

December 2015



Pennsylvania Department of the Auditor General
Eugene A. DePasquale, Auditor General
Bureau of State and Federal Audits

**A SPECIAL PERFORMANCE AUDIT
OF THE
EMERGENCY MEDICAL SERVICES OPERATING FUND**

**ADMINISTERED BY THE
DEPARTMENT OF HEALTH**

December 2015



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

December 21, 2015

The Honorable Tom Wolf
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of the Department of the Auditor General's special performance audit of the Emergency Medical Services Operating Fund (EMSOF) administered by the Pennsylvania Department of Health (DOH). The period under audit was July 1, 2012 through June 30, 2014, including follow-up procedures performed and concluded as of August 18, 2015. This audit was conducted pursuant to 35 Pa.C.S. § 8153 and in accordance with applicable 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.

We performed our audit to determine whether DOH ensured that the collections and expenditures of the EMSOF were adequately supported, properly accounted for, and used for their intended purpose as specified by law and regulations. Also, we wanted to determine whether DOH improved its overall monitoring process of the regional EMS councils to rectify the deficiencies related to program and fiscal monitoring in response to the finding from our audit released in February 2014.

We found that DOH ineffectively administered the EMSOF. Specifically, we found that DOH failed to have an adequate internal control system, including a failure to have formally documented policies and procedures; failed to allocate EMS operating fund dollars to state and regional EMS councils in accordance with regulations; failed to validate operating fund expenditures resulting in misuse of state funds; failed to review state and regional EMS council financial audits; and failed to obtain and review regional EMS council annual reports. We offer 29 recommendations to alleviate identified deficiencies and strengthen the DOH's policies, management controls, and oversight of the EMS program.

With respect to the Head Injury Program, funded by the EMSOF, we did not identify any deficiencies. Therefore, we acknowledge DOH's adherence and compliance with applicable law and regulations.

We thank DOH for cooperating fully with our auditors throughout the execution of the performance audit.

We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

TABLE OF CONTENTS

	Page
<i>Results in Brief</i>	1
<i>Finding #1 – The Department of Health Ineffectively Administered the Emergency Medical Services Operating Fund</i>	2
Recommendations	4
Agency Response	5
Auditors’ Conclusion	7
<i>Finding #2 – The Department of Health Failed to Allocate EMS Operating Funds to State and Regional EMS Councils in Accordance with Regulations</i>	8
Recommendations	11
Agency Response	11
Auditors’ Conclusion	12
<i>Finding #3 – The Department of Health Failed to Validate EMS Operating Fund Expenditures Resulting in Misuse of State Funds</i>	13
Recommendations	16
Agency Response	16
Auditors’ Conclusion	18
<i>Finding #4 – The Department of Health Failed to Review State and Regional EMS Council Financial Audits</i>	19
Recommendations	21
Agency Response	21
Auditors’ Conclusion	22
<i>Finding #5 – The Department of Health Failed to Obtain and Review Regional EMS Council Annual Reports</i>	23
Recommendations	24
Agency Response	24
Auditors’ Conclusion	25
<i>Audit Procedures and Results – Department of Health’s Head Injury Program Complied with Law and Regulations</i>	26
<i>Appendix A: Objectives, Scope, and Methodology</i>	27
<i>Distribution List</i>	30

Results in Brief

The purpose of this report is to communicate the results of our performance audit of the Department of Health (DOH) and the way in which it administers the Emergency Medical Services Operating Fund (EMSOF). Specifically, our objectives included determining whether DOH ensured that the collections and expenditures of the EMSOF were adequately supported, properly accounted for, and used for their intended purpose as specified by law and regulations. Also, we wanted to determine whether DOH improved its overall monitoring process of the regional EMS councils to rectify the deficiencies related to program and fiscal monitoring in response to the finding from our audit released in February 2014.

Our auditors found that DOH ineffectively administered the EMSOF. Specifically, we found that DOH failed to have an adequate internal control system, including a failure to have formally documented policies and procedures; failed to allocate EMS operating fund dollars to state and regional EMS councils in accordance with regulations; failed to validate operating fund expenditures resulting in misuse of state funds; failed to review state and regional EMS council financial audits; and failed to obtain and review regional EMS council annual reports.

We offer 29 recommendations to improve the administration of the program. The DOH generally agreed with our recommendations and has developed timeframes for implementing many of our recommendations.

See the five findings, DOH's responses, and the auditors' conclusions beginning on page 2.

Additionally, our auditors found no deficiencies with regard to the Head Injury Program (see page 26).

EMSOF - Background

The Emergency Medical Services Operating Fund (EMSOF) was created originally by the Emergency Medical Services Act, Act 45 of 1985. This act was later repealed and replaced by the Emergency Medical Services System Act, Act 37 of 2009, effective February 16, 2010 (Act). The Department of Health (DOH) is the lead agency for the Commonwealth's emergency medical services (EMS) system as defined by the Act. This program is responsible for licensure of ambulance services, assuring availability of training, certification of EMS personnel, medical command facility accreditation, medical command physician recognition, training institute accreditation, integration of the poison information system with the EMS system, and distribution of funding.

Within DOH, the Bureau of Emergency Medical Services (Bureau) is responsible for the statewide development and coordination of a comprehensive system to prevent and reduce premature death and disability. The Bureau plans, coordinates, develops, implements, and evaluates the statewide EMS system, including emergency preparedness and response. The state EMS system includes 15 regional EMS councils, the Statewide Advisory Council, and the Pennsylvania Trauma Systems Foundation.

