

Financial-Related Audit

**Emergency Medical Services
Regulatory Board
July 1, 1997, through June 30, 2002**



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota State government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately fifty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year and one best practices review.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of Representatives and Senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, evaluation, or best practices review, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us



Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Dr. Dan Hankins, Chair
Emergency Medical Services Regulatory Board

Members of the Emergency Medical Services Regulatory Board

Ms. Mary Hedges, Executive Director
Emergency Medical Services Regulatory Board

We have audited the Emergency Medical Services Regulatory Board for the period July 1, 1997, through June 30, 2002. Our audit scope covered board administrative expenditures and grants and reimbursements, including regional grants, seat belt funds, and ambulance service training reimbursements. The audit objectives and conclusions are highlighted in the individual chapters of this report.

We conducted our audit in accordance with *Government Auditing Standards*, as issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit. The standards require that we design the audit to provide reasonable assurance that the Emergency Medical Services Regulatory Board complied with provisions of laws, regulations, contracts, and grants that are significant to the audit. The management of the Emergency Medical Services Regulatory Board is responsible for establishing and maintaining the internal control structure and complying with applicable laws, regulations, contracts, and grants.

This report is intended for the information of the Legislative Audit Commission and the management of the Emergency Medical Services Regulatory Board. This restriction is not intended to limit the distribution of this report, which was released as a public document on October 10, 2002.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Claudia J. Gudvangen

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: August 30, 2002

Report Signed On: October 4, 2002

Emergency Medical Services Regulatory Board

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jim Riebe, CPA	Audit Manager
April Snyder	Auditor-in-Charge
Linda Pha	Auditor

Exit Conference

At the completion of our audit, we discussed the audit report with management of the Emergency Medical Services Regulatory Board.

Emergency Medical Services Regulatory Board

Report Summary

Overall Audit Conclusion

The Emergency Medical Services Regulatory Board (EMSRB) managed its financial activities in a reasonable and prudent manner. The board provided reasonable assurance that assets were safeguarded, financial activity was properly recorded in the accounting system, and financial operations complied with applicable legal provisions.

Audit Scope

The audit of EMSRB covered the five-year period ending June 30, 2002. We audited the board's administrative expenditures and grants and reimbursements, including regional grants, seat belt funds, and ambulance service training reimbursements. The audit focused on the board's policies and procedures to ensure that its assets were safeguarded, financial activity was properly recorded in the state's accounting system, and the board followed applicable legal provisions.

Background

The EMSRB began operation as an independent board on July 1, 1996. Previously, the services of the EMSRB were administered by the Department of Health. The board provides direction for emergency medical care for the people of Minnesota through policy development, regulation, and education. The board accomplishes this objective through licensing of ambulance services and emergency medical technicians in Minnesota, approving and funding certain emergency medical services training, and designating and funding eight regional EMS organizations that provide emergency medical services. The EMSRB operates under Minn. Stat. Section 144E. The board consists of 19 members, including the commissioners of Health and Public Safety, two ex-officio members of the Legislature, and 15 members appointed by the Governor. The board hires the executive director. Mary Hedges is the current executive director of the board.

Emergency Medical Services Regulatory Board

Chapter 1. Introduction

The Emergency Medical Services Regulatory Board (EMSRB) began operation as an independent board on July 1, 1996. Previously, the Department of Health administered the services of the EMSRB. The EMSRB operates under Minn. Stat. Section 144E.

The board consists of 19 members including the commissioners of Health and Public Safety, two ex-officio members of the Legislature, and 15 members appointed by the Governor. The board hires the executive director. Mary Hedges is the current executive director of the board. The board provides direction for emergency medical care for the people of Minnesota through policy development, regulation, and education. The board accomplishes its mission through licensing of ambulance services and emergency medical technicians in Minnesota, approving and funding certain emergency medical services training, and designating and funding eight regional EMS organizations that support emergency medical services.

