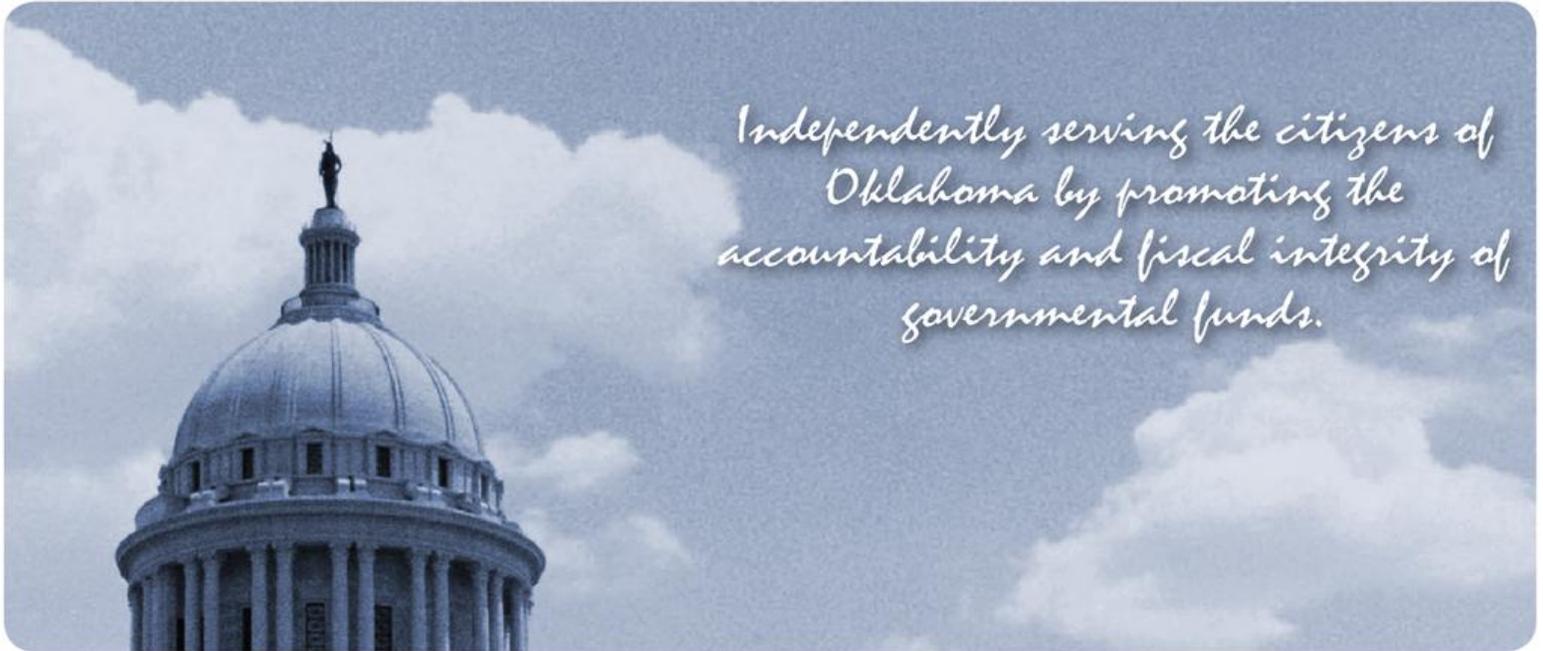


# STATUTORY REPORT

## MCCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2015



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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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](http://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.



# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

November 8, 2016

**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, 2015.

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 "Gary A. Jones". The signature is written in a cursive style.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
 STATUTORY REPORT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2015**

	<b>FY 2015</b>
Beginning Cash Balance, July 1	\$ 490,296
<b>Collections</b>	
Ad Valorem Tax	462,690
Charges for Services	504,102
Miscellaneous	51,029
Total Collections	1,017,821
<b>Disbursements</b>	
Personal Services	722,707
Maintenance and Operations	186,147
Capital Outlay	11,429
Audit Expense	-
Total Disbursements	920,283
Ending Cash Balance, June 30	\$ 587,834

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



# Oklahoma State Auditor & Inspector

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McClain/Grady County Emergency Medical Service District  
221 W. Blanchard Drive  
Blanchard, Oklahoma 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 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 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.
- 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 whether the District's collections, disbursements, and cash balances for FY 2015 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.

A handwritten signature in blue ink that reads "Gary A. Jones". The signature is written in a cursive style with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

August 8, 2016

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2015-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account (Repeat Finding)**

**Condition:** Upon inquiry and observation of the budgeting process, it was determined that internal controls have not been designed and implemented to ensure the amount required by statute is correctly budgeted for the audit budget account.

It was further noted that McClain/Grady County Emergency Medical Service District (the District) has not carried forward the balance into the audit account each fiscal year. As a result, the District's balance in the audit budget account as of June 30, 2015 was not budgeted

The correct balance should have been \$75,083, leaving an underfunded account balance of \$75,083.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure the Estimate of Needs is prepared in accordance with the state statute.

**Effect of Condition:** This condition resulted in noncompliance with the state statute and the underfunding of the audit expense account. Further, balances from previous years were not properly carried forward.

**Recommendation:** The Oklahoma State Auditor and Inspector's Office (OSAI) recommends the District design and implement policies and procedures to ensure that one-tenth mill upon the net total assessed valuation be set aside in the audit budget account, and that any unused portion be carried forward into the next year's audit budget account in accordance with 19 O.S § 1706.1.