Additionally, DOH administers the Head Injury Program (HIP) which provides case management services and post-acute head injury rehabilitation services to individuals with traumatic head injury. Services are provided through contractual agreements with head injury rehabilitation providers in the Commonwealth. Funding for HIP is made available through the EMSOF.

Revenue of the EMSOF is derived from a \$10 fine imposed on each traffic violation (except for parking violations), a \$25 fee imposed on persons admitted to programs for Accelerated Rehabilitative Disposition for driving under the influence of alcohol or drug offenses, appropriations, contributions, and other fees, fines, and penalties collected by DOH under the Act. For fiscal years ended June 30, 2013 and June 30, 2014, EMSOF revenues totaled \$12.8 million and \$12.6 million, respectively.

Seventy-five percent of the monies of the EMSOF are to be disbursed to eligible EMS agencies, including the Statewide Advisory Council Board for the performance of duties imposed under the Act; to regional EMS councils for the development, maintenance, and improvement of the EMS systems; and to other contractors and grantees. The remaining twenty-five percent of the monies of the EMSOF are allocated for Catastrophic Medical Rehabilitation for victims of trauma through the HIP.

***Finding #1 – The Department of Health Ineffectively Administered the
Emergency Medical Services Operating Fund***

The Emergency Medical Services Operating Fund (Fund), continued by the Emergency Medical Services System Act¹ (Act), is administered by the Department of Health (DOH). Seventy-five percent of the monies of the Fund² are to be disbursed to eligible state and regional EMS agencies, including the “State Advisory Board” (Board).³ The Board serves as an independent advisory body to the DOH and all other appropriate agencies on matters pertaining to Emergency Medical Services for the performance of duties imposed under the Act; to state and regional EMS councils for the development, maintenance, and improvement of the EMS systems; and to other contractors and grantees.

DOH expended \$21.2 million (\$10.6 million for each of the fiscal years ended June 30, 2013 and June 30, 2014) in state dollars from the Fund for the Emergency Medical Services (EMS) program administered through its Bureau of Emergency Medical Services (Bureau). DOH disbursed the \$21.2 million to the Pennsylvania Emergency Health Services Council and 15 regional EMS councils⁴ to assist them in administering the Commonwealth’s EMS system. DOH executes grant agreements with each council and delegates various responsibilities and duties including, but not limited to, the following:

- Develop and annually update a Regional EMS Comprehensive Development Plan.
- Collect, maintain, and report patient care data to DOH.
- Submit a Comprehensive Annual Report to DOH.
- Organize, maintain, implement, expand, and improve the EMS system within the region.
- Monitor the delivery of emergency medical care, medical facilities, and pre-hospital personnel.
- Provide training programs to EMS personnel.
- Assist regional pre-hospital personnel and ambulance services to meet DOH’s licensure, certification, and continuing education requirements.

¹35 Pa.C.S. § 8101 *et seq.* (Act 37 of 2009, as amended, which repealed and replaced the prior act - Act 45 of 1985, as amended).

² 35 Pa.C.S. § 8153.

³ Under the Act, the “Board” is defined as “The State Advisory Board, which is the Board of Directors of the Pennsylvania Emergency Health Services Council.” See 35 Pa.C.S. § 8103. The Pennsylvania Emergency Health Services Council’s “Board of Directors was recognized as the official EMS advisory body to the Pennsylvania Department of Health through the Emergency Medical Services Act of 1985 and was reauthorized in Act 37 of 2009.” See <http://pehsc.org/wp-content/uploads/2014/05/FY-13-14-Annual-Report.pdf>

⁴ On November 1, 2012, the Bradford Susquehanna EMS Council was terminated. Since that time, the areas served by the Bradford Susquehanna EMS Council are served by the EMS of Northeastern PA. Therefore, there were 16 regional EMS councils at the beginning of our audit period.

Many of these duties and responsibilities are promulgated in law (Emergency Medical Services System Act, Act 37 of 2009, as amended⁵) and in regulation (*Pennsylvania Code*, Title 28, Part VII, Subpart A - relating to “Ems System”⁶). Additionally, management must have an effective internal control system established to manage risk, promote accountability, and prevent and detect instances of error, fraud, or abuse. An internal control system includes the policies, procedures, and daily activities used to safeguard assets, ensure the reliability and integrity of financial information, ensure compliance with laws and regulations, and promote efficient and effective operations. Program management is responsible for maintaining an adequate system of internal controls and communicating the expectations and duties to staff as part of a control environment.

Based on our review of documents and interviews conducted with DOH management, we found that DOH does not have adequate internal controls over Fund dollars distributed to EMS councils. We identified the following deficiencies:

- DOH failed to designate sufficient resources to effectively administer the Fund, including having an adequate internal control system in place.
- DOH has no formally documented policies and procedures related to administering the Fund.
- DOH failed to monitor the EMS councils’ financial controls or use of Fund dollars.
- DOH failed to allocate Fund dollars to EMS councils in accordance with regulations (see Finding #2).
- DOH failed to review expenditures of the Fund (see Finding #3).
- DOH failed to review EMS council financial statement audits (see Finding #4).
- DOH failed to obtain and review EMS council annual reports (see Finding #5).

To ensure the expenditures from the Fund are used for their intended purpose as specified by law and regulations, DOH management must develop a documented process to include standard operating procedures and supervisory oversight. DOH management acknowledged the lack of oversight and the importance of adequate controls. However, DOH management stated the Bureau did not have the time and staff to document policies and procedures and perform monitoring of the EMS councils due to turnover of key personnel and time consuming projects such as implementing new regulations, awarding contracts, and addressing statewide health issues like the Ebola outbreak.⁷

⁵ 35 Pa.C.S. § 8101 *et seq.*, see in particular Section 8105 (relating to Duties of department) of the Act, 35 Pa.C.S. § 8105.

