



MCCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

Statutory Report

For the fiscal year ended June 30, 2020

Cindy Byrd, CPA
State Auditor & Inspector

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

This publication, issued by the Oklahoma State Auditor and Inspector's Office as authorized by 19 O.S. § 1706.1, has not been printed, but is available on the agency's website (www.sai.ok.gov) and in the Oklahoma Department of Libraries Publications Clearinghouse Digital Prairie Collection (<http://digitalprairie.ok.gov/cdm/search/collection/audits/>) pursuant to 65 O.S. § 3-114.



Cindy Byrd, CPA | State Auditor & Inspector

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

February 19, 2021

**TO THE BOARD OF DIRECTORS OF THE
McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT**

Transmitted herewith is the audit report of McClain-Grady County Emergency Medical Service District for the fiscal year ended June 30, 2020.

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



**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2020

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Sinking Fund</u>
Beginning Cash Balance, July 1	\$ 741,458	\$ 864,638	\$ 61
Collections			
Ad Valorem Tax	650,388	-	30,466
Charges for Services	554,057	-	-
Miscellaneous	110,052	1,513	10
Subscription Sales (Memberships)	45,480	-	-
Total Collections	<u>1,359,977</u>	<u>1,513</u>	<u>30,476</u>
Disbursements			
Personal Services	953,634	-	-
Maintenance and Operations	190,029	-	-
Capital Outlay	166,958	296,028	-
Audit Expense	10,658	-	-
Coupon Payments	-	-	21,780
Fiscal Agent Fees	-	-	300
Total Disbursements	<u>1,321,279</u>	<u>296,028</u>	<u>22,080</u>
Ending Cash Balance, June 30	<u>\$ 780,156</u>	<u>\$ 570,123</u>	<u>\$ 8,457</u>

Source: District Estimate of Needs (presented for informational purposes)

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

McClain-Grady County Emergency Medical Service District – General Obligation Limited Tax Bonds, Series 2018

The government issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Debt service on the bonds will be paid from ad valorem taxes levied and assessed on behalf of the issuer and deposited into the Sinking Fund.

On April 3, 2018, a majority of the citizens of the Emergency Medical Service District that includes designated areas of Grady County and McClain County approved a bond issue. The approved ballot stated, in part, “Shall the McClain County and Grady County Emergency Medical Services District issue bonds, notes or other evidences of indebtedness, on a tax-exempt or taxable basis, at a premium or at par, in an aggregate principal amount of not to exceed Nine Hundred Thousand Dollars (\$900,000) pursuant to the requirements of Article X, Section 9C of the Oklahoma Constitution, to be used to construct and equip a new emergency medical services facility to be located in Newcastle, Oklahoma, and to be used to acquire emergency medical vehicles and other equipment related thereto, and perform maintenance and housing on the same, said bonds to be payable by the assessment of an ad valorem tax increase upon the taxable property in the District in an amount sufficient to pay the principal and interest on the bonds when due, provided however, that the ad valorem tax assessed shall not exceed three (3) mills upon all taxable property within the District, which is hereby pledged to the payment of debt service, costs of issuance, and any other legal purpose relating to the same ...” On May 1, 2019, a General Obligation Limited Tax Bond was issued to the District in the amount of \$990,000.00.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 6 years from the date of issue. General obligation bonds currently outstanding are as follows:

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are required to be fully paid within 6 years from the date of issue. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rate	Original Amount
McClain County and Grady County EMS General Obligation Limited Tax Bond	2.200-2.650%	\$900,000.00

Beginning Balance	Additions	Reductions	Ending Balance	Amount due within one year
\$900,000.00	\$ 0	\$0	\$900,000.00	\$0

Source: District Estimate of Needs (presented for informational purposes)

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
 STATUTORY REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

During fiscal year 2020, payments included \$20,000.00 interest and \$1,780.00 fees.

Annual debt service requirements to maturity for general obligation bonds, including interest and fees is as follows:

Fiscal Year Ending June 30,	Principal	Interest and Fees	Total
2021	\$0.00	\$21,780.00	\$21,780.00
2022	\$180,000.00	\$21,780.00	\$21,780.00
2023	\$180,000.00	\$17,010.00	\$197,010.00
2024	\$180,000.00	\$12,240.00	\$192,240.00
2025	\$180,000.00	\$6,255.00	\$6,255.00
2026	\$180,000.00	\$6,255.00	\$6,255.00
Total	<u>\$900,000.00</u>	<u>\$85,320.00</u>	<u>\$985,320.00</u>

Source: District Estimate of Needs (presented for informational purposes)

McClain-Grady County Emergency Medical Service District
211 W Blanchard Drive
Blanchard, OK 73010

**TO THE BOARD OF DIRECTORS OF THE
McCLAIN-GRADY COUNTY EMERGENCY MEDICAL 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 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, 2020 were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1 and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723 and 61 O.S. §101-139.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined compliance with contract service providers.
- Determined whether the District's collections, disbursements, and cash balances for the fiscal year ended June 30, 2020 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the McClain-Grady County Emergency Medical 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 McClain-Grady County Emergency Medical 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 McClain-Grady County Emergency Medical 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

December 14, 2020

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2020-003 – Internal Controls and Noncompliance Over the Public Construction Bids

Condition: The McClain-Grady County Emergency Medical Service District (the District) passed a general obligation bond in the amount of \$900,000.00 on April 3, 2018. The G.O. Bonds of 2018 were for the “Constructing and equipping a new emergency medical services facility to be located in Newcastle, Oklahoma, and acquiring emergency medical vehicles and other equipment related thereto and perform maintenance and housing of the same.”

After inquiry and observation with appropriate personnel regarding public construction bids and a review of the thirteen (13) construction bids solicited during the audit period, the following exceptions were noted:

Evidence of performance, payment and maintenance bonds and evidence of liability insurance was not documented for two (2) of the bids for the following:

- Hutcho Construction was the successful bidder in the amount of 101,281.00 that was awarded November 7, 2019 in an open meeting.
- Titan Construction was the successful bidder in the amount of \$224,580.00 that was awarded November 7, 2019 in an open meeting.

Further, the District entered a Construction Management Agreement with MILO Construction Company, LLC to provide management and consulting of the project identified as the District building located in Newcastle, Oklahoma.

- The provisions within the agreement signed by both parties was not adhered to regarding documenting the performance of the Contractor’s duties, reporting requirements for the Board’s review and budget to actual expense reports for the Board’s review and approval.
- The estimated original cost of the project was \$885,670.10. As of September 30, 2020, the District’s expense ledger for construction reflected \$538,599.38 had been expended for the construction.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure the District’s public construction bids are in accordance with state statutes as reference in the Public Competitive Bidding Act of 1974 (PCBA).

Effect of Condition: These conditions resulted in noncompliance with state statutes and could result in errors and improprieties within the District’s public construction bids.

Recommendation: OSAI recommends that the District ensure that evidence of performance, payment and maintenance bonds are maintained for all public construction bids that require them. Additionally, the District should ensure that liability insurance is provided for all public construction bids projects that require it and the construction management agreement provisions are adhered to in accordance with the agreement.

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

Further, OSAI recommends the Board review actual expenses at monthly meetings to provide assurance those expenses are within budgeted limits.

Management Response:

Board Chairman: The Board is aware that documents showing liability and workers' compensation insurance must be provided by the contractor when the bid is awarded. A file was established for each contractor with a list on the outside of the documents required from the contractor. At the time of the audit, Hutcho Construction and Titan Construction had not supplied the District with liability insurance certificates. Since then we have received a liability insurance certificate and performance bond from Hutcho Construction. After having difficulty in securing documentation from Titan Construction for several certificates of insurance and a performance bond as we had been promised since the awarding of the bid, we finally received the Certificate of Bond, proof of liability and worker's compensation insurance.

Auditor Response: As noted in the criteria, 61 O.S. § 1 states,

“A. Prior to an award of a contract exceeding Fifty Thousand Dollars (\$50,000.00) for construction or repair of a public or private building, structure, or improvement on public real property, the person that receives the award shall:

1. Furnish a bond with good and sufficient sureties payable to the state in a sum not less than the total sum of the contract; or
2. Cause an irrevocable letter of credit, containing terms the Office of Management and Enterprise Services prescribes, to be issued for the benefit of the state by a financial institution insured by the Federal Deposit Insurance Corporation in a sum not less than the total sum of the contract.

OSAI recommends the District Board refrain from awarding a bid without the above noted documents in their possession at the time of the award in order to avoid possible liability issues with the contractor and performance of duties.

Further, the District did not address all aspects of Finding 2020-003 regarding the construction management agreement with MILO Construction Company, LLC.

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 the publication (GAO Standards) addresses controls in the federal government, this criterion can be treated as best practices and may be applied as framework for an internal control system for state, local, and quasi-governmental entities.

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

The GAO Standards – Section 2 – Objective 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 61 O.S. § 1 states,

“A. Prior to an award of a contract exceeding Fifty Thousand Dollars (\$50,000.00) for construction or repair of a public or private building, structure, or improvement on public real property, the person that receives the award shall:

1. Furnish a bond with good and sufficient sureties payable to the state in a sum not less than the total sum of the contract; or
2. Cause an irrevocable letter of credit, containing terms the Office of Management and Enterprise Services prescribes, to be issued for the benefit of the state by a financial institution insured by the Federal Deposit Insurance Corporation in a sum not less than the total sum of the contract.

B. The bond or irrevocable letter of credit shall ensure the proper and prompt completion of the work in accordance with the contract and shall ensure that the contractor shall pay all indebtedness the contractor incurs for the contractor’s subcontractors and all suppliers of labor, material, rental of machinery or equipment, and repair of and parts for equipment the contract requires the contractor to furnish.”

Title 61 O.S. § 113 Section B (1)-(4) states:

B. Except as otherwise provided by law, within the period of time specified in subsection A of this section, the following shall be provided by the contractor to the awarding public agency for contracts exceeding Fifty Thousand Dollars (\$50,000.00):

- 1.) A bond or irrevocable letter of credit complying with the provisions of Section 1 of this title;
- 2.) A bond in a sum equal to the contract price, with adequate surety, or an irrevocable letter of credit containing terms prescribed by the Construction and Properties Division of the Office of Management and Enterprise Services issued by a financial institution insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the benefit of the state, on behalf of the awarding public agency, in a sum equal to the contract price, to ensure the proper and prompt completion of the work in accordance with the provisions of the contract and bidding documents;
- 3.) A bond in a sum equal to the contract price or an irrevocable letter of credit containing terms as prescribed by the Division issued by a financial institution insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation for the benefit of the state, on behalf of the awarding public agency, in a sum equal to the

McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2020

contract price, to protect the awarding public agency against defective workmanship and materials for a period of one (1) year after acceptance of the project, except when the awarding public agency is the Department of Transportation or the Oklahoma Turnpike Authority, in such case the period shall be for one (1) year after project completion; and 4.) Public liability and workers' compensation insurance during construction in reasonable amounts. A public agency may require the contractor to name the public agency and its architects or engineers, or both, as an additional assured under the public liability insurance, which requirement, if made, shall be specifically set forth in the bidding documents.

Finding 2020-005 – Internal Controls Over Fixed Assets Inventory

Condition: Based on inquiry of Board members and District personnel, and observation of the fixed assets process, the following was concluded:

- While all fixed assets are maintained at the Blanchard location and kept on an inventory list, there are some additional items located at the Newcastle Fire Department that are not properly maintained.
- An annual, physical verification of assets has not been performed as of current or approved by the District Board.
- The District does not have Board-approved formal policies and procedures in place regarding the District's fixed assets inventory process.

Additionally, visual verification of equipment items, the physical verification reflected two (2) items could not be located.

- | | |
|------------------------------|----------------------------|
| ○ <i>Printer – HP 1320</i> | <i>Serial # CNCB815456</i> |
| ○ <i>Vital Signs Monitor</i> | <i>Serial # 147093</i> |

Cause of Condition: Policies and procedures have not been designed and implemented to ensure fixed assets inventory is properly accounted for, maintained, updated, and verified regularly by the District.

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

Recommendation: OSAI recommends policies and procedures be designed and implemented to ensure fixed assets inventory is updated on an ongoing basis. Additionally, OSAI recommends physical inventory verification be completed, documented, and approved annually to verify inventory on hand.

Management Response:

Board Chairman: Our records indicate the HP printer serial number CNCB15456 was declared surplus by the Board of Trustees on August 13, 2018. The District employees made a list of numerous pieces of office equipment to include printers, fax machines, calculators and monitors to be declared surplus to clear

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

out junk in lockers in the garage on that date. All the items were not repairable and replaced with new items. It is the policy of the District to declare all equipment with an original or current value of \$500.00 or more to be added to the fixed assets inventory list. This list is to be checked at least once a year with serial numbers verified. It is believed the vital signs monitor was thrown out by mistake while cleaning out the garage in the absence of the Director before it was declared surplus/junk. This machine was outdated, did not work and sat in disrepair for approximately 15 years when new heart monitors were purchased that had the same equipment built into them. The employees have since been reminded of the importance of not throwing away old and nonworking equipment without notifying the Director or Assistant Director so that they can be disposed of properly.

Criteria: The GAO Standards – Section 2 – Establishing an Effective Internal Control System states in part:

Safeguarding of Assets

OV2.24 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.

Additionally, Principle 10 – Design Control Activities states in part:

Physical Control Over Vulnerable Assets

10.03 Management establishes physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Management periodically counts and compares such assets to control records.

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