

Audit Report

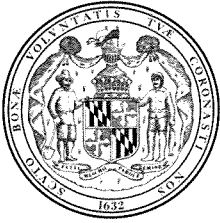
**Maryland Institute for Emergency
Medical Services Systems**

March 2015



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Thomas J. Barnickel III, CPA
Legislative Auditor

March 3, 2015

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Institute for Emergency Medical Services Systems (MIEMSS) for the period beginning March 2, 2011 and ending September 21, 2014. MIEMSS is responsible for coordinating the delivery of statewide emergency medical services, licensing 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 commercial ambulance licenses and related fees were not adequately controlled and physical inventories of equipment were not fully reconciled to MIEMSS' equipment records.

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,

Thomas J. Barnickel III, CPA
Legislative Auditor

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, licensing 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 \$14.6 million during fiscal year 2014.

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 January 12, 2012. We determined that MIEMSS satisfactorily addressed three of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Ambulance Licenses and Fees

Finding 1

MIEMSS lacked adequate procedures to account for commercial ambulance license decals and related fees.

Analysis

MIEMSS lacked adequate procedures to ensure that all commercial ambulance license decals and related license fees were accounted for. License decals serve as evidence that the required ambulance licenses were issued.

The employee responsible for verifying that a fee was received and deposited for each decal issued had unrestricted access to, and could modify information in, the automated system used to record and monitor decal activity, as well as physical access to the decals themselves. Furthermore, another employee who reconciled the record of decals received from the vendor and issued during the year to the number of decals on hand or destroyed at year-end also had routine access to the decals. Under these conditions, there was a lack of assurance that a fee had been

received for all license decals issued and that all decals received had been independently accounted for as to issued, destroyed, or on hand.

Commercial ambulance operators are required to obtain an annual license from MIEMSS for each ambulance operated, and the decals are to be displayed on the ambulance. According to the State's records, license fees deposited in fiscal year 2014 totaled approximately \$400,000 and individual license fees ranged between \$50 and \$1,090 depending on the type of ambulance and the licensing period.

Recommendation 1

We recommend that MIEMSS ensure that

- a. the employee responsible for verifying that a fee was received and deposited for each decal issued does not have access to modify the decal records or physical access to the decals, and**
- b. an employee who does not have routine access to the decals reconciles the decal records to decals issued, destroyed, or on hand at year end.**

We advised MIEMSS on accomplishing the necessary separation of duties using existing personnel.

Equipment

Finding 2

Physical inventory results were not fully reconciled to the detail records.

Analysis

The results of annual physical inventories of sensitive equipment were not fully reconciled to the related detail records, including the investigation and resolution of unlocated items. As of September 2014, MIEMSS had not accounted for the status of 96 sensitive equipment items (such as computer and phone equipment) with an aggregate cost of approximately \$508,000, and these items had remained unlocated for periods ranging from 15 months to more than three years.

The Department of General Services (DGS) *Inventory Control Manual* requires that all sensitive equipment be inventoried annually, the results reconciled to the detail records, and any missing items be investigated and reported to DGS for removal from the records if not found. According to its records, the book value of MIEMSS' equipment as of June 30, 2014 totaled approximately \$13.6 million. A similar condition has been commented upon in our five preceding audit reports dating back to October 1999.

Recommendation 2

We recommend that MIEMSS comply with the requirements of the DGS *Inventory Control Manual* by ensuring that the results of physical inventories are fully reconciled to the detail records, including the investigation and resolution of unlocated items (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Institute for Emergency Medical Services Systems (MIEMSS) for the period beginning March 2, 2011 and ending September 21, 2014. 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.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts, equipment, and procurements and disbursements. We also determined the status of the findings contained in our preceding audit report.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of MIEMSS' operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

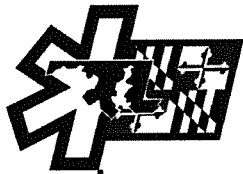
MIEMSS' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of 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 findings relating to 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 a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations.

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.



APPENDIX

State of Maryland

**Maryland
Institute for
Emergency Medical
Services Systems**

653 West Pratt Street
Baltimore, Maryland
21201-1536

Lawrence J. Hogan, Jr.
Governor

Donald L. DeVries, Jr., Esq.
Chairman
*Emergency Medical
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Kevin G. Seaman, MD, FACEP
Executive Director

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February 24, 2015

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Enclosed is the Maryland Institute for Emergency Medical Services Systems' (MIEMSS) response to your draft report for the period beginning March 2, 2011 and ending September 21, 2014. The agency appreciates the support and effort of the Office of Legislative Audits.

The audit reveals the continuing progress made since MIEMSS 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,

Kevin G. Seaman, MD, FACEP
Executive Director

Enclosure

KGS/bg

Ambulance Licenses and Fees

Finding 1

MIEMSS lacked adequate procedures to account for commercial ambulance license decals and related fees.

Recommendation 1

We recommend that MIEMSS ensure that

- a. the employee responsible for verifying that a fee was received and deposited for each decal issued does not have access to modify the decal records or physical access to the decals, and**
- b. an employee who does not have routine access to the decals reconciles the decal records to decals issued, destroyed, or on hand at year end.**

We advised MIEMSS on accomplishing the necessary separation of duties using existing personnel.

Agency Response:

MIEMSS concurs with the recommendation. An employee who does not have access to either the physical license decals or the electronic decal records is currently responsible for verifying that the license fees are received and deposited. In addition, an employee who does not have access to the physical license decals will reconcile the decal records to decals issued, destroyed, or on hand at year end.

Equipment

Finding 2

Physical inventory results were not fully reconciled to the detail records.

Recommendation 2

We recommend that MIEMSS comply with the requirements of the DGS *Inventory Control Manual* by ensuring that the results of physical inventories are fully reconciled to the detail records, including the investigation and resolution of unlocated items (repeat).

Agency Response:

MIEMSS concurs with the recommendation. MIEMSS conducts physical inventories of sensitive equipment annually and non-sensitive inventory every three years as required by the Department of General Services (DGS) Inventory Control Manual. The Agency's inventory is spread over the entire state, including pieces in hospitals and at difficult-to-access communications towers located at remote sites. Notable gains have been realized and the list of items not located has been 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 cannot be found. Many long unseen items are ultimately found and retained in the inventory.

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