⁶ 28 Pa. Code Chapters 1021-1033.

⁷ See for example: http://www.pennlive.com/midstate/index.ssf/2014/10/ebola_outbreak_pennsylvania_he.html and <http://www.mcall.com/news/breaking/mc-pa-105-monitored-for-ebola-1028-20141028-story.html>

Our Department is aware that DOH has countless responsibilities and obligations and, like most state agencies, lacks resources to fulfill all of its obligations in an ideal manner. However, without documented policies and procedures, Bureau processes may be misunderstood or inconsistently applied by staff. Additionally, the transfer of knowledge to new staff may be hindered without this guidance. DOH's failure to monitor the Fund dollars provided to EMS councils creates a significant risk of abuse of state funds and the potential for fraud. Additionally, DOH has very limited assurance Fund dollars were spent in accordance with law and regulations.

Recommendations:

We recommend that DOH:

1. Develop written Bureau policies and procedures. These procedures should include, but not be limited to:
 - a. Allocation methodology for distribution of funds to EMS councils (see Finding #2).
 - b. Review of EMS council invoices and equipment requests (see Finding #3).
 - c. Review of EMS council financial statement audit reports (see Finding #4).
 - d. Review of EMS council Annual Reports (see Finding #5).
 - e. EMS council on-site monitoring.
2. Conduct program monitoring of each EMS council on a periodic or rotating basis.
3. Develop a monitoring tool to perform and document the monitoring as well as train appropriate staff. These monitoring procedures should include the following:
 - a. Create a methodology for how often/when EMS councils are monitored.
 - b. Establish minimum requirements for satisfying the steps on the monitoring tool.
 - c. Require documentation to demonstrate the monitoring steps were satisfied.
 - d. Require a supervisor to review and document their approval of the results/conclusions of the program monitoring.
4. Establish and document an effective internal control system that encompasses all program operations.
5. Train Bureau staff on effective internal controls and its responsibility and accountability to ensure the internal control system is in place, operating effectively, and updated as needed.
6. Utilize the Bureau of Family Health's administration of Fund dollars within the Head Injury Program and Management Directive 325.12 "Standards for Internal Controls in Commonwealth Agencies" (effective July 1, 2015) for guidance on establishing and maintaining an effective internal control system.

7. Evaluate whether additional staff are needed and, if necessary, request an increase in the Bureau's complement.

DOH Response:

Finding #1 – The Department of Health Ineffectively Administered the Emergency Medical Services Operating Fund

Recommendations:

We recommend that DOH:

1. Develop written Bureau policies and procedures. These procedures should include, but not be limited to:

- i. Allocation methodology for distribution of funds to EMS councils (see Finding #2).
 - a. **DOH Response:**
 - i. A formal review of the methodology will be conducted by a task group comprised of DOH staff, regional council staff and representatives of PEHSC. This will be completed by June 30, 2016.
 - ii. Recommendations will be reviewed and a final document that outlines the process will be formalized and ready for use by Sept 1, 2016.
 - ii. Review of EMS council invoices and equipment requests (see Finding #3).
 - a. **DOH Response:**
 - i. BEMS has implemented a process which requires the EMS councils to submit more detailed project proposals including a line item budget for Category III projects. This helps us to more fully understand the intended use of the funding and the projected line item expenditures. This process was implemented during the FY 14-15.
 - ii. Requests for *equipment* purchases are reviewed to validate the requested equipment purchases are consistent with DOH equipment guidelines and that they are approved by the Board President and Executive Director of each council.
 - iii. BEMS lacks the resources to conduct a complete inspection of all EMS council invoices. For example, invoices from a large region such as EMSI could be hundreds of pages of separate invoices. Our office currently has no full-time Administrative Officer. We have a part-time annuitant to manage all aspects of the 14 regional council budgets, office operations and other grants that are managed by our office.
 - iv. BEMS will begin a formal process to “spot-check” invoices and expenditures starting in January, 2016. We will start with a goal of reviewing one project for one council per month.
 - iii. Review of EMS council financial statement audit reports (see Finding #4).

- a. **DOH Response:**
 - a. See DOH's response to Finding #4
 - d. Review of EMS council Annual Reports (see Finding #5).
 - a. **DOH Response:**
 - i. BEMS is currently reviewing the format for a standardized annual report that will make review of these reports easier. This review will be completed and a standardized format published for the regional councils use by June 30, 2016.
 - ii. Reports will be reviewed and that review documented by the appropriate manager starting with FY 15-16 reports.
 - iii. The goal will be to complete a review of three (3) reports per month.
 - e. EMS council on-site monitoring.
 - a. **DOH Response:**
 - i. The BEMS currently lacks the resources in both staff and funding to enable us to do this with any level of reliability.
2. Conduct program monitoring of each EMS council on a periodic or rotating basis.
- a. **DOH Response:**
 - a. Barriers that exist to completion of this include the lack of adequate resources to:
 - i. Identify the proper monitoring tool(s)
 - ii. Effectively perform the monitoring and documentation.
 - b. Currently our staff spends 100% of their time on current operational issues.
3. Develop a monitoring tool to perform and document the monitoring as well as train appropriate staff. These monitoring procedures should include the following:
- a. Create a methodology for how often/when EMS councils are monitored.
 - b. Establish minimum requirements for satisfying the steps on the monitoring tool.
 - c. Require documentation to demonstrate the monitoring steps were satisfied.
 - d. Require a supervisor to review and document their approval of the results/conclusions of the program monitoring.
 - a. **DOH Response:**
 - a. See response to #2 above. BEMS agrees with these recommendations and concepts but lack the resources to effectively perform these.
4. Establish and document an effective internal control system that encompasses all program operations.
- a. **DOH Response:**
 - a. BEMS agrees with this and will begin research on appropriate methodology. This will start immediately. Implementation will depend upon available resources.

