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# Emergency Medical Services Regulatory Board Financial Audit

For the Fiscal Year Ended June 30, 1997

November 1998

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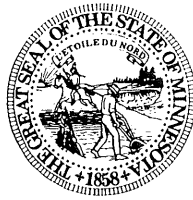
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Financial Audit Division  
Office of the Legislative Auditor  
State of Minnesota

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STATE OF MINNESOTA  
**OFFICE OF THE LEGISLATIVE AUDITOR**  
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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 Services Board for the period July 1, 1996 through June 30, 1997, as further explained in Chapter 1. Our audit scope included license revenue, personnel services, rent, grants, and other administrative expenditures. The following Summary highlights the audit objectives and conclusions. We discuss these issues more fully in the individual chapters of this report.

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

This report is intended for the information of the Legislative Audit Commission and the management of the board. This restriction is not intended to limit the distribution of this report, which was released as a public document on November 13, 1998.

Handwritten signature of James R. Nobles in black ink.

James R. Nobles  
Legislative Auditor

Handwritten signature of Claudia J. Gudvangen in black ink.

Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: May 29, 1998

Report Signed On: November 6, 1998

# SUMMARY

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## Emergency Medical Services Regulatory Board

### Financial Audit For the Fiscal Year Ended June 30, 1997

Public Release Date: November 13, 1998

No. 98-62

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#### Background

The Emergency Medical Services Regulatory Board (EMSR Board) began operations as an independent board on July 1, 1996. Previously, the services of the EMSR Board were administered through the Department of Health. The EMSR Board operates under Minn. Stat. Chapter 144E and Chapter 214. The board is appointed by the Governor and consists of fifteen members, plus the commissioners of Health and Public Safety, and two ex-officio legislators.

Mr. Keith Wages, who resigned on April 1, 1998, was the executive director of the board during the audit period. Ms. Mary Hedges was named executive director of the board effective June 24, 1998. Mr. Donald Hedman served as the interim executive director of the board between these appointments.

The board's operations are financed by appropriations, licensing receipts, and grants. For fiscal year 1997, the board recorded revenues of \$6,642,110 and used funds in the same amount (including funds carried forward to fiscal year 1998).

#### Audit Areas and Conclusions

Our audit scope covered the period from July 1, 1996, through June 30, 1997. We audited personnel services, grants, rent, and other administrative expenditures.

We found that the board accurately paid and recorded payroll expenditures. Payroll expenditures were also in compliance with rules and regulations for the items tested. In addition, we found that expenditures for grants, rent and other administrative expenses were properly authorized, accurately recorded, and consistent with the board's purpose. However, in fiscal year 1998 the former executive director received an honorarium of \$1,006 from a third party that he was not entitled to because he received a state paycheck for the same time period. The former executive director repaid the board \$1,006 in November 1998.

# 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
Michael Hassing	Audit Director
Mike Byzewski	Auditor
Anna Lamin	Auditor
Connie Stein	Auditor
Scott Tjomsland, CPA	Auditor

### Exit Conference

We discussed the results of the audit at an exit conference with the following Emergency Medical Services Regulatory Board staff on August 13, 1998:

Mary Hedges	Executive Director
Donald Hedman	Administrative Supervisor
Susan Ager	Program Supervisor
Melody Nagy	Office Manager
Julia Vangness	Administrative Services Unit Accounting Supervisor

# Emergency Medical Services Regulatory Board

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## Chapter 1. Background Information

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The Emergency Medical Services Regulatory Board (EMSR Board) began operations as an independent board on July 1, 1996. Previously, the services of the EMSR Board were administered through the Department of Health. The mission of the EMSR Board is to develop and maintain the statewide system for providing emergency medical services. The EMSR Board accomplishes this objective through the licensing of ambulance services and emergency medical technicians (EMTs) in Minnesota. The board also administers state and federal emergency services grants for the eight regional emergency medical service organizations statewide.

The EMSR Board operates under Minn. Stat. Section 144E. It is technically not classified as a health-related or non-health-related licensing board pursuant to Minn. Stat. Section 214.01. Therefore, the recovery of expenditures through fees and other reporting requirements do not apply to the EMSR Board. The EMSR Board has 19 members including the commissioners of Health and Public Safety, 2 ex-officio legislators, and 15 members appointed by the Governor.