The board finances its operations through appropriations, seat belt fine revenue, and transfers from the excess police state aid longevity account. Unlike most boards and commissions, EMSRB does not have to recover its expenditures through fees. The board deposits the fees it collects as non-dedicated revenue in the General Fund. Starting in fiscal year 2002, the EMSRB assumed administrative responsibility for the Health Professionals Services Program. The Health Professionals Services Program offers support and help for health professionals who have substance, psychiatric, and medical disorders. This program was not part of the audit scope.

Table 1-1 summarizes the board's sources and uses of funds during fiscal years 2001 and 2002. The EMSRB's grants and reimbursements and administrative expenditures are further discussed in Chapters 2 and 3, respectively.

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**Table 1-1
Sources and Uses of Funds by Fiscal Year**

	<u>2001</u>	<u>2002 ⁽¹⁾</u>
Sources:		
Appropriations	\$2,467,000	\$2,770,000
Federal Revenue	321,406	222,988
Receipts ⁽²⁾	176	1,269
Transfers (Net)	1,224,241	1,111,762
Balance Forward (Net)	281,665	(296,281)
Cancellations	<u>(205,146)</u>	<u>0</u>
Total Sources	<u>\$4,089,342</u>	<u>\$3,809,738</u>
Uses:		
Grants and Reimbursements	\$2,595,220	\$2,477,034
Payroll and Board Per Diems	804,320	846,097
Communications and Computer Services	296,972	174,505
Equipment and Supplies	110,575	80,167
Rent	81,471	61,044
Travel	62,540	57,636
Other Administrative Expenditures	<u>138,244</u>	<u>113,254</u>
Total Uses	<u>\$4,089,342</u>	<u>\$3,809,738</u>

Notes: (1) The fiscal year 2002 amounts include expenditures and encumbrances through September 13, 2002.

(2) The board deposits receipts in the General Fund as non-dedicated revenues. The funds are not available to the board.

(3) Table 1-1 reflects the operational activity of EMSRB. It does not include the ambulance service personnel longevity award and incentive program.

Source: Minnesota Laws and Minnesota Accounting and Procurement System.

The EMSRB administers the ambulance service personnel longevity award and incentive program. This program was designed to recognize and reward volunteer ambulance service personnel and to provide an incentive for emergency medical services volunteers. The program began in fiscal year 1994 and is administered in accordance with Minn. Stat. Section 144E .40. To claim the longevity award, ambulance service personnel must satisfy certain statutory eligibility requirements.

Each year, \$1 million is transferred from the excess police state-aid suspense account to the current longevity account. The payout to claimants is based on the number of service years. The current year's incentive payments are paid out of the \$1 million and the interest on the \$1 million. EMSRB transfers any funds not paid out in the current year to the State Board of Investment, which invests the excess funds. The balance in the trust account, including investment earnings and increases or decreases in the fair value of the investments, totaled approximately \$7.9 million and \$8 million as of June 30, 2001 and 2002, respectively.

The EMSRB utilizes the financial services provided to the other related licensing health boards from the Administrative Services Unit. The board determines the extent to which it will use the Administrative Services Unit's support services. The unit, located in the same building as the

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EMSRB, provides services such as processing personnel and payroll transactions, encumbering and disbursing funds, and recording receipts. The Administrative Services Unit assists the board with budget development and monitors financial activity throughout the year. The EMSRB has an interagency agreement with the unit for its financial services.

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Chapter 2. Grants and Reimbursements

Chapter Conclusions

The Emergency Medical Services Regulatory Board designed internal controls to provide reasonable assurance that it properly authorized and accurately recorded grants and reimbursements in the accounting records. For the items tested, the board complied with applicable legal provisions. However, Legislative Audit Report 02-45, issued in July 2002, recommended improvements in the board's process for awarding grants to regional emergency medical services organizations and recommended that the board incorporate its expectations and restrictions on the use of state funds in future grant contracts.

The board administers three major types of grants to emergency medical service organizations throughout the state: regional grants, seat belt grants, and comprehensive advance life support (CALs) grants. Also the board has a program to reimburse ambulance services for some of the costs of training volunteer ambulance attendants.

The Legislature decided emergency medical services programs would be provided within eight regions located throughout Minnesota. The board awards grants to one emergency medical services organization from each region, designated by the board. The board divides available funds equally among the grantees. The board finances the regional grants through General Fund appropriations. Regional grants are intended to reduce death and disability due to medical emergencies.

The board finances seat belt grants from seat belt fines collected throughout the state. Minnesota statutes require that all seat belt fines be deposited into the emergency medical services relief account. The board receives 90 percent of that money to distribute equally to the designated regional organizations. The Department of Public Safety receives the remaining ten percent.

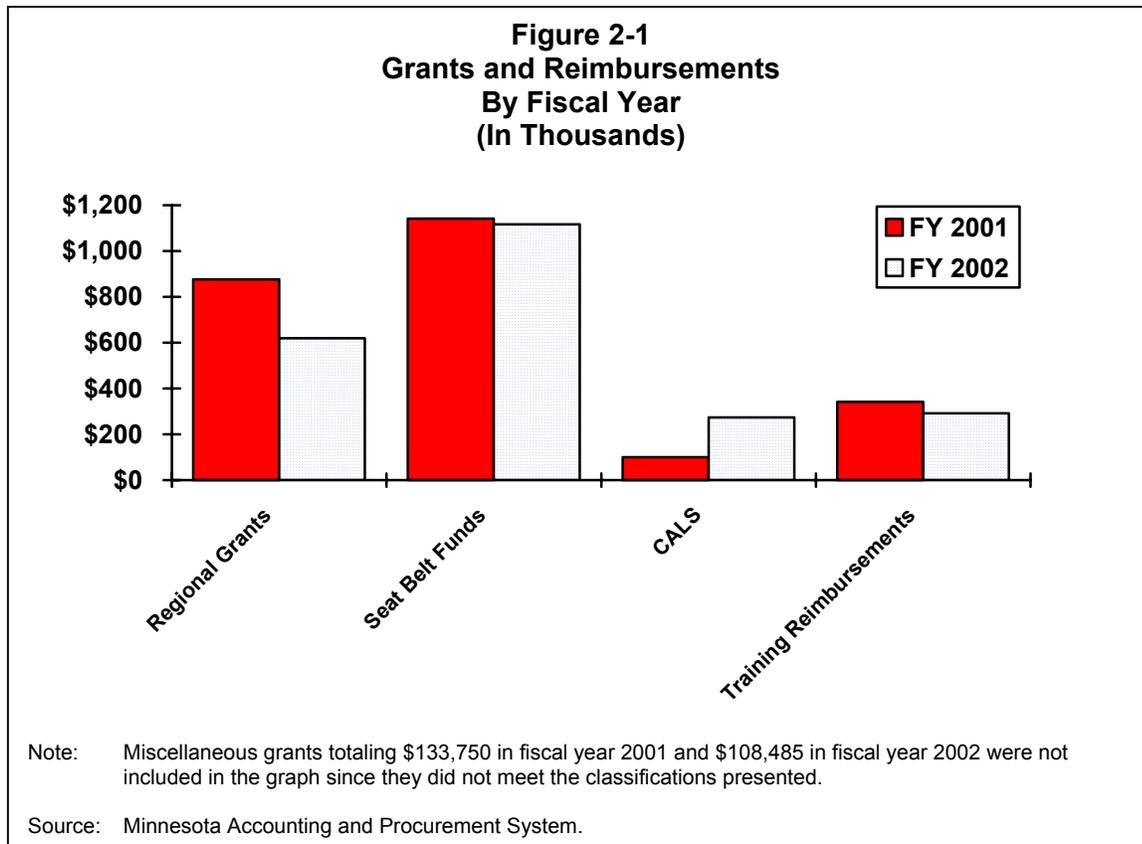
The comprehensive advance life support program (CALs) began in fiscal year 1998 with a state appropriation to aid and administer implementation of the program in Minnesota. CALs is an educational program to train rural medical personnel, including physicians, physician assistants, nurses, and health care providers, in a team approach to anticipate, recognize, and treat life-threatening emergencies before serious injury or cardiac arrest occurs. CALs is a combination of two separate national courses, the advanced cardiac life support program and the advanced trauma life support program, that emergency room teams must receive training in. CALs is unique to Minnesota. The CALs grant currently is awarded to the only vendor that administers this program, the Minnesota Academy of Family Physicians.

The board funds ambulance training reimbursement grants from a General Fund appropriation. Under this program, the board reimburses licensed ambulance services operated by political

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subdivisions and non-profit hospitals or non-profit corporations for the expense of training volunteer ambulance attendants. Minnesota statutes define a volunteer ambulance attendant as a person who provides emergency medical services for a licensed ambulance services but receives less than \$3,000 per year in total compensation. The board may reimburse the ambulance service for expenses related to training courses taken by volunteer attendants, not to exceed \$450 per attendant for initial training and \$225 per attendant for continuing education.

Figure 2-1 summarizes the board's grant and reimbursement expenditures for fiscal year 2001 and 2002.



Audit Objectives and Methodology

The primary objective of our audit of grants and reimbursements was to answer the following questions:

- Did the board's internal controls provide reasonable assurance that expenditures were accurately reported in the accounting records, processed in accordance with management's authorization, and in compliance with applicable legal provisions and management's authorization?

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- For the items tested, did the board comply with significant finance-related legal provisions concerning grants and reimbursements?

To address our objectives, we interviewed board staff to gain an understanding of the grant and reimbursement process. We tested grants and reimbursements from each program on a sample basis. Finally, we performed analytical procedures on grants to identify any unusual trends or variances.

Conclusions

The Emergency Medical Services Regulatory Board designed internal controls to provide reasonable assurance that it properly authorized and accurately recorded grants and reimbursements in the accounting records. For the items tested, the board complied with applicable legal provisions. However, Legislative Audit Report 02-45, issued in July 2002, recommended that the board specify in its future requests for proposals when grant eligibility requirements needed to be met. We also recommended the board review and approve the evaluation criteria used in the selection of grant recipients. Finally, we recommended that the board incorporate its expectations and restrictions on the use of state funds in future contracts with regional emergency medical services organizations.

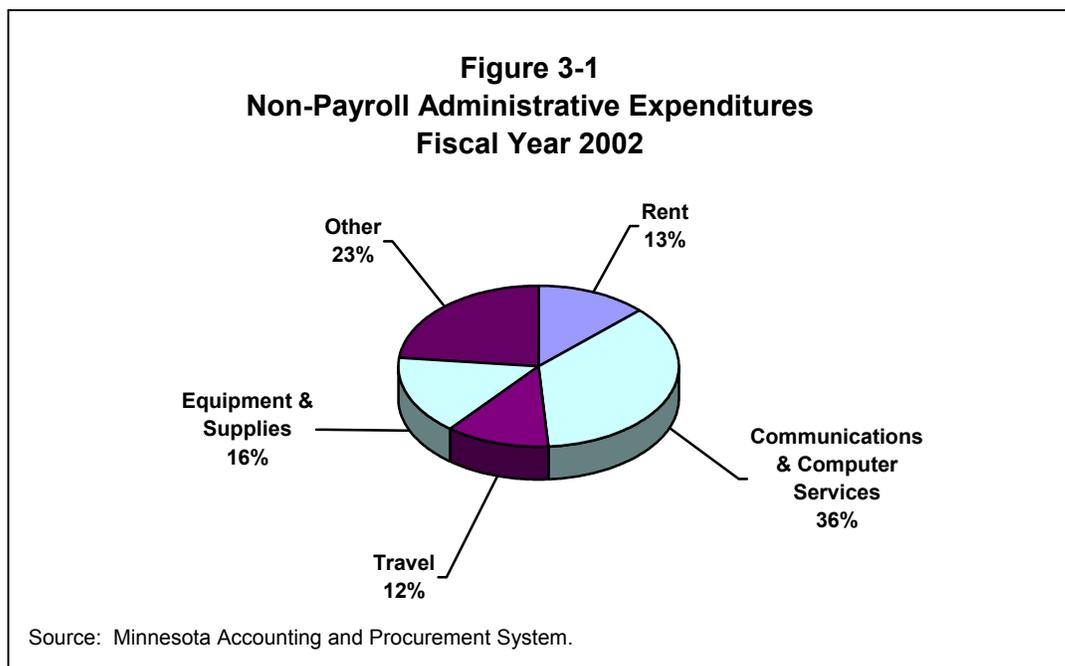
Chapter 3. Administrative Expenditures

Chapter Conclusion

The board's internal controls provided reasonable assurance that payroll and other administrative expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. For the financial transactions tested, the board complied with significant legal provisions concerning payroll, including applicable bargaining unit provisions, and other administrative expenditures.

The board receives appropriations from the Legislature to finance its operations. The board's largest administrative expenditure is payroll, which totaled approximately \$840,000 in fiscal year 2002. The 15 board employees belong to various bargaining units or personnel plans including the American Federation of State, County, and Municipal Employees; the Minnesota Association of Professional Employees; Middle Management, Commissioner's Plan, and the Managerial Plan. Per diems payments to board members totaled \$5,940 in fiscal year 2002.

Other non-payroll administrative expenditures primarily include rent, communications and computer services, supplies and equipment, and travel. Figure 3-1 highlights the allocation of the board's non-payroll administrative expenditures for fiscal year 2002.



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The Administrative Services Unit performs the board's payroll/personnel and accounting duties. Board employees do not have access to the state's payroll/personnel system (the State Employee Management System) or the state's accounting system (the Minnesota Accounting and Procurement System). The board receives and reviews payroll and expenditure reports at least monthly.

Audit Objectives and Methodology

Our audit of payroll and other administrative expenditures focused on the following questions:

- Did the board's internal controls provide reasonable assurance that payroll and other administrative expenditures were accurately reported in the accounting records, processed in accordance with management's authorization, and in compliance with applicable legal provisions and management's authorization?
- For the items tested, did the board comply with significant finance-related legal provisions concerning payroll and other administrative expenditures?

To answer these questions, we obtained an understanding of the internal control structure over the payroll and administrative expenditure processes. We reviewed controls and tested transactions related to payroll and the acquisition of equipment, supplies, communications and computer services, rent, and travel. We tested whether per diem payments to board members complied with Minn. Stat. Section 15.0575, Subd. 3. We tested transactions to determine whether the board properly procured goods and services, paid the correct amount, accurately recorded transactions in the accounting system, and complied with applicable state purchasing policies.

Conclusions

The board's internal controls provided reasonable assurance that payroll and other administrative expenditures were accurately reported in the accounting records and in compliance with applicable legal provisions and management's authorization. For the financial transactions tested, the board complied with significant legal provisions concerning payroll and other administrative expenditures, including applicable bargaining unit provisions.

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Status of Prior Audit Issues As of August 30, 2002

Most Recent Audit

Legislative Audit Report 02-45 was issued in July 2002. This was a special review to answer requests about certain aspects of the state EMSRB's administration of regional emergency medical services grants. The report included four findings. Due to the timing of this report, we did not follow up on the status of the issues during the current audit.

Legislative Audit Report 98-62, covering the period the period from July 1, 1996, through June 30, 1997, was issued in November 1998. The report included one finding. The board received reimbursement from the former executive director, who had received an honorarium that exceeded allowable expenses by \$1,006.

State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota and quasi-state organizations, such as the metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.