5. Train Bureau staff on effective internal controls and its responsibility and accountability to ensure the internal control system is in place, operating effectively, and updated as needed.

a. **DOH Response:**

- a. We agree that training is required. As we develop the methodology and are able to implement, we will insure that appropriate training is provided.

6. Utilize the Bureau of Family Health's administration of Fund dollars within the Head Injury Program and Management Directive 325.12 "Standards for Internal Controls in Commonwealth Agencies" (effective July 1, 2015) for guidance on establishing and maintaining an effective internal control system.

1. **DOH Response:**

- a. We will include this in our work to gather information for #4 above.

7. Evaluate whether additional staff are needed and, if necessary, request an increase in the Bureau's complement.

a. **DOH Response:**

- a. BEMS and DOH are currently evaluating methods to enable additional support to the BEMS in both short term and long term

Auditors' Conclusion:

We commend DOH for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DOH's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented. Our Department is aware that DOH has countless responsibilities and obligations and, like most state agencies, lacks resources to fulfill all of its obligations in an ideal manner. However, it is vital that DOH perform on-site monitoring and other oversight procedures to ensure EMSOF monies are being spent in accordance with law and regulations and the program is operating efficiently and effectively.

Finding #2 – The Department of Health Failed to Allocate EMS Operating Funds to State and Regional EMS Councils in Accordance with Regulations

When the Department of Health (DOH) receives its annual appropriation from the General Assembly, it first allocates funds to the Pennsylvania Emergency Health Services Council's (PEHSC) Board of Directors⁸, which is the statewide EMS advisory board. The amount is determined through contract and budget negotiations between DOH and PEHSC. DOH then allocates a portion of the funds to statewide special projects as determined necessary. The remaining funds are allocated to the regional EMS councils.

The related regulations in the Pennsylvania Code state that DOH will consider the following factors in determining the amount of Fund dollars regional EMS councils receive:

- (1) The total amount of funds available.**
- (2) Conformity of the application for funding to the Statewide EMS System Plan.
- (3) Financial need of the regional EMS system.
- (4) Funds available to the regional EMS council for the purpose in the application for funding, including non-State contributions, Federal grants or Federal contracts pertaining to EMS. Non-State contributions include cash and in-kind services provided to the contractor or toward the operation of a regional EMS system by private, public or government entities, including the Federal government.
- (5) Geographic area.**
- (6) Population of the geographic area served by the applicant.**
- (7) Special rural needs of the geographic area served by the applicant.**
- (8) Potential duplication of services.
- (9) Priorities of the Department.
- (10) Other factors set forth by the Department in a notice published in the *Pennsylvania Bulletin*.⁹

DOH established a formula to allocate funds to regional EMS councils based on decennial U.S. Census data in which 50% of the allocation is based on the regional EMS council's total population, 30% of the allocation is based on the regional EMS council's rural population, and 20% of the allocation is based on the regional EMS council's square mileage. DOH's formula does not fulfill the requirements of the regulation outlined above because it only considers 4 of the 10 factors (indicated in bold).

⁸ See 35 Pa.C.S. §§ 8103, 8108.

⁹ 28 Pa. Code § 1021.25 (emphases added).

DOH's allocation methodology disregards the regional EMS councils' financial needs and other available funding.

The funding received by regional EMS councils from sources other than the Fund include the federal government, county governments, hospitals, community colleges, training tuition, textbook sales, etc., and can significantly vary between councils. Without considering this and the remaining factors, there is no assurance that the Fund dollars are being distributed to the regional EMS councils in the most beneficial manner.

Additionally, DOH acknowledged that it does not have formal written policies and procedures that document the formula, when the formula was established, the rationale behind the decision to use this formula, and how the formula addresses the factors prescribed in the related regulations. DOH management indicated the source of the formula is unknown but continues to use it because this is what was always done in the past and there is no time to “reinvent the wheel.”

We recalculated the regional EMS council allocations for fiscal years ended June 30, 2013 and 2014, and found DOH did not adhere to its allocation formula as follows:

- DOH continued to use decennial 2000 U.S. Census data instead of the most recent decennial 2010 U.S. Census data.
- DOH distributed 20% of the allocation based on the regional EMS council's rural population and 30% of the allocation based on the regional EMS council's square mileage, which is transposed from DOH's formula.

During our audit period, there was employee turnover in several key positions involved in the allocation process. It is likely that the combination of inexperienced new employees and the lack of any written policies and procedures significantly contributed to the errors made by DOH in allocating funds to the regional EMS councils.

These errors made by DOH in allocating funds to regional EMS councils caused significant differences between the amounts that each council should have been allocated compared to the amounts each council actually received, as shown in the chart below. The largest underfunded regional EMS council was Emergency Health Services Federation (EHSF), which serves 8 of Pennsylvania's 67 counties. EHSF should have been allocated an additional \$249,262, or 9%, over our two-year audit period. The largest overfunded regional EMS council was Emergency Medical Management Cooperative East, which serves 6 counties and was allocated \$137,739, or 13%, more than it should have received if DOH had correctly applied its allocation formula.