Ms. Mary Hedges is the current executive director of the board. Mr. Donald Hedman served as the interim executive director of the board after Keith Wages, the initial director of the board, resigned on April 1, 1998.

The board finances its operations through fees, appropriations, and grants. Most of the fiscal year 1997 operating funds were existing account balances transferred to the EMSR Board from the Department of Health. The EMSR Board did collect about \$25,000 in licensing receipts from the ambulance services. The EMSR Board does not charge a fee for certifying emergency medical service personnel. The EMSR Board also receives grant funds from the General Fund, Trunk Highway Fund, and federal funds for administering programs statewide. Table 1-1 shows the sources and uses of funds of the EMSR Board for fiscal year 1997.

# Emergency Medical Services Regulatory Board

**Table 1-1  
Summary of Financial Activity  
For Fiscal Year Ended June 30, 1997**

	1997
Resources:	
Appropriations	\$ 75,000
Receipts/Fees (1)	21,165
Transfers (2)	6,545,945
<b>Total Available Resources</b>	<b>\$6,642,110</b>
Expenditures:	
Payroll and Board Per Diems	\$ 723,124
Rent	50,274
Grants	1,952,790
Other Expenditures	523,500
<b>Direct Expenditures Paid From Board Appropriation</b>	<b>\$3,249,688</b>
Statewide Indirect Costs	\$ 0
Attorney General Costs	19,813
Administrative Services Unit Costs	35,000
<b>Total Expenditures</b>	<b>\$3,304,501</b>
Balance Forward to FY98	\$3,143,287
Year-End Cancellations	139,170
Certified Encumbrances	55,152
<b>Total Uses of Funds</b>	<b>\$6,642,110</b>

- (1) The EMSR Board collected an additional \$25,212 from licensure of ambulance services and vehicles. The board deposited these fees directly to the Trunk Highway Fund. The funds were not available for the board to use.
- (2) The EMSR Board recorded transfers-in from the Departments of Health, Public Safety, and Revenue and the State Treasurer's Office.

Source: MAPS Accounting System, EMS Regulatory Board Biennial Budget, and ASU fiscal analysis reports.

The EMSR Board utilizes the financial services provided to the other health boards from the administrative services unit (ASU). The board determines the extent to which it will use the ASU support services. The ASU, located in the same building as the EMSR Board, provides services such as processing personnel and payroll transactions, encumbering and disbursing appropriations, and recording receipts. The ASU assists the board with budget development and monitors financial activity throughout the year. The EMSR Board has an interagency agreement with the ASU for its financial services. The EMSR Board's grants and administrative expenditures are further discussed in Chapters 2 and 3, respectively.

# Emergency Medical Services Regulatory Board

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## Chapter 2. Grant Expenditures

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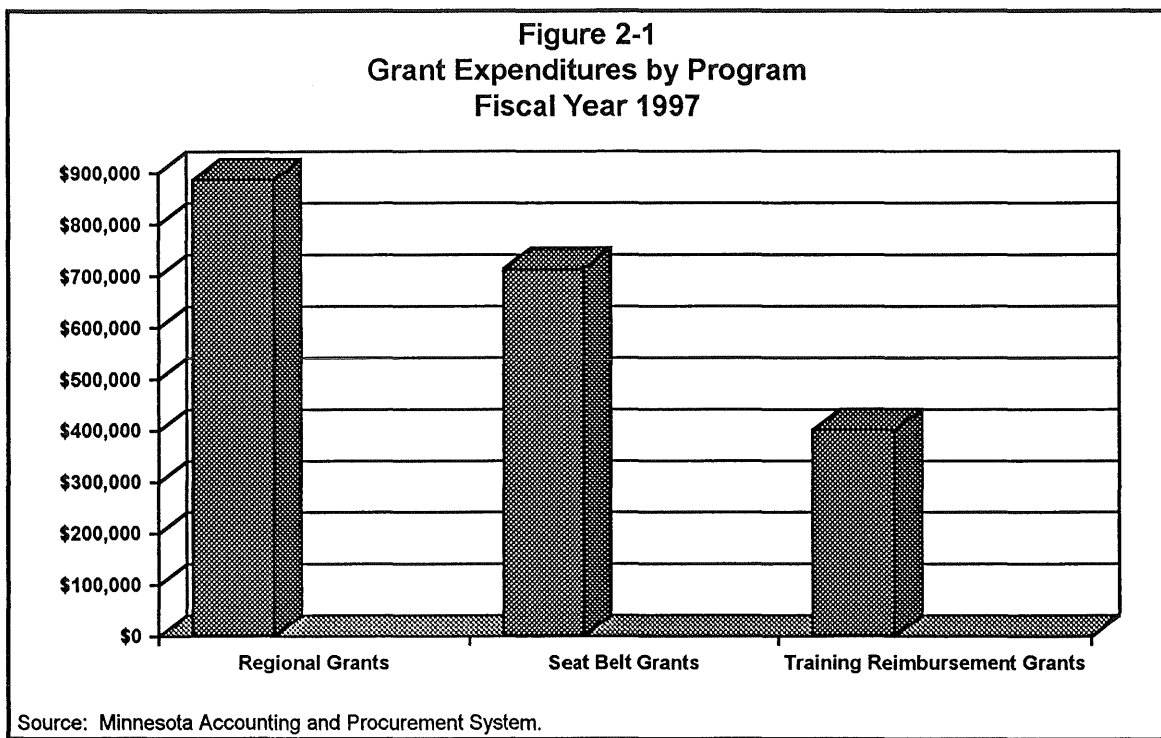
### Chapter Conclusions

