



Dave Yost • Auditor of State



**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Central Lorain County Joint Ambulance District  
Lorain County  
10413 Vermilion Road  
Oberlin, Ohio 44074

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of Central Lorain County Joint Ambulance District, Lorain County, (the District) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the District prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the District does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion Qualification on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Basis for Opinion Qualification***

The District outsourced ambulance billing processing to a third party administrator. The third party administrator did not provide us with information we requested regarding the design or proper operation of its internal controls. We were therefore unable to obtain sufficient appropriate audit evidence about the proper processing of ambulance billing receipts. The financial statements report ambulance receipts as charges for services receipts. Charges for services receipts are reported at \$459,784, and \$528,444 for the years ended December 31, 2014 and 2013, respectively, which are 54 percent of General Fund receipts for the year ended December 31, 2014, and 59 percent of General Fund receipts for the year ended December 31, 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Opinion Qualification on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of the matter described in the *Basis for Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the General Fund of the Central Lorain County Joint Ambulance District, Lorain County as of December 31, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 19, 2016

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**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Property and Other Local Taxes	\$298,471
Charges for Services	459,784
Intergovernmental	42,418
Earnings on Investments	8,066
Miscellaneous	46,151
	<u>854,890</u>
<i>Total Cash Receipts</i>	
<b>Cash Disbursements:</b>	
Current Disbursements:	
General Government	42,258
Public Safety	767,103
Capital Outlay	165,000
	<u>974,361</u>
<i>Total Cash Disbursements</i>	
	<u>(119,471)</u>
<i>Excess Receipts Over (Under) Disbursements</i>	
<b>Other Financing (Disbursements):</b>	
Other Financing Uses	(229)
	<u>(229)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	
	<u>(119,700)</u>
<i>Net Change in Fund Cash Balance</i>	
	<u>1,744,634</u>
<i>Fund Cash Balances, January 1</i>	
<b>Fund Cash Balances, December 31</b>	
Nonspendable	-
Restricted	-
Committed	-
Assigned	-
Unassigned (Deficit)	1,624,934
	<u>1,624,934</u>
<i>Fund Cash Balances, December 31</i>	
	<u>\$1,624,934</u>

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

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
GOVERNMENTAL FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General Fund</b>
<b>Cash Receipts:</b>	
Property and Other Local Taxes	\$291,207
Charges for Services	528,444
Intergovernmental	42,185
Earnings on Investments	5,119
Miscellaneous	35,024
	<u>901,979</u>
<i>Total Cash Receipts</i>	<u>901,979</u>
<b>Cash Disbursements:</b>	
Current Disbursements:	
General Government	25,295
Public Safety	746,763
	<u>772,058</u>
<i>Total Cash Disbursements</i>	<u>772,058</u>
<i>Excess Receipts Over (Under) Disbursements</i>	<u>129,921</u>
<b>Other Financing Receipts (Disbursements):</b>	
Other Financing Uses	(177)
	<u>(177)</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(177)</u>
<i>Net Change in Fund Cash Balance</i>	129,744
<i>Fund Cash Balances, January 1</i>	<u>1,614,890</u>
<b>Fund Cash Balances, December 31</b>	
Nonspendable	-
Restricted	-
Committed	-
Assigned	110,126
Unassigned (Deficit)	1,634,508
	<u>1,634,508</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,744,634</u>

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

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Central Lorain County Joint Ambulance District, Lorain County, (the District) as a body corporate and politic. A six-member Board of Directors governs the District. Each political subdivision within the District appoints one member. Those subdivisions are City of Oberlin, Village of Kipton, and the Townships of Camden, Henrietta, New Russia and Pittsfield. The District contracts with Mercy Allen Medical Center to provide emergency medical services to the residents of 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The District's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The District values CDARS and Farmers at cost market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following type:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**E. Budgetary Process**

The Ohio Revised Code requires the General Fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Directors 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 unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the District to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The District had no encumbrances at year end.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The District classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (continued)**

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by District Trustees or a District official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**2. Equity in Pooled Deposits and Investments**

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

	2014	2013
Demand deposits	<u>\$60,719</u>	<u>\$188,305</u>
Total deposits	<u>60,719</u>	<u>188,305</u>
CDARS	1,019,702	1,012,589
STAR Ohio	269,882	269,793
Farmers	273,597	272,914
LNB	<u>1,034</u>	<u>1,033</u>
Total investments	<u>1,564,215</u>	<u>1,556,329</u>
Total deposits and investments	<u><u>\$1,624,934</u></u>	<u><u>\$1,744,634</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