Emergency Medical Services Operating Fund

2015

Regional EMS Council	SFYE 6/30/13			SFYE 6/30/14			Total Overfunded/ (Underfunded)
	DOH	Auditor	Overfunded/ (Underfunded)	DOH	Auditor	Overfunded/ (Underfunded)	
Bradford Susquehanna	\$239,897	\$228,241	\$11,656	\$0	\$0	\$0	\$11,656
Eastern Pennsylvania EMS	\$1,020,917	\$1,102,811	(\$81,894)	\$924,019	\$998,045	(\$74,026)	(\$155,920)
Emergency Health Services Federation	\$1,447,220	\$1,578,132	(\$130,912)	\$1,309,861	\$1,428,211	(\$118,350)	(\$249,262)
Emergency Medical Service Institute	\$2,030,827	\$1,992,477	\$38,350	\$1,838,077	\$1,803,193	\$34,884	\$73,234
EMS of Northeastern Pennsylvania	\$638,775	\$655,563	(\$16,788)	\$795,275	\$799,843	(\$4,568)	(\$21,356)
Lycoming County Commissioners	\$328,724	\$296,580	\$32,144	\$297,524	\$268,405	\$29,119	\$61,263
Seven Mountains EMS	\$380,219	\$365,509	\$14,710	\$344,131	\$330,786	\$13,345	\$28,055
Southern Alleghenies EMS	\$688,839	\$652,239	\$36,600	\$623,460	\$590,277	\$33,183	\$69,783
Susquehanna Emergency Health Services	\$315,102	\$320,720	(\$5,618)	\$285,195	\$290,252	(\$5,057)	(\$10,675)
Emergency Medical Management Cooperative West	\$816,933	\$786,064	\$30,869	\$739,396	\$711,389	\$28,007	\$58,876
Emergency Medical Management Cooperative East	\$556,686	\$484,407	\$72,279	\$503,849	\$438,389	\$65,460	\$137,739
Bucks County Emergency Health Services	\$337,827	\$346,517	(\$8,690)	\$305,763	\$313,598	(\$7,835)	(\$16,525)
Chester County Department of Emergency Services	\$296,040	\$314,374	(\$18,334)	\$267,942	\$284,509	(\$16,567)	(\$34,901)
Delaware County Inter-Community Health Coordination	\$249,723	\$239,621	\$10,102	\$226,021	\$216,858	\$9,163	\$19,265
Montgomery County Department of Public Safety	\$369,387	\$375,748	(\$6,361)	\$334,328	\$340,052	(\$5,724)	(\$12,085)
Philadelphia City	\$649,892	\$628,997	\$20,895	\$588,209	\$569,243	\$18,966	\$39,861
Total	\$10,367,008	\$10,368,000	(\$992)¹¹	\$9,383,050	\$9,383,050	\$0	(\$992)

DOH management stated that a spreadsheet that has historically been used to calculate the allocation contains an error. Additionally, the most recent census data was not being used despite DOH management's belief that it was being used. DOH management indicated that no supervisory review of the allocation was performed, which allowed the errors to go undetected. DOH's failure to consider

¹⁰ On November 1, 2012, the Bradford Susquehanna EMS Council (BSEMS) was terminated. Since that time, the areas served by BSEMS are served by the EMS of Northeastern PA (EMSNP).

¹¹ DOH's allocations to regional EMS councils for 2012-2013 totaled \$10,367,008. The base amount DOH used in its allocation formula calculation was \$992 less than the total budgeted amount for regional EMS councils.

all factors in the allocation process as required by the related regulations is compounded by these two oversights and could impact the ability of the EMS councils to perform duties and serve Pennsylvania citizens.

Recommendations:

We recommend that DOH:

1. Develop and document an allocation process policy that considers all ten factors required by regulation and objectives set forth in the state plan.
2. Reevaluate the allocation process prior to awarding contracts each year to ensure the policy is consistent with DOH priorities.
3. Document the decision and justification for any revisions of the allocation process.
4. Train appropriate personnel on how to use its formula for calculating regional EMS council allocations.
5. Immediately begin to use the most recent census data and correct the error in the formula used for the allocations.
6. Implement supervisory review procedures to ensure the allocation of funds to regional EMS councils is based on the correct formula and the most recent census data, is mathematically accurate, and is in accordance with DOH policy.

DOH Response:

Finding #2 – The Department of Health Failed to Allocate EMS Operating Funds to State and Regional EMS Councils in Accordance with Regulations

Recommendations:

We recommend that DOH:

1. Develop and document an allocation process policy that considers all ten factors required by regulation and objectives set forth in the state plan.
 - a. **DOH Response:**
 - i. The DOH agrees with this recommendation. The BEMS will begin working with stakeholders such as regional councils, PEHSC and others to develop a written process that will identify if and how each factor can be addressed. The process will be documented and in place by November, 2016.
2. Reevaluate the allocation process prior to awarding contracts each year to ensure the policy is consistent with DOH priorities.

a. **DOH Response:**

- i. DOH agrees. Beginning with the fiscal year 16-17 there will be a formal, documented review of the formulary which is signed off by the AO, the manager responsible for the formulary and the Bureau Director.

Document the decision and justification for any revisions of the allocation process.

b. **DOH Response:**

- i. DOH agrees. This will be done as a part of the annual review process.

3. Train appropriate personnel on how to use its formula for calculating regional EMS council allocations.

a. **DOH Response:**

- i. DOH agrees. The process will be documented, reviewed annually with all who utilize it and will be part of the orientation of any new hires within those positions.

4. Immediately begin to use the most recent census data and correct the error in the formula used for the allocations.

a. **DOH Response:**

- i. DOH agrees. The manager responsible for the formulary is reviewing and updating at this time. This will be completed by November, 2015.