*The Emergency Medical Services Regulatory Board designed internal controls to provide reasonable assurance that grant expenditures were properly authorized and accurately reported in the accounting records. With respect to the items tested, the board complied with applicable legal and policy provisions.*

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### Background

The board administers three types of grants to emergency medical services organizations throughout the state: regional grants, seat belt grants, and grants to reimburse ambulance services for the cost of training volunteer ambulance attendants. In fiscal year 1997, the board disbursed approximately \$2 million in grants. Figure 2-1 summarizes the board's grant expenditures in fiscal year 1997 by program.



## **Emergency Medical Services Regulatory Board**

The Legislature divides Minnesota into eight geographic EMS regions. Regional grants are intended to reduce death and disability due to medical emergencies through the promotion of prevention efforts and the development, maintenance, and improvement of EMS systems on a regional basis throughout Minnesota. The board may award regional grants to one EMS organization from each region, dividing available grant money equally among the grantees. The board funds the regional grants from three sources: appropriations from the General Fund, the Trunk Highway Fund, and the federal preventive block grant program.

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 organizations awarded regional grants. The Department of Public Safety receives the remaining ten percent.

The board funds ambulance training reimbursement grants from a General Fund appropriation. Under this program, the board reimburses licensed ambulance services operated by political subdivisions and non-profit hospitals or non-profit corporations throughout the state 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 service but receives total payments of less than \$3,000 in a year. 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.

### **Audit Objectives and Methodology**

We focused our review of grant expenditures on the following objectives:

- Did the EMSR Board design internal controls to provide reasonable assurance that grant expenditures were properly authorized and accurately reported in the accounting records?
- Did grant expenditures comply with applicable legal and policy provisions?

To address these objectives, we interviewed board staff to gain an understanding of the grant process. We reviewed grant expenditures from each grant program on a sample basis. Finally, we performed analytical procedures on grant expenditures.

### **Conclusions**

We found that the board designed internal controls to provide reasonable assurance that grant expenditures were properly authorized and accurately reported in the accounting records. With respect to the items tested, the board complied with applicable legal and policy provisions.



# Emergency Medical Services Regulatory Board

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## Chapter 3. Administrative Expenditures

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### *Chapter Conclusions*

*The Emergency Medical Services Regulatory Board designed controls to provide reasonable assurance that it accurately paid and recorded payroll and other administrative expenditures in the accounting records. The board complied with applicable rules, regulations, and bargaining agreements for the items tested. However, we found that in fiscal year 1998, the former executive director received an honorarium that exceeded allowable expenses by \$1,006. The former executive director repaid the board \$1,006 in November 1998.*

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The office's payroll expenditures for fiscal year 1997 were \$723,124, or approximately 22 percent of the board's total direct operating expenditures. The statute that created the EMSR Board prohibited payment of per diems for fiscal year 1997, the board's first year of operations.

During fiscal year 1997, the office employed 24 staff belonging to various compensation plans, including the American Federation of State, County, and Municipal Employees (AFSCME), the Minnesota Association of Professional Employees (MAPE), the Middle Management Association (MMA), and the Managerial Plan.

Like most of the other health-related boards, the Emergency Medical Services Regulatory Board used the services of the Administrative Services Unit to process payroll, personnel, and other administrative expenditure transactions. The ASU also provides budgetary and financial reporting services to the board. The ASU records its financial activity on the MAPS accounting system.

### **Audit Objectives and Methodology**

Our review of the Emergency Medical Services Regulatory Board's payroll and other administrative expenditures focused on the following questions:

- Did the board design internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records?
- Did payroll and other administrative expenditures comply with applicable statutory provisions and related bargaining agreements?

To answer these objectives, we interviewed office staff to obtain a general understanding of the internal control structure over payroll and personnel processes and the transaction authorization

## Emergency Medical Services Regulatory Board

and processing for other administrative expenditures. We also analyzed payroll and other administrative expenditures to determine unusual trends or unreasonable transactions. We tested samples of payroll and rent expenditures. We verified compliance with bargaining unit provisions, personnel authorizations, and other applicable rules and regulations.

### Conclusions

The Emergency Medical Services Regulatory Board designed internal controls to provide reasonable assurance that payroll and other administrative expenditures were properly authorized and accurately reported in the accounting records. In addition, for the items tested, the board complied with material finance-related legal provisions and applicable bargaining unit agreements. However, as reported in Finding 1, the former executive director received an honorarium in fiscal year 1998 that exceeded allowable expenses by \$1,006. The former executive director repaid the board \$1,006 in November 1998.

#### **1. The former executive director received an honorarium that exceeded allowable expenses by \$1,006.**

The former executive director received an honorarium that exceeded allowable expenses by \$1,006 while he was in payroll status for the EMSR Board. State law prohibits executive branch employees from receiving an honorarium unless they are on their own time for which they are not compensated by the state. Mr. Keith Wages, the former executive director of the board, participated in a National Highway Traffic Safety Administration (NHTSA) assessment in Nashville, Tennessee from October 14 – 16, 1997. The objective of the assessment, similar to a peer review, was to evaluate Tennessee's emergency medical services. The Tennessee Division of the American Trauma Society paid Mr. Wages a \$1,500 honorarium for travel expenses associated with the assessment. In addition, the society paid Mr. Wages' airfare to Nashville. The honorarium was \$1,006 higher than the eligible expenses incurred during the assessment. In determining the excess honorarium, we allowed expenses for lodging, meals, and personal telephone calls for the three days of the assessment and two travel days.

We do not believe Mr. Wages was eligible to receive an honorarium for his participation on the NHTSA assessment team. Minn. Stat. Section 43A.38, Subd. 2 (d) prohibits the acceptance of an honorarium when an employee receives compensation from the state. Mr. Wages maintained that he was entitled to the honorarium because he was on flextime during the assessment and, therefore, not in payroll status. However, Mr. Wages received his regular salary from the state during the assessment.

Mr. Wages' justification for being on flextime during the assessment was that he normally worked in excess of 60 hours per week. In addition, he stated that in August 1997 he worked 82 hours in one week and 85 hours another week. We do not believe that managerial employees are eligible to carry over hours worked into subsequent months and take a block of time away from work. According to the Managerial Plan, although state managers are allowed flexibility in setting their work schedules, they are normally not allowed to earn compensatory time off. The plan provides the following:

## **Emergency Medical Services Regulatory Board**

**“Pay Period:** Managerial compensation is based upon the expectation that managers normally work at least 80 hours in the pay period. Managers shall be allowed flexibility in arranging their time in a manner which enables them to perform the responsibilities of their assignments.

**Overtime:** Because managers have authority to plan the work of their organizations and allocate the time needed for its completion, they are exempt from the provisions of the Federal Fair Labor Standards Act and are normally not eligible for overtime pay or compensatory time off with pay. If a work-related emergency situation is declared by the Commissioner of Employee Relations, the Commissioner of Employee Relations shall determine if managers shall be paid for overtime...”

Based on Minn. Stat. 43A.38 and the Managerial Plan provisions, we concluded that Mr. Wages was not eligible to receive the excess honorarium from NHTSA. Based on our review of the matter, Mr. Wages repaid the board the excess honorarium in November 1998.

# Emergency Medical Services Regulatory Board

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## Status of Prior Audit Issues As of May 29, 1998

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### Most Recent Audit

The Emergency Medical Services Regulatory Board began operations as an independent board on July 1, 1996. Therefore, the board has not previously been audited by the Legislative Auditor.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up 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, any quasi-state organizations, such as the Metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.