



Mary Taylor, CPA
Auditor of State

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – General Fund - For the Years Ended December 31, 2007 and 2006	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	19

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

North Central Ambulance District
Preble County
130 East Main Cross Street
Eldorado, Ohio 45321

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 26, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Central Ambulance District
Preble County
130 East Main Cross Street
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited the accompanying financial statements of North Central Ambulance District, Preble County, Ohio (the District), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Districts to reformat their statements. The District has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of North Central Ambulance District, Preble County, as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 26, 2008

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Cash Receipts:		
Property and Other Local Taxes	\$61,369	\$62,258
Charges for Services	49,048	59,434
Intergovernmental	5,993	5,944
Earnings on Investments	783	875
Donations	1,570	1,992
Miscellaneous	912	1,175
	119,675	131,678
Cash Disbursements:		
Current Disbursements:		
Security of Persons and Property:		
Salaries	4,932	4,964
Payroll Taxes	15,903	15,623
Insurance	4,916	4,915
Materials and Supplies	2,258	2,862
Equipment	1,320	8,336
Maintenance	8,301	4,158
Education	3,319	3,023
Squad Runs	31,414	31,075
Other	32,133	56,865
	104,496	131,821
Total Cash Disbursements	104,496	131,821
Total Receipts Over/(Under) Disbursements	15,179	(143)
Fund Cash Balances, January 1	92,829	92,972
Fund Cash Balances, December 31	\$108,008	\$92,829

The notes to the financial statements are an integral part of this statement.

This page intentionally left blank.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the North Central Ambulance District, Preble County, Ohio (the District), as a body corporate and politic. A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of West Manchester, the Village of Eldorado, and Monroe Township. The District provides ambulance services within the District and by mutual aid agreement to areas outside the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The District values certificates of deposit at cost.

D. Budgetary Process

The Ohio Revised Code requires the District to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The District did not encumber all commitments required by Ohio law. A review was performed to determine the amount of encumbrances at year-end which were not encumbered. There were no material outstanding encumbrances at year-end.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Deposits

The District maintains a cash and deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and deposits at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$99,008	\$65,829
Certificates of deposit	<u>9,000</u>	<u>27,000</u>
Total deposits	<u>\$108,008</u>	<u>\$92,829</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Deposits were not insured or collateralized, contrary to Ohio law. From October 16, 2007, through December 31, 2007, the District's checking account balance exceeded FDIC coverage of \$100,000. The largest balance in excess of FDIC coverage of \$7,199 occurred on November 3, 2007.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$142,200	\$119,675	(\$22,525)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,500	\$104,496	\$85,004

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,500	\$131,678	(\$37,822)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$189,500	\$131,821	\$57,679

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Retirement Systems

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the District contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

6. Risk Management

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Central Ambulance District
Preble County
130 East Main Cross Street
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited the financial statements of the North Central Ambulance District, Preble County, Ohio (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 26, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-003 through 2007-006. A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-006 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated August 26, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-002, and 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 26, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 26, 2008

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2007-001

Material Noncompliance

Ohio Revised Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year.

More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of 40 expenditures tested, 13 (65%) were not properly certified in 2006 and 11 (55%) were not properly certified in 2007. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2007-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used. Invoices lacking a date should be dated by the Fiscal Officer when received.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Revised Code, § 135.18, states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The District's funds were not adequately collateralized at all times during 2006 and 2007. From October 16, 2007, through December 31, 2007, the District's checking account balance exceeded FDIC coverage of \$100,000. The largest overage was on November 3, 2007 [balance of \$107,199; overage of \$7,199].

Failure to secure adequate collateral could result in a loss of assets by the District. We recommend the District secure adequate collateral to cover its deposits. The District should obtain a depository agreement with the bank.

Further, **Ohio Revised Code, § 135.12**, provides that each governing board other than the state board of deposit shall meet every five years on the third Monday or such regularly scheduled meeting date of the month preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation. The District did not designate a depository during the audit period nor execute any depository agreements. A depository agreement should include a requirement that a pledge of collateral: (1) be in writing, (2) be executed contemporaneously with the acquisition of the asset by the depository institution, (3) be approved by the financial institution's board of directors or loan committee and the approval must be reflected in the minutes of the financial institution's board or committee, and (4) be an official record of the depository institution continuously since it was executed. Requirements (1) through (4) are necessary under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), to assure the pledge would be valid in the event of a claim under FDIC.

Entities not having a depository agreement with a depository could risk public funds not being covered by collateral if the depository ceases to exist. We recommend that the District approve the official designation of a depository.

**FINDING NUMBER 2007-002
(Continued)**

Officials' Response:

At the regular Board Meeting on June 16, 2008, a motion was made and passed by the Board to transfer money out of our present bank account (\$90,000) and put it into another bank to comply with the FDIC insured coverage of \$100,000. The transaction was completed on August 5, 2008.

FINDING NUMBER 2007-003

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The District lacks management oversight in the posting of financial activity. This lack of oversight is illustrated by the following:

- For both 2006 and 2007 receipts per the receipt ledger did not match the receipts per the cash journal. Nor did the expenditures per the appropriation ledger match the expenditures per the cash journal. The Clerk made several errors in posting activity to the receipt/appropriation ledgers and cash journals. Furthermore, in 2007 the District cashed in some of their certificates of deposit. These certificates of deposit (\$17,980) were incorrectly booked as a Miscellaneous receipt. This overstates receipts and fund balance. An audit adjustment was made to the accompanying financial statements.
- The 2006 and 2007 annual financial reports contained errors. For both years, the total receipts and total expenditures on the annual financial reports did not match the total receipts and expenditures per the cash journal. Furthermore, the total expenditures listed at the top of the annual financial reports do not equal the total line item expenditures documented on the lower half of the annual financial reports.