**Management Response:**

**Chairman of the Board:** The District has hired an accounting firm to complete the Estimate of Needs. The accounting firm is supposed to calculate the 1/10th mill so we could include it in the budget. This was done for the 2015-16 year and we will look at this very closely again this year when the Estimate of Needs is completed to be sure the correct amount is budgeted.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. A component objective of an effective internal control system is to provide accurate and reliable information through proper review and approval.

Title 19 O.S. § 1706.1 states in part "The net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation in any emergency medical service district for any year which shall be authorized and mandatorily required to be appropriated and dedicated to emergency medical service district audit ....."

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Finding 2015-2 – Inadequate Internal Controls Over the Collection Process (Repeat Finding)**

**Condition:** While gaining an understanding of the receipting, depositing, and reconciling functions of the District, it was noted that the following duties are not properly segregated:

- One employee processes mail-in payments, issues all receipts, and takes the deposit to the bank.
- Bank reconciliations were not being reviewed for accuracy by someone other than the preparer.

**Cause of Condition:** Policies and procedures have not been designed and implemented to sufficiently segregate the receipting process. Additionally, policies and procedures have not been designed and implemented to ensure all bank accounts are reconciled and approved by someone other than the preparer.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends management 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions.

Additionally, OSAI recommends the District ensure bank reconciliations are being performed and reviewed by someone other than the preparer.

**Management Response:**

**Chairman of the Board:** The District is aware of the fact that there are a limited number of employees involved in the receipt of mail, funds and making deposits. Management desires to have more than one person responsible for the execution of transactions and several people are involved on most days. This service is limited as to the number of employees it can afford to work in the office to perform these tasks.

**Auditor Response:** OSAI recommends the Board establish mitigating controls to review and approve, as evidenced by date and initials, monthly bank statements and bank reconciliations at Board meetings. We further recommend another employee review and approve deposits.

**Criteria:** Accountability and stewardship are overall goals of management in the accounting of funds. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from misappropriation. To help

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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ensure a proper accounting of funds, the duties of receiving, receipting, recording, and depositing cash and checks, and reconciliations should be segregated.

**Finding 2015-3 – Inadequate Internal Controls and Noncompliance Over the Disbursement Process (Repeat Finding)**

**Condition:** While gaining an understanding of the disbursement process of the District, we noted the accounting clerk performs the following duties:

- Orders supplies,
- Prepares purchase orders,
- Reviews the packing list against the invoice,
- Prepares checks, and
- Disburses checks.

Additionally, the following noncompliance was noted:

- Fuel purchases were not made in accordance with the competitive bidding requirement.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Additionally, policies and procedures have not been designed and implemented to ensure purchases for fuel are made in accordance with the competitive bidding requirement.

**Effect of Condition:** A single person having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner. Further, fuel purchases resulted in noncompliance with the state statute and could result in inaccurate records, incomplete information or misappropriation of assets.

**Recommendation:** OSAI recommends management 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 management's oversight of office operations and a periodic review of operations. OSAI recommends management provide segregation of duties so that no one employee is able to perform all accounting functions. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approve accounting functions. Regarding fuel purchases, OSAI recommends the District consider using the state contract to obtain fuel cards.

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Management Response:**

**Chairman of the Board:** The District is aware of the fact that there is a limited number of employees involved in the ordering of supplies, preparing purchase orders, reviewing invoices, preparing checks and dispersing checks. Ordering, receiving and logging of all goods ordered are performed by several people when available. All invoices and checks are reviewed and signed off by the Board of Trustees at its regular monthly meeting before payments are approved and checks signed.

The Board of Trustees desires to have numerous people responsible for the execution of these duties but is limited as to the number of employees it can afford to work in the office to perform these tasks.

In the matter of bidding for fuel purchases, the District has used the same fuel purchasing company for twenty or more years without incident. It was not brought to our attention until recent audits that bidding for fuel purchases were required. Due to the nature of our business and the broad area we travel we are not sure how to ensure that we can purchase fuel 24 hours a day in convenient locations by any other means. However, this will be researched in an effort to find a solution that is suitable to your office and meets state purchasing requirements.

**Criteria:** Effective internal controls include key functions within a process be adequately segregated to allow for prevention and detection of errors and abuse. An important aspect of internal controls is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and/or misappropriation of funds.

Title 19 O.S. § 1723 requires that the District follow county purchasing procedures for competitively bidding fuel as outlined in Title 19 O.S. § 1501(A)(3)(g).

**Finding 2015-4 – Inadequate Internal Controls Over the Verification of Fixed Assets Inventory (Repeat Finding)**

**Condition:** Based on inquiry, observation, and review of the District's fixed assets inventory records, the following was noted:

- An annual physical verification of fixed assets inventory was not performed.

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

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

**McCLAIN/GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Recommendation:** OSAI recommends annual physical fixed assets inventory verifications be performed by someone other than the individual maintaining inventory records and documentation of the physical inventory count be retained.

**Management Response:**

**Chairman of the Board:** The District is aware of the fact that there is not an annual physical review of inventory. We are in the process of developing a policy that requires the inventory be done annually and is not done by the office management if possible.

It is the District's goal to maintain as efficient a business as possible and stay in good standing with your office. The input received by your office is always appreciated and heeded. It is also our hope that each year's audit will result in fewer discrepancies than the following year.

**Criteria:** An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.



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