

STATUTORY REPORT

# MCCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT

For the fiscal year ended June 30, 2017



*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, 2017**

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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

August 31, 2018

**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, 2017.

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, flowing style.

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

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2017.**

	<u>FY 2017</u>
Beginning Cash Balance, July 1	\$ 676,517
Collections	
Ad Valorem Tax	526,948
Charges for Services	478,206
Miscellaneous	58,274
Total Collections	<u>1,063,428</u>
Disbursements	
Personal Services	783,120
Maintenance and Operations	151,108
Capital Outlay	73,307
Audit Expense	9,144
Total Disbursements	<u>1,016,679</u>
Ending Cash Balance, June 30	<u>\$ 723,266</u>

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



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McClain-Grady County Emergency Medical Service District  
211 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 2017 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

July 9, 2018

**McCLAIN-GRADY COUNTY EMERGENCY MEDICAL SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2017-2 - Inadequate Internal Controls Over the Disbursement and Petty Cash Process (Repeat Finding)**

**Condition:** While gaining an understanding of the disbursement process of McClain-Grady County Emergency Medical Service District (the District), we noted that the accounting clerk performed the following duties:

- Ordered supplies and sometimes signed as verification that supplies were received.

Additionally, a sample of disbursements was selected to determine whether adequate internal controls were in place to safeguard the District's assets.

- The test of thirty-three (33) purchase orders reflected twenty-seven (27) receipts or invoices including fuel receipts, did not contain evidence of a verification of goods or services received.
- The test of twenty-four (24) petty cash receipts, reflected nineteen (19) petty cash receipts did not contain evidence of a verification of goods or services received.

**Cause of Condition:** The District has not designed and implemented policies and procedures to sufficiently segregate the disbursement process. Policies and procedures have not been designed and implemented regarding the use and replenishment of petty cash.

**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, including evidence that the receipts and invoices have been verified to the goods and services received.

**Recommendation:** The Oklahoma State Auditor and Inspector's office (OSAI) recommends the Board 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 the Board's oversight of office operations and a periodic review of operations. OSAI recommends the Board 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 the Board review and approve accounting functions. Further, OSAI recommends petty cash tickets and fuel receipts are initialed or signed as received and verified for accuracy.

**Management Response:**

**Chairman of the Board:** One person, other than the person placing the order, now signs the receipts, invoices, and packing slips for the receipt of office supplies. Signing of receipts and packing slips of goods

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received and purchases made with petty cash has now been implemented. Each fuel receipt is now signed by the medic that purchased the fuel and the Director reviews each receipt against a weekly report to ensure no unauthorized purchases have been made.

**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, including, documenting the receipt of good and services and separating the ordering and receiving duties of the disbursement and petty cash processes.

**Finding 2017-3 - 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:

- Evidence of an annual physical verification of fixed assets inventory being performed was not documented.

**Cause of Condition:** Policies and procedures have not been designed and implemented to ensure a physical verification of fixed assets inventory is performed annually by the District.

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

**Recommendation:** OSAI recommends an annual physical inventory verification of fixed assets 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 has appointed an employee to perform random audits throughout the year to ensure fixed assets are verified. The fixed assets list is currently being formatted to more easily identify the appropriate assets and to be able to sign and date the items that are verified.

**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 fixed assets and safeguarding assets from loss, damage, or misappropriation.





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