



GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2021

Cindy Byrd, CPA
State Auditor & Inspector

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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January 22, 2024

**TO THE BOARD OF DIRECTORS OF THE
GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Greer County Special Ambulance Service District for the fiscal year ended June 30, 2021.

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

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
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Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2021

	<u>General Fund</u>
Beginning Cash Balance, July 1	\$ (128,479)
Collections	
Ad Valorem Tax	57,679
Charges for Services	310,062
Coronavirus Relief Fund (CRF) - CARES Act	19,426
Miscellaneous	360
Total Collections	<u>387,527</u>
Disbursements	
Personal Services	196,007
Maintenance and Operations	110,721
Lease Payments	24,854
Audit Expense	3,476
Total Disbursements	<u>335,058</u>
Ending Cash Balance, June 30	<u>\$ (76,010)</u>

Presented for informational purposes.

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Coronavirus Aid, Relief, and Economic Security (CARES) Act

Coronavirus Relief Fund (CRF) – CARES Act – Money distributed to the State of Oklahoma to provide direct federal assistance to state governments, with consideration for local governments. The State of Oklahoma allocated \$5 million of CRF to the Oklahoma Ambulance Association (OKAMA) to distribute to licensed ambulance services across the state. The funds were to be used to reimburse ambulance services for unanticipated expenses in staffing, personal protective equipment (PPE), medical supplies, and lost insurance coverage due to COVID-19. The District received \$19,426 for the fiscal year.



Greer County Special Ambulance Service District
121 East Jefferson
Mangum, Oklahoma 73554

**TO THE BOARD OF DIRECTORS OF THE
GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT**

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 collections 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, 2021 were secured by pledged collateral.
- Determined disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined 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, 2021 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Greer County Special 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 Greer County Special 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 Greer County Special 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

August 2, 2023

**GREER COUNTY SPECIAL AMBULANCE SERVICE DISTRICT
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SCHEDULE OF FINDINGS AND RESPONSES

Finding 2021-001 – Lack of Internal Controls and Noncompliance Over the Incurrence of Debt and Negative Fund Balance (Repeat Finding)

Condition: Based on inquiry of Greer County Special Ambulance Service District (the District) employees and Board members, observation of bank documents, disbursement of funds, and Board minutes, it was determined the Board entered into security agreements (loans) that constituted an incurrence of debt without a vote of the people and the District expended funds in excess of the funds available for expenditures resulting in noncompliance with the Oklahoma Constitution and state statute.

A review of the District Board minutes and bank documents, reflected the following internal control weaknesses and noncompliance:

Security Agreement No. 70310052

- The monthly payments are \$2,071.13.
- On June 30, 2021 the loan balance was \$56,649.13.

Negative Fund Balance

Additionally, the District's Estimate of Needs reflected a *negative fund balance* for operations on June 30, 2021, in the amount of (\$76,010). The negative fund balance was a result of reserves for payroll expenses.

Cause of Condition: While the District has made progress in the payment of debt incurred as security loans in the prior years and has designed and implemented policies and procedures to avoid the incurrence of debt in the future, the District has not been able to address the negative fund balance to ensure adequate internal controls and compliance with state statute and the Oklahoma Constitution.

Effect of Condition: These conditions resulted in noncompliance with state statute and the Oklahoma Constitution resulting in the District continuing to incur debt and further result in a negative fund balance. Further, these conditions could result in unrecorded transactions, undetected errors, misappropriation of funds, and fraud and abuse.

Recommendation: The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District continue to make payments to reduce unauthorized debt and address expending funds in excess of the amount budgeted for disbursements that result in a negative fund balance.

Management Response:

Chairman of the Board: The management paid off the debt in January 2022. Going forward the District will not enter into any further debt unless it is a lease purchase. To address the negative fund balance, in 2022 the District began to receive a water utility fee per resident for people who live in Granite and Mangum, Oklahoma. At the end of the fiscal year for 2022-2023, the District had a positive net balance.

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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 – Principal 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 – 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 19 O.S. § 1717 (B) states in part: “B. It shall be unlawful for any employee or member of the board in any budget year”:

“1. To create or authorize creation of a deficit in any fund... C. Any obligation that is contracted or authorized by any member or employee of the board in violation of this act shall become the obligation of the member or employee himself and shall not be valid or enforceable against the district. Any member or employee who violates this act shall forfeit his position and shall be subject to such civil and criminal punishments as are provided by law. Any obligation, authorization for expenditure or expenditure made in violation of this act shall be illegal and void.”

Article 10 § 9C. states the only lawful manner an emergency medical service districts incur debt.