**Investments:** Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$912,874	\$854,890	(\$57,984)
Total	\$912,874	\$854,890	(\$57,984)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,023,000	\$974,590	\$48,410
Total	\$1,023,000	\$974,590	\$48,410

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$904,710	\$901,979	(\$2,731)
Total	\$904,710	\$901,979	(\$2,731)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$904,700	\$772,235	\$132,465
Total	\$904,700	\$772,235	\$132,465

**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.

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**4. Property Tax (Continued)**

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

**5. Retirement Systems**

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 benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the District contributed an amount equaling 14% of participants' gross salaries. The District has paid all contributions required through December 31, 2014.

**6. Risk Management**

**Commercial Insurance**

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**6. Risk Management (Continued)**

**B. Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the District's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**Contributions to PEP**

<u>2013</u>	<u>2014</u>
\$1,696	\$1,728

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Central Lorain County Ambulance District  
Lorain County  
10413 Vermilion Road  
Oberlin, Ohio 44074

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements of the Central Lorain County Joint Ambulance District, Lorain County, Ohio (the District) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2016, wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the District's charges for services receipts in the General Fund because we were unable to obtain sufficient appropriate audit evidence about the proper processing of ambulance billing receipts.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

***District's Response to Findings***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 19, 2016

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Ambulance Billing – No (SAS 70) SOC 1 Report - Material Weakness/Material Noncompliance Finding**

The District has outsourced ambulance billing services, which is a significant accounting function, to a third-party administrator. The District, through Section 1.20 of its Ambulance Service Agreement with the third-party administrator, required “the service provider shall prepare and file at least annually a SAS-70 audit report with the Cleveland Region of the Auditor of State’s Office. The annual SAS-70 audit report shall be filed no later than March 31<sup>st</sup> of each year, and a copy of each SAS-70 audit report filed shall be furnished promptly to the (ambulance) District.” The District did not receive nor assure the appropriate required service organization audit was performed. Therefore, the District did not execute procedures to determine whether this third-party administrator had sufficient controls in place and operating effectively to reduce the risk that ambulance billings have not been authorized or completely and accurately processed in accordance with its Ambulance Service Agreement which resulted in the inability to opine on charges for services revenue. We recommend the District help assure the completeness, accuracy and eligibility of ambulance billings processed by its third-party administrator. Statement of Standards for Attestation Engagements No. 16 *Reporting on Controls at a Service Organization* (SSAE No. 16), prescribes standards for reporting on service organizations. An unqualified Type Two Report on Management’s Description of a Service Organization’s System and the Suitability of Design and Operating Effectiveness of Controls in accordance with SSAE No. 16 should provide the District with reasonable assurance that ambulance billing transactions conform to the Ambulance Service Agreement.

We recommend the District require a Type Two SOC 1 report in its contract with the third-party administrator. The District should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants’ standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type Two SOC 1 report, we recommend the District contract with a third-party administrator that will provide this report. As an alternative to a SOC 1 Report, the District may monitor ambulance billings its administrator processes.

The District can monitor these ambulance billings by obtaining reports of processed ambulance billings, selecting approved ambulance billings from the list, and then redetermining:

- The claimant’s eligibility
- The eligibility of the service
- Whether the amount paid was in accordance with the contract, net of deductibles.

This normally requires assistance from someone with sufficient understanding of ambulance billings.

**Official’s Response:** The District acknowledges the report and findings of the Auditor which do not include any finding of the improper reporting or disbursement of funds received by the District. The District had relied on the service provider/third party administrator to provide the information to the Auditor which would have caused the District to be in compliance with its negative finding in respect to the procedures by which billings could be determined to be accurately processed. The service provider was contractually obligated to do so and the District was unaware of its failure. Nevertheless the District accepts the finding. The District has contracted with a third party billing company effective October 1, 2016 under the terms of which the company will provide a Type Two SOC 1 as suggested by the Auditor. The District finds the Auditor’s report and recommendations helpful to is operations and looks forward to the implementation of the recommendations.

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# Dave Yost • Auditor of State

**CENTRAL LORAIN COUNTY JOINT AMBULANCE DISTRICT**

**LORAIN 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 1, 2016**