5. Implement supervisory review procedures to ensure the allocation of funds to regional EMS councils is based on the correct formula and the most recent census data, is mathematically accurate, and is in accordance with DOH policy.

a. **DOH Response:**

- i. DOH agrees. This will be managed via the process outlined above in item # 2 response.

Auditors' Conclusion:

We commend DOH for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DOH's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented.

Finding #3 – The Department of Health Failed to Validate EMS Operating Fund Expenditures Resulting in Misuse of State Funds

The Department of Health (DOH) expended \$21.2 million (\$10.6 million during each of the fiscal years ended June 30, 2013 and June 30, 2014) in state funds from the Emergency Medical Services Operating Fund (Fund) for the Emergency Medical Services (EMS) program administered through its Bureau of Emergency Medical Services (Bureau). Of the \$21.2 million in Fund expenditures, \$928,900 was disbursed to the Pennsylvania Emergency Health Services Council (also known as PEHSC) and \$20.3 million to 15 regional EMS councils¹² to assist them in administering the Commonwealth's EMS system.

Each month each of the EMS councils submit a summary level invoice to DOH for reimbursement of expenditures. The invoice includes expenditure categories such as personnel services, subcontract services, supplies, and travel. We reviewed 40 invoices totaling \$2.97 million out of the total \$21.2 million DOH disbursed to the EMS councils during fiscal years ended June 30, 2013 and 2014. Based on our review and interviews conducted with DOH management, we found the following weaknesses in DOH's review of invoices and oversight of Fund expenditures:

- DOH tracked the monthly expenditures for each EMS council; however, the Bureau did not review any source documentation to substantiate summary level invoices submitted by these councils and paid by DOH. Bureau management indicated that detailed information is not requested because the amount of "paper" required would be too voluminous and the Bureau does not have the resources to perform spot checks on a sample of expenditures. However, without reviewing source documentation, at least on a sample basis, DOH cannot be assured that the grant monies are being utilized appropriately.
- Of the 40 invoices, 2 did not have documented DOH approval for payment. DOH management indicated that it does not know why the approval of the two invoices was missing.

We performed additional review procedures for all expenditures paid to pre-hospital providers¹³ from the regional EMS councils for the same 40 invoices noted above. These expenditures are listed under the subcontract services expenditure category on the invoice. Out of the \$21.2 million disbursed to the EMS councils, \$3.4 million, or 16%, was paid to pre-hospital providers.

¹² On November 1, 2012, the Bradford Susquehanna EMS Council was terminated. Since that time, the areas served by the Bradford Susquehanna EMS Council are served by the EMS of Northeastern PA. Therefore, there were 16 regional EMS councils at the beginning of our audit period. Pursuant to the Act), a regional EMS council is defined as: "A nonprofit incorporated entity or appropriate equivalent that is assigned by the Department of Health to: (1) plan, develop, maintain, expand and improve emergency medical services systems within a specific geographic area of this Commonwealth; and (2) coordinate those systems into a regional emergency medical services system." See 35 Pa.C.S. § 8103.

¹³ This includes a DOH certified "Prehospital emergency medical services physician" or "prehospital EMS physician"; a "Prehospital physician extender" or "PHPE" (i.e., a physician assistant); or a "Prehospital registered nurse" or "PHRN". See 35 Pa.C.S. § 8103.

Any funds distributed to pre-hospital providers must be approved by the Director of the Bureau of Emergency Medical Services within DOH. The regional EMS councils submit a "Provider Equipment Request" (request) form to DOH for review and approval. The request form consists of a list of items to be purchased by the pre-hospital providers within the region along with the quantity, unit price, total cost, and amount of Fund dollars requested. The grant agreements between DOH and the regional EMS councils require the regional EMS councils to secure and retain documentation of the actual items purchased from the pre-hospital providers. However, DOH does not require the regional EMS councils to submit this documentation to them.

Out of the 40 invoices selected, 22 contained expenditures paid to pre-hospital providers totaling approximately \$2.1 million. We obtained the request forms to verify all items purchased were requested and approved by the DOH Bureau Director. We also obtained supporting documents, such as invoices or receipts, from the regional EMS councils to verify the items purchased were reasonable and allowable per law and regulations. Based on our review, we found the following weaknesses:

- One regional EMS council received \$50,400 and could only provide copies of the checks and vouchers for the funds distributed to the providers, and not the invoices/receipts from the providers to validate the actual purchases. The council's Executive Director stated that all funds were reimbursement of service costs for electronic patient care reporting software and no payment was authorized unless the provider submitted copies of cleared checks. However, these documents could not be located due to personnel changes and relocation of the council headquarters.
- Two regional EMS councils provided invoices/receipts that contained purchases that appear to be misuse of state funds as described below.

- Emergency Health Services Federation (EHSF)

The EHSF held a 3.5 hour community health summit to promote public health and reduce healthcare costs. Fund dollars were used to pay for a hot breakfast, coffee, and cookies at the event totaling \$2,540. Fund dollars were also used to pay for meals at restaurants for two meetings related to the summit for \$336. Several of these meals exceeded \$25 per entrée. We question the reasonableness and propriety of these food expenditures for EHSF totaling \$2,876. The EHSF submitted an itemized request form that DOH approved. However, the expenditures noted above were not listed on the request form. Therefore, the EHSF spent Fund dollars on items it did not request to purchase and that were not approved by DOH.

- Emergency Medical Management Cooperative West (EMMCO West)

The EMMCO West requested Fund dollars of \$4,500 for a project called EMS Leaders of Tomorrow described as an annual symposium that will include special management sessions focused on system finance and reimbursement strategies. No details of the expenditures were listed on the request form. However, the Bureau Director still approved the request. Within the documents supporting the costs of the

symposium paid with Fund dollars was a receipt for a Harley Davidson watch totaling \$133. The Bureau director stated he was not aware the watch was purchased. After contacting the EMMCO West, DOH stated the watch was in lieu of an honorarium to a guest speaker at one of the sessions. The Bureau director stated that this is not an allowable cost and he would not approve this purchase if it were presented to him.

