of \$15,000.00 be competitively bid.

**Finding 2018-004 – Internal Controls and Noncompliance Over Service Provider Contracts (Repeat Finding)**

**Condition:** Upon inquiry of District Board members, observation of records, and a test of contract compliance, the following weaknesses were noted:

- Board minutes did not reflect the Board’s approval to renew the contract with the third-party service providers.
- Item 12a of the service contract with Medic West Oklahoma LLC, stipulates; “the Provider will be responsible for all maintenance and repairs”; however, the District paid \$14,861.78 for maintenance and repairs of the ambulances during the fiscal year.
- The District retained the services of the Town of Carnegie “*to be secondary contractor for emergency medical service calls that originate from the Oney/Albert, Crows Roost and Swan Lake Area*”. The two parties did not sign a contract for fiscal year 2018, outlining the specific duties of the provider or other criteria regarding compensation.
- The terms of the original contract with the Town of Carnegie, stated “*the Town will submit a notice of the number of calls and their date and time of service monthly to the secretary.*” The District Secretary requested the number of calls every three to four months. The Town of Carnegie subsequently provided the number of calls, although the dates and times of the calls were not provided, resulting in noncompliance with the contract.
- The third-party service provider contracts do not contain a “non-appropriation clause” or a provision for mutual ratification of renewal.

**Cause of Condition:** The District has not designed and implemented policies and procedures to ensure contracts are renewed on an annual basis and documented in the minutes. Additionally, the District has not designed and implemented policies and procedures to ensure compliance with provisions of the contracts and contracts include a “non-appropriation clause” or a provision for mutual ratification of renewal.

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**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, clerical errors or misappropriation of funds not being detected in a timely manner and did result in noncompliance with the Oklahoma Constitution.

**Recommendation:** OSAI recommends the District design and implement policies and procedures to ensure the following internal controls over compliance with the service provider's contract:

- The Board's vote to renew the service provider contract is documented in the minutes,
- The Board complies with provisions of the contract requiring the expense of all maintenance and repairs to be paid for by the Provider and,
- The service provider contracts contain a non-appropriation clause or a provision for mutual ratification of renewal.

**Board Response:**

1. Contracts will be renewed yearly.
2. Contracts will be signed by both parties.
3. Both parties will comply with contracts.

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

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.

To comply with the provisions §26(a) of Article 10 of the Oklahoma Constitution, contracts need to contain a non-appropriation clause or a provision for mutual ratification of renewal as to not constitute debt.

O·K·L·A·H·O·M·A  
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