Monitoring controls should be put into place to help assure that the work performed meets District objectives and is accurate. The following procedures should be implemented:

- Due care should be taken in posting activity to the receipt/appropriation ledgers and cash journal. Total receipts per the receipt ledger and total expenditures per the appropriation ledger should match the total receipts and expenditures as posted to the cash journal. Proceeds from cashing in certificates of deposit should not be booked as a receipt. Completing a monthly reconciliation of activity posted would aid in detecting posting errors.
- Due care should be taken in completing the annual financial reports. The receipts and expenditures as reported on the annual financial reports should match the activity posted to the cash journal and receipt/appropriation ledgers.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2007-004

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should ensure that accounting records are properly designed and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The following weaknesses were noted:

- The District reconciles only their checking account balance each month. The certificate of deposit balance and savings account balance is added to the overall balance after the checking account is reconciled. The principal balance of the certificates of deposit and the savings account balance are not included within the cash balances as recorded in the cash journal. As such, the District does not post any of the interest earned on the savings account to the District's books. The interest earned on the certificates of deposit is correctly posted to the books by the District.
- The outstanding checks as documented by the Clerk on the back of the December 2006 checking account bank statement were incorrect.
- The Clerk completes monthly bank reconciliations. However, they are not reviewed or approved by someone other than the Clerk.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. District officials rely on accurate reconciliations to make sound financial decisions. We recommend that the District include the principal balance of the certificates of deposit and the savings account balance in the overall book balance in the cash journal. All interest earned on the savings account should be posted to the District's books. The District should maintain a correct monthly outstanding checklist. The Trustees should review and approve the monthly bank reconciliations. Their review should be documented by the date and their initials.

Officials' Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2007-005

Significant Deficiency

Statement of Auditing Standards No. 70 (SAS 70) as amended by SAS No. 89, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the District with an appropriate level of assurance that ambulance service billing is being processed in conformance with the contract.

The District has delegated ambulance service billing processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance service billing has not been completely and accurately processed in accordance with the service contract.

**FINDING NUMBER 2007-005
(Continued)**

We recommend the District implement procedures to reasonably assure the completeness and accuracy of ambulance service billings processed by their third-party administrator. We recommend that the District specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The District should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

We further recommend, with or without a SAS 70 report as described above, that the District put into place internal control measures to monitor the ambulance service billing process. The District receives monthly EMS billing reports from Medical Claims Assistance (MCA). However, there is no documentation of supervisory review of these monthly reports. To improve internal controls we recommend that the District document their review of the monthly billing reports received from MCA. The monthly billing reports should be marked with the reviewer's initials (or signature) and the date. The monthly billing reports should also be compared to the EMS run sheets or run logs to ensure they are accurate and complete.

Also, there was a run sheet for run 06-62; however, this run sheet was not posted to the run ledger. There was a run sheet for run 07-94; however, this run sheet was not posted to the run ledger. All run sheets should be posted to the run ledger.

The EMS run reimbursement payments posted to the run ledgers are not dated or designated with a receipt number. Because there were no dates or receipt numbers, we could not reconcile the run ledger to the receipt journal. We recommend that the District maintain their run ledger and receipt journal in a manner that will allow them to be reconciled to each other. All payments posted to the run ledgers should be dated and designated with a receipt number.

Officials' Response:

At the regular Board Meeting on May 19, 2008 a representative from Med 3000 (Billing Company) presented the Board with a preview of their services. At the regular Board Meeting on July 21, 2008, a motion was made and passed by the Board, to change our billing company from Medical Claims Assistance to Med 3000. This company advocates efficient controls and record reporting.

FINDING NUMBER 2007-006

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

**FINDING NUMBER 2007-006
 (Continued)**

Estimated resources were not properly posted to the receipts ledger for 2006 or 2007 (the amounts did not match).

	2006	2007
Estimated receipts per receipts journal	\$122,070	\$122,970
Estimated receipts per original certificate of estimated resources	169,500	124,200
Variance(s)	\$47,430	\$1,230
Estimated receipts per original certificate of estimated resources (2007 only)		\$124,200
Estimated receipts per amended certificate of estimated resources		142,200
Variance		\$19,230

Failure to properly post estimated receipts to the receipts ledger may interfere with the District's ability to monitor revenues, and to limit their spending within the limits of their expected revenue. We recommend that the District properly post estimated resources to the receipts ledger.

The District obtained an amended certificate on October 18, 2007. This amendment to estimated resources was not posted to the receipts ledger. However, the amendment does not truly represent additional, unexpected revenue resources for the District. The District was simply cashing in some certificates of deposit. It was not necessary for the District to obtain an amended certificate for that purpose. We recommend that the District only obtain an amended certificate when the revenue to be collected will be greater or less than the amount in the official certificate of estimated resources (i.e. amended certificates should not be obtained when cashing in certificates of deposit).

Officials' Response:

Officials did not provide a response to this finding.

**NORTH CENTRAL AMBULANCE DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Revised Code 5705.41(D), failure to properly certify funds	No	Not corrected – reissued as Finding 2007-001



Mary Taylor, CPA
Auditor of State

NORTH CENTRAL AMBULANCE DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2008**