The EMMCO West also requested Fund dollars of \$4,500 for an EMS recognition program where awards were given to EMS agencies with gold, silver, and bronze levels of performance. No details of the expenditures were listed on the request form. However, the Bureau director still approved the request. Fund dollars were used in part to purchase 104 dinners and cake/candy totaling \$2,328. The Bureau director stated an event like this would be categorized as recruitment and recognition costs; however, he stated he would not approve it for this purpose because there are better uses for the funds. We question the reasonableness and propriety of the above purchases by EMMCO West, which total \$2,461 for both events.

Under Section 8112 of the Act, Fund dollars are allowed to be used for the purposes of providing programs of public education, information, health promotion, and prevention regarding EMS and for costs associated with training programs for EMS providers. Fund dollars are also allowed to be used for costs associated with assisting EMS agencies to recruit and retain EMS providers.¹⁴ DOH management stated there is no guidance on what is considered allowable purchases within these broad categories of the law.

We determined that the questionable costs noted above are excessive and not in accordance with the intent of the Act. These Fund dollars could have been used to provide critical training to emergency medical personnel or to purchase life-saving equipment.

DOH cannot ensure the propriety of purchases if the request form is not detailed by each item to be purchased. Additionally, DOH did not require regional EMS councils to provide documentary support after the purchases were made to verify the costs and propriety of the items. Without requiring regional EMS councils to adequately complete the request form and reviewing the documentation supporting the pre-hospital provider purchases, DOH cannot determine whether Fund dollars were expended in accordance with the purposes permitted by the Act and its associated regulations.¹⁵ Any abuse of Fund dollars or fraudulent expenditures would not be detected by DOH. In order to adequately administer the Fund, DOH must ensure its internal controls over Fund expenditures serve to adequately deter, detect, and prevent errors, abuse, and fraud from occurring.

¹⁴ See in particular, 35 Pa.C.S. § 8112(c).

¹⁵ 28 Pa. Code Part VII, Subpart A., Chapter 1021 (relating to Administration of Ems System); see in particular 28 Pa. Code § 1021.24.

Recommendations:

We recommend that DOH:

1. Review, approve, and document approval of all invoices prior to payment.
2. Require all regional EMS councils to submit itemized “Provider Equipment Request” forms and only approve the forms if all information is thoroughly documented.
3. Require all regional EMS councils to document and retain invoices/receipts to support all purchases using Fund dollars.
4. Develop and implement procedures to review and document the propriety of EMS council expenditures, at least on a sample basis.
5. Research the identified questionable costs and document as to why the purchases were allowed. If the purchases are deemed unallowable, require recoupment of the funds from the regional EMS councils in a timely manner.
6. Develop a detailed policy identifying the uses and restrictions of Fund dollars for each category enumerated in the Act.

DOH Response***Finding #3 – The Department of Health Failed to Validate EMS Operating Fund Expenditures Resulting in Misuse of State Funds*****Recommendations:**

We recommend that DOH:

1. Review, approve, and document approval of all invoices prior to payment.
 - a. **DOH Response:**
 - i. DOH agrees. This has been in place for all monthly regional council invoices since at least October of 2014.
2. Require all regional EMS councils to submit itemized “Provider Equipment Request” forms and only approve the forms if all information is thoroughly documented.
 - a. **DOH Response:**
 - i. Starting with FY 14-15:
 - a) Regional councils have been required to submit “provider request forms” which are itemized for equipment purchases and signed off by both the board president and the executive director.

- b) For special projects the councils have been required to provide a detailed project proposal including goals / anticipated outcomes and a line item budget request.
 - c) Requests have been rejected that did not meet the above criteria.
 - ii. Starting with FY 15-16:
 - a) A deadline has been set by which EMSOF equipment and special project requests must be submitted to the BEMS. This will give the BEMS time to fully review all requests.
- 3. Require all regional EMS councils to document and retain invoices/receipts to support all purchases using Fund dollars.
 - a. **DOH Response:**
 - i. This is currently a requirement. The challenge the Bureau has is the verification of this due to a lack of resources.
 - ii. We believe the “spot-checking” outlined in our response in Finding #1 will help us with this.
- 4. Develop and implement procedures to review and document the propriety of EMS council expenditures, at least on a sample basis.
 - a. **DOH Response:**
 - i. While we agree with this response, it also is a matter of resources.
 - ii. We believe the “spot-checking” outlined in our response in Finding #1 will help us with this.
- 5. Research the identified questionable costs and document as to why the purchases were allowed. If the purchases are deemed unallowable, require recoupment of the funds from the regional EMS councils in a timely manner.
 - a. **DOH Response:**
 - i. DOH agrees and has begun research into the expenditures.
- 6. Develop a detailed policy identifying the uses and restrictions of Fund dollars for each category enumerated in the Act.
 - a. **DOH Response:**
 - i. DOH agrees with some qualification:
 - a) The Funds are intended to support the EMS system. Due to the extreme variability of the needs within the system it would be nearly impossible to develop a complete list of all the possible uses and/or the possible restrictions.
 - ii. BEMS will be developing further, more detailed guidance for use by the regional councils by the March, 2016.
 - iii. BEMS will be reviewing the results of this audit as well as changes and recommendations at future meetings with the councils.