“(b) Any district board of trustees may issue bonds, if approved by a majority vote at a special election for such purpose. All registered voters within the designated district shall have the right to vote in said election. Such bonds shall be issued for the purpose of acquiring emergency vehicles and other equipment and maintaining and housing the same.”

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Finding 2021-002 – Lack of Internal Controls Over the Billing Process (Repeat Finding)

Condition: Upon inquiry of the District personnel and observation of the billing process, the following weaknesses were noted:

- The District does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- One (1) employee performs the following duties:
 - Calculates the patient bills.
 - Files patient bills with insurance companies and patients.
 - Receives payments.
 - Issues receipts.
 - Posts transactions.
 - Maintains patient accounts.

Additionally, the Board did not design and implement policies and procedures to review and approve delinquent patient accounts to be written-off as uncollectable or second billings sent to patients for collections.

Cause of Condition: Policies and procedures have not been designed and implemented to sufficiently segregate the billing process. Additionally, policies and procedures have not been designed and implemented to ensure delinquent patient accounts are reviewed and approved by the Board to be written-off as uncollectable, or second billings sent if payment for an ambulance service run is not received.

Effect of Condition: These conditions could result in a loss of revenue. A single person having responsibility for more than one area of the billing process including writing-off uncollectable accounts could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

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 Board provide segregation of duties so that no one employee can perform all accounting functions. If 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.

Additionally, OSAI recommends the District design and implement policies and procedures to ensure delinquent patient accounts are reviewed and approved by the Board to be written-off as uncollectable, and ensure second billings are sent if payment for an ambulance service run is not received.

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Management Response:

Chairman of the Board: The District has a new 3rd party billing company performing the billing for the District. The 3rd-party billing company oversees the billing, and began in the spring of 2023. They will notify the Board of any write-offs that need to be addressed and will also send second billings as needed.

Criteria: 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.

Appropriate documentation of transaction 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 2021-003 – Lack of Internal Controls Over the Collections Process

Condition: Upon inquiry of District personnel and observation of the collections process, the following weakness was noted:

- The District does not have an adequate segregation of duties to ensure that duties assigned to individuals are done so in a manner that would not allow one individual to control both the recording function and the procedures relative to the processing of a transaction.
- One (1) employee performs the following duties:
 - Receives the mail.
 - Opens the mail.
 - Issues receipts.
 - Prepares the deposit.
 - Makes the deposit.
 - Prepares the bank reconciliations.

Cause of Condition: Policies and procedures were not designed and implemented to sufficiently segregate the duties of the collections process.

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

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 Board provide segregation of duties so that no one employee can perform all accounting functions. If 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.

Management Response:

Chairman of the Board: Currently there are two employees that work together for the collection process. Our Billing Secretary and our Accounts Payable/Receivable Secretary handle the mail and collections for the District. The Billing Secretary is in charge of obtaining the mail and receipts all checks that may come through the mail. Our Accounts Payable & Account Receivable Secretary takes those checks and prepares and makes the deposit for the District, along with completing the reconciliation. They work in a timely manner, as both positions are part-time. Deposits are made as soon as possible.

Criteria: 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.

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.

Finding 2021-006 – Lack of Internal Controls Over Fixed Assets Inventory (Repeat Finding)

Condition: Upon inquiry of the District personnel and observation of records, the following weaknesses were noted:

- The District did not have a current list of fixed assets, nor was there any documentation provided that an annual physical inspection had been performed.

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- The District has not established a policy and procedure regarding the dollar limit for the inclusion of fixed assets, annual verification of fixed assets and the safeguarding of fixed assets.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, and updated regularly by the District. Additionally, policies and procedures have not been designed and implemented to include a dollar limit for fixed assets inventory and documentation of annual verification of fixed assets inventory.

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

Recommendation: OSAI recommends policies and procedures be implemented to ensure fixed assets inventory is updated on an ongoing basis and the Board establish a dollar limit for the inclusion of fixed assets on a fixed assets inventory. Furthermore, OSAI recommends annual physical fixed assets inventory verification by someone other than the individual maintaining the fixed assets inventory. OSAI further recommends that all items being disposed of, be approved by the Board in a public meeting.

Management Response:

Chairman of the Board: The District will implement a list to be completed each year of fixed assets along with values. In 2022, the District appointed a new administrator for the service and will explain to him what is needed on a yearly basis. The Board is aware of the assets the District has on-hand. A physical inspection of the of the fixed assets inventory are performed throughout the year, numerous times. However, documentation of those inspections may have not been completed, this will be addressed.

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

Safeguarding of Assets

A subset of the three categories of objectives is the safeguarding of 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.

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



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov