

Audit Report

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**Maryland Institute for Emergency  
Medical Services Systems**

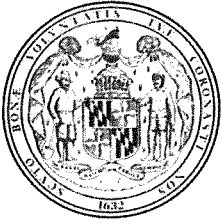
January 2012

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**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

January 12, 2012

Karl S. Aro  
Executive Director

Bruce A. Myers, CPA  
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee  
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Maryland Institute for Emergency Medical Services Systems (MIEMSS) for the period beginning June 2, 2008 and ending March 1, 2011. MIEMSS is responsible for coordinating the delivery of statewide emergency medical services, training and certifying emergency medical service providers, providing emergency medical service research and education, maintaining a statewide communication system, and regulating and licensing commercial ambulances.

Our audit disclosed that certain licenses and licensing fees were not adequately controlled and MIEMSS did not adhere to State law and budgetary requirements related to the reporting and disposition of year-end special fund balances. We also determined that record keeping and controls relating to corporate purchasing cards and equipment need improvement.

MIEMSS' response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by MIEMSS.

Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers".

Bruce A. Myers, CPA  
Legislative Auditor



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\* Denotes item repeated in full or part from preceding audit report

## **Background Information**

### **Agency Responsibilities**

The Maryland Institute for Emergency Medical Services Systems (MIEMSS) is governed by the Emergency Medical Services Board whose members are appointed by the Governor. MIEMSS is responsible for coordinating the delivery of statewide emergency medical services, training and certifying emergency medical service providers, providing emergency medical service research and education, maintaining a statewide communication system, and regulating and licensing commercial ambulances. According to the State's records, MIEMSS' expenditures totaled approximately \$13 million during fiscal year 2010.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated November 10, 2008. We determined that MIEMSS had satisfactorily addressed one of the findings. The remaining three findings are repeated in this report.

# Findings and Recommendations

## Ambulance Licenses and Related Fees

### **Finding 1**

**There was a lack of accountability over commercial ambulance licenses and the related fees.**

### **Analysis**

Procedures were inadequate to ensure that fees were collected for all ambulance licenses issued, and that adequate accountability had been established over the pre-numbered license decal inventory. Although certain procedures and records were established by the Maryland Institute for Emergency Medical Services Systems (MIEMSS) to independently account for and verify the disposition of each license decal, which serve as evidence of the license issued, these procedures and records were ineffective in controlling license decals and fees. For example, MIEMSS had established a log to account for licenses issued and the related fees collected; however, the fiscal year 2010 log lacked evidence that a licensing fee had been received and deposited for any of the approximately 420 licenses issued. Consequently, there was a lack of assurance that the proper fee was received and deposited for each license issued. This condition has been commented upon in our five preceding audit reports dating back to 1996.

In addition, MIEMSS did not adequately account for and document the disposition of all license decals. Specifically the records used to account for decals were not complete. For example, the records for fiscal years 2009 and 2010 indicated that 377 license decals had been destroyed, but there was no documentation of when this occurred or who witnessed destruction of the decals. As a result, the procedures did not ensure that all license decals received from the vendor were accounted for as to issued, voided, or on hand. This condition was also commented upon in our three preceding audit reports.

Commercial ambulance operators are required to obtain an annual license from MIEMSS for each ambulance operated. According to the State's records, license fees collected in fiscal year 2011 totaled approximately \$304,000, and individual license fees ranged between \$235 and \$1,090 depending on the type of ambulance and the licensing period.

## **Recommendation 1**

**We recommend that MIEMSS**

- a. independently verify and document that, for each license issued, the appropriate fee was received and deposited (repeat); and**
- b. adequately account for and document the disposition of all license decals received from the vendor as to issued, voided, destroyed, or on-hand (repeat).**

## **Budgetary Closeout**

### **Finding 2**

**During its budgetary closeouts, MIEMSS did not adhere to State law and related budgetary requirements for certain special funds.**

### **Analysis**

MIEMSS did not accurately report certain budgetary closeout data, and certain unspent funds were not transferred at year-end, as required. Specifically, we noted the following conditions:

- MIEMSS reported the incorrect year-end balances in its Commercial Ambulance Service Fund (a non-lapsing special fund) to the Comptroller of Maryland - General Accounting Division (GAD). MIEMSS reported fiscal 2010 and 2009 year-end balances of \$208,008 and \$228,668, respectively. However, according to the State's records, the 2010 and 2009 balances totaled only \$5,098 and \$17,798, respectively. Furthermore, MIEMSS could not provide documentation to support how it calculated the balances reported to GAD. Budgetary closeout requirements issued by GAD require State agencies to report all year-end special fund balances for which there is legal justification or authority to retain for the next fiscal year.
- With respect to MIEMSS' other special funds, unspent funds totaling approximately \$27,000 were retained at the end of fiscal year 2009 and were not transferred to the Maryland Emergency Medical System Operations Fund (MEMSOF), as required. State law establishing the MEMSOF states that the composition of MEMSOF is to include all funds generated by MIEMSS. While MIEMSS contends that a transfer of funds made in fiscal year 2011 included the \$27,000, it could not provide any detail to support the composition of the funds transferred.

A similar condition regarding the failure to transfer special funds was commented upon in our two preceding audit reports.

## Recommendation 2

We recommend that MIEMSS comply with State budgetary law and GAD's year-end closeout requirements by accurately reporting year-end closeout data and by properly transferring unspent special funds to the MEMSOF as required (repeat).

## Corporate Purchasing Cards

### Finding 3

**Documentation and controls over corporate purchasing cards were not sufficient.**

### Analysis

Documentation and controls over corporate purchasing cards need to be improved. According to the issuing bank's records, as of March 2011, MIEMSS had 17 active cards, and the related expenditures totaled approximately \$194,000 during fiscal year 2010. We noted the following conditions:

- Our review of six cardholders disclosed that MIEMSS did not retain documentation verifying that the cardholders received their cards along with instructions and proper training for using the cards. Additionally, for three of the cardholders examined, the initial applications and cardholder agreements authorizing cardholder usage and establishing cardholder liability for any misuse were not on file.
- MIEMSS did not adequately monitor cardholder credit limits, and we noted cardholders with limits in excess of their spending needs. Our review of cardholder activity for fiscal year 2010 disclosed that the average monthly expenditures for nine cards, with spending limits of \$5,000 to \$25,000, was less than 13 percent of the related monthly credit limits. For example, one cardholder with a monthly limit of \$10,000 had average monthly purchases of \$256. Another cardholder with a monthly limit of \$5,000 used the card just two months during fiscal year 2010 for expenditures totaling \$409 and \$845.

The Comptroller of Maryland's *Corporate Purchasing Card Program Policy and Procedures Manual* requires that cardholder applications and agreements be prepared and approved prior to issuing corporate purchasing cards, and that employees formally acknowledge receipt of the cards and instructions for usage. Furthermore, the *Manual* stipulates that cards be issued only to employees who need them on a regular basis. Controls over purchasing cards can be improved by ensuring that credit limits for individual cards are appropriate in relation to usage,

and that cards are issued only to employees who require them on a regular basis for their job duties.

### **Recommendation 3**

**We recommend that MIEMSS**

- a. ensure that all required documentation is completed and maintained prior to issuing purchasing cards; and**
- b. periodically evaluate established corporate purchasing card credit limits to ensure the limits are appropriate in relation to card usage, and that cards are issued only to employees who need them on a regular basis.**

## **Equipment**

### **Finding 4**

**Adequate controls and records were not maintained for equipment.**

### **Analysis**

MIEMSS did not comply with certain requirements of the Department of General Services' (DGS) *Inventory Control Manual*. According to its records, the book value of MIEMSS' equipment as of December 31, 2010 totaled approximately \$11.8 million. For example, we noted the following conditions:

- An equipment control account was not maintained and reconciled to the aggregate value of the corresponding detail records as required by the *Manual*. A control account helps to maintain accountability over equipment and to ensure that all transactions have been properly recorded. Although MIEMSS began to maintain a control account in June 2010, the account was not reconciled to the detail records. This condition has been commented upon in our five preceding audit reports dating back to 1996.
- As of December 2010, according to MIEMSS' records, the results of the most recent physical inventories conducted in April 2010 had not been fully reconciled to the related detail records, as required. Specifically, MIEMSS had not accounted for sensitive equipment totaling approximately \$132,000 for periods ranging from 13 months to more than four years. The *Manual* requires that all sensitive equipment be inventoried annually, the results reconciled to the detail records, and any missing items be investigated. A similar condition was commented upon in our four preceding audit reports.

- Annual reports of equipment balances submitted to DGS did not agree with the corresponding totals on MIEMSS' records. For example, the June 30, 2009 and 2010 equipment balances reported to DGS exceeded the amount recorded in the detail equipment records by \$283,707 and \$48,764, respectively. MIEMSS could not readily explain these differences. Annual reporting of equipment balances is required by the *Manual*. A similar condition was commented upon in our preceding audit report.

**Recommendation 4**

**We recommend that MIEMSS comply with the requirements of the DGS *Inventory Control Manual* (repeat).**

## **Audit Scope, Objectives, and Methodology**

We have audited the Maryland Institute for Emergency Medical Services Systems (MIEMSS) for the period beginning June 2, 2008 and ending March 1, 2011. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MIEMSS' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

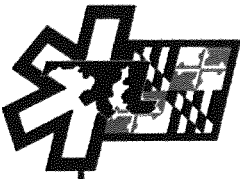
In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included cash receipts, expenditures, equipment, and payroll. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MIEMSS' operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

MIEMSS' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate. Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MIEMSS' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MIEMSS that did not warrant inclusion in this report.

MIEMSS' response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MIEMSS regarding the results of our review of its response.



State of Maryland

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Emergency Medical  
Services Systems**

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January 6, 2012

Mr. Bruce Myers, CPA  
Legislative Auditor  
Office of Legislative Audits  
301 West Preston Street  
Room 1202  
Baltimore, Maryland 21201

Dear Mr. Myers:

Enclosed is the Maryland Institute for Emergency Medical Services Systems' response to your draft report for the period beginning June 2, 2008 and ending March 1, 2011. The agency appreciates the support and effort of the Office of Legislative Audits. The audit reveals the continuing progress made since the agency became an independent state agency responsible for its own administration. MIEMSS will use the recommendations and comments to further improve our efficiency and effectiveness in serving the citizens of the state of Maryland.

Sincerely,

Robert R. Bass, MD, FACEP  
Executive Director

**Finding 1**

**There was a lack of accountability over commercial ambulance licenses and the related fees.**

**Recommendation 1**

**We recommend that MIEMSS**

- a. independently verify and document that, for each license issued, the appropriate fee was received and deposited (repeat); and**
- b. adequately account for and document the disposition of all license decals received from the vendor as to issued, voided, destroyed, or on-hand (repeat).**

Agency Response: MIEMSS concurs with the recommendation. An employee independent of the cash receipts and licensing functions maintains a separate log of all decals purchased from the vendor. Each decal is traced to final disposition, including the posting of revenue to the State's accounting records (FMIS) for those that result in a collection of a licensing fee. Although this log has been maintained during the entire audit period, it has not always been fully completed on a timely basis. During all of fiscal year 2011, every decal was properly traced to final disposition and this timely and complete reconciliation will continue to be performed going forward. Additionally, the Agency has created a form to be completed when decals are destroyed. The decal numbers and signatures of the employees witnessing the destruction will be included on the form. These procedures currently in place at MIEMSS provide assurance that all decals are accounted for, and that fees are received and deposited for all licenses/decals issued.

**Finding 2**

**During its budgetary closeouts, MIEMSS did not adhere to State law and related budgetary requirements for certain special funds.**

**Recommendation 2**

**We recommend that MIEMSS comply with State budgetary law and GAD's year-end closeout requirements by accurately reporting year-end closeout data and by properly transferring unspent special funds to the MEMSOF as required (repeat).**

Agency Response: MIEMSS concurs with the recommendation. MIEMSS reported the CASF fund balance to GAD based on the year-end balance prior to the posting of a journal entry to defer excess revenue to the following fiscal year. MIEMSS did not retain any special funds in fiscal years 2010 and 2011 for which it did not have specific statutory authority to retain. The unspent special fund balance of approximately \$27,000 retained at the end of fiscal year 2009 was reverted as part of the fiscal year 2010 closeout process. In the future MIEMSS will ensure that the balance reported to GAD at year end agrees with the year-end balance reported in the State's accounting records and that it retains adequate supporting documentation pertaining to fund transfers and year-end balances.

**Finding 3****Documentation and controls over corporate purchasing cards were not sufficient.****Recommendation 3****We recommend that MIEMSS**

- a. ensure that all required documentation is completed and maintained prior to issuing purchasing cards; and**
- b. periodically evaluate established corporate purchasing card credit limits to ensure the limits are appropriate in relation to card usage, and that cards are issued only to employees who need them on a regular basis.**

Agency Response: MIEMSS concurs with the recommendation. MIEMSS will ensure that all documentation is completed and maintained prior to issuing purchasing cards.

MIEMSS will periodically review purchasing card usage to ensure that credit limits are appropriate.

**Finding 4****Adequate controls and records were not maintained for equipment.****Recommendation 4****We recommend that MIEMSS comply with the requirements of the DGS *Inventory Control Manual* (repeat).**

Agency Response: MIEMSS concurs with the recommendation. MIEMSS has established a control account which is maintained by an employee independent of the record keeping function. This control account will be periodically reconciled to the detailed records.

MIEMSS conducts physical inventories of sensitive equipment annually as required by the Department of General Services (DGS) Inventory Control Manual. The Agency's inventory is spread over the entire state including pieces passed between offices in hospitals and at difficult to access communications towers at remote sites. Notable gains have been realized and the list of items not inventoried has reduced significantly with each audit period. For those MIEMSS equipment items that are difficult to track, MIEMSS will work through more than one inventory period before concluding that the items will not be found. Many long unseen items are ultimately found and retained in the inventory.

MIEMSS has purchased a fixed assets software package with the goal of converting its inventory records from EXCEL to the new database in order to provide greater accountability over the fixed asset record keeping process. Although MIEMSS has made great strides in reducing the discrepancies between balances in the detailed records and the balances reported to DGS at year end (i.e., the fiscal year 2010 difference was \$48,764, down significantly from the \$283,707 noted by the auditor for fiscal year 2009), it is expected that there will be no discrepancies going forward.

**AUDIT TEAM**

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