

STATUTORY REPORT

MCCLAIN/GRADY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2014



*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 EMERGENCY MEDICAL SERVICE DISTRICT
STATUTORY REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Oklahoma State Auditor & Inspector

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

March 15, 2016

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

Transmitted herewith is the audit report of McClain/Grady Emergency Medical Service District for the fiscal year ended June 30, 2014.

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, appearing to read "Gary A. Jones".

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

**McCLAIN/GRADY EMERGENCY MEDICAL SERVICE DISTRICT
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 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014

	FY 2014
Beginning Cash Balance, July 1	\$ 447,502
Collections	
Ad Valorem Tax	447,123
Charges for Services	496,559
Miscellaneous	53,960
Total Collections	997,642
Disbursements	
Personal Services	724,923
Travel	-
Maintenance and Operations	158,004
Capital Outlay	71,921
Audit Expense	-
Total Disbursements	954,848
Ending Cash Balance, June 30	\$ 490,296

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



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McClain/Grady Emergency Medical Service District
211 W. Blanchard Drive
Blanchard, Oklahoma 73010

TO THE BOARD OF DIRECTORS OF THE McCLAIN/GRADY 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 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the McClain/Grady 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 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 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, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

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

August 26, 2015

**McCLAIN/GRADY EMERGENCY MEDICAL SERVICE DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF FINDINGS AND RESPONSES

Finding 2014-1 – Inadequate Internal Controls and Noncompliance Over Audit Expense Account (Repeat Finding)

Condition: The District did not appropriate the mandatory one-tenth mill to the audit budget account. Further, balances from previous years were not properly carried forward.

Cause of Condition: Policies and procedures have not been designed and implemented to ensure compliance with 19 O. S. § 1706.1.

Effect of Condition: This condition resulted in noncompliance with the state statute and under-funding of the audit expense account.

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

Management Response:

Chairman: Management has hired an accounting firm to correct the audit expense account. The one-tenth mill will now be included in the Estimate of Needs.

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.

Further, according to 19 O.S. § 1706.1, the District must appropriate the net proceeds of the one-tenth mill annual ad valorem levy upon the net total assessed valuation of the District for audit expenses. This balance is to be carried forward into future years.

Finding 2014-3 – Lack of Segregation of Duties Over Receipting Process (Repeat Finding)

Condition: While gaining an understanding of the receipting, depositing, and reconciling functions of the McClain/Grady Emergency Medical Service District, the following was noted:

- One individual receipts payments, records transactions, and prepares deposits.
- Reconciliations are 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.

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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, undetected errors, or misappropriation of funds.

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. Further, OSAI recommends all bank reconciliations reflect an indication of review and approval by someone other than the preparer.

Management Response:

Chairman: Management is in complete agreement with the audit finding concerning segregation of duties of the receipting process. Management desires to have more than one person responsible for execution of transactions. This service is limited in the number of employees that we have available for this task, however, the Board will consider the separating of key processes and critical functions of the office and have reviews and approve accounting functions with additional oversight.

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 ensure a proper accounting of funds, the duties of receiving, receipting, recording, depositing, and reconciliations should be segregated.

Finding 2014-4 – Lack of Segregation of Duties Over Disbursements (Repeat Finding)

Condition: Based upon inquiry and observation of the disbursement process, the following was noted:

- One individual may order goods/services, receive goods/services, prepare checks, and distribute the checks.

Cause of Condition: The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process.

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.

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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.

Management Response:

Chairman: Management is aware of these conditions of payment disbursements and agrees that concentration of duties and responsibilities in a limited number of employees is not desired from a control point of view. However, since the office personnel operate at a bare minimum, segregation is nearly impossible. So at each monthly Board meeting, the five member board approves or rejects all accounts payable by reviewing the purchase order, delivery receipt, and check, and then, in addition, members sign the checks and then the check is mailed. This procedure has worked very well for many years. As we grow and hire more employees, the duties can become more segregated.

Criteria: Accountability and stewardship are overall goals of management in the accounting of funds. To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions.

Finding 2014-5 – Lack of Segregation of Duties Over Inventory (Repeat Finding)

Condition: Based on inquiry and observation of the District, the following was noted concerning inventory:

- One employee maintains all inventory records, and a physical inspection of inventory is not performed.

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

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

Recommendation: OSAI recommends that policies and procedures be implemented to ensure inventory is being updated on an ongoing basis. Furthermore, OSAI recommends physical inventory verification, by someone other than the individual in charge of inventory, be completed and documented annually to verify inventory on hand.

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

Chairman: Management is in the process of developing policies to address the maintenance of the District's inventory. These procedures will include more than one individual in charge, and inventory to be documented on an annual basis.

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 untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.



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