Auditors' Conclusion:

We commend DOH for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DOH's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented. Our Department is aware that DOH has countless responsibilities and obligations and, like most state agencies, lacks resources to fulfill all of its obligations in an ideal manner. However, it is vital that DOH perform expenditure oversight procedures to ensure EMSOF monies are being spent in accordance with law and regulations and the program is operating efficiently and effectively.

Finding #4 – The Department of Health Failed to Review State and Regional EMS Council Financial Audits

For the fiscal years ended June 30, 2013 and 2014, there were 16 EMS councils (the Pennsylvania Emergency Health Services Council and 15 regional EMS councils) that received Fund dollars from DOH. The EMS councils are required to submit audits based on DOH's Audit Requirement Policy as outlined in the table below. DOH's policy states audits are to be submitted to DOH's Bureau of Administrative and Financial Services (BAFS), Division of Contracts, Audit Resolution Section. BAFS reviews the technical aspects of the audit reports and then forwards the audits to the Bureau of EMS (Bureau) which administers the EMS program.

DOH Audit Requirement Policy If the contractor expends...	Type of Audit Required	Number of EMS Councils
\$500,000 or more in total Federal awards received (regardless of the amount of state funds received)	OMB Circular A-133 audit ¹⁶	5
Less than \$500,000 in total Federal awards received and \$500,000 or more in state funds received	Program- specific audit ¹⁷	8
Less than \$500,000 in total Federal awards received and less than \$500,000 in state funds received	No audit required	3
Total		16

The 3 EMS councils that did not have an audit requirement submitted program-specific audits to DOH even though it was not mandatory. We requested to review all 16 audits for the fiscal years ended June 30, 2013 and 2014, or 32 total audits. The Bureau initially could only locate 19 of the 32 audits requested and could not account for the remaining 13 audits. Subsequently, BAFS provided us with 5 additional audits. BAFS management stated 7 audits were currently being reviewed and one program-specific audit was yet to be received by DOH.

During our review of the 24 audits received (21 program-specific and 3 OMB Circular A-133 audits for fiscal years ended June 30, 2013, and 2014), we found the following:

¹⁶All non-Federal entities that expend \$500,000 or more of Federal awards in a year are required to obtain an annual audit in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, the OMB Circular Compliance Supplement, and Government Auditing Standards. See 31 U.S.C. § 7502 and <https://www.whitehouse.gov/sites/default/files/omb/assets/omb/circulars/a133/a133.html>

¹⁷ The audit must be conducted in accordance with standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the audit requirements of the laws and regulations governing the program in which the grantee participates, and the terms of the contract.

- One of the 2013-2014 program-specific audits was conducted by an audit firm that, according to the Department of State website, had an expired license. Pennsylvania's "CPA Law" provides as follows: "(a) a person other than an individual shall not practice public accounting in this Commonwealth unless it is a qualified association, has been granted a license to practice and satisfies the requirements of this section at all times while it is a licensee."¹⁸ DOH and EMS council management stated that they were not aware of the expired license. Subsequent to our request, the CPA firm confirmed its license was expired.
- A material weakness due to a lack of segregation of duties was reported for one regional council for two consecutive fiscal years (2012-2013 and 2013-2014). The report cited that individuals had too much authority over certain financial transactions. DOH management stated they were aware of the findings. The regional EMS council informed DOH that it would outsource some of the fiscal functions to a local CPA firm. However, DOH did not document its follow up on the finding to ensure it was adequately resolved.
- A significant deficiency was discovered based upon a regional EMS council not documenting the special approval of state funds spent on disallowable costs from DOH for fiscal year 2013-2014. DOH management was not aware of this finding and has no documentation that any follow up procedures were performed.
- Per DOH policy, program-specific audits must include a separate Schedule of Contractual Performance, which includes the contract's budget, reporting period, and a comparison of budgeted to actual expenditures. However, DOH does not require this schedule for the 5 EMS councils that submit OMB Circular A-133 audits. Since Fund expenditures are state funds, these expenditures are not within the scope of the OMB Circular A-133 audits. Therefore, DOH should not rely on these audits to monitor Fund expenditures of these EMS councils.

Since the Bureau does not validate the propriety of expenditures or perform onsite monitoring of the EMS councils, the Bureau places reliance upon these financial statement audits. However, the Bureau did not adequately track or formally conduct a review of the audits submitted. DOH management stated there is no staff member available to review the EMS council audits.

Furthermore, by not requiring all EMS councils to submit program-specific audits, there is no required audit coverage of Fund expenditures for 50 percent of the EMS councils (5 EMS councils with an OMB Circular A-133 audit and 3 EMS councils with no audit requirement).

In order to ensure the EMS councils are achieving their tasks set forth in each of their grant agreements, DOH must have adequate oversight and monitoring procedures in place. Without obtaining useful information from the EMS councils, adequately reviewing the results of the

¹⁸Subsection (a) of 63 P.S. § 9.1h which relates to "Licensing of firms" (added by Act 140 of 1996, as amended).

audits, and addressing findings with the EMS councils, there is very limited assurance that Fund dollars are spent on allowable costs pursuant to law and regulations.

Recommendations:

We recommend that DOH:

1. Require all regional EMS councils to have program-specific audits, in which the annual financial audit report would include a Schedule of Fund Contractual Performance.
2. Develop written procedures for the Bureau to review the audits submitted by the state-wide Pennsylvania Emergency Health Services Council and the EMS regional councils, including documenting the results and supervisory approval. Procedures should also include the process of comparing cumulative Fund expenditures from the invoices to the Fund expenditures' schedule noted in the audit report.
3. Implement the audit review procedures developed in Recommendation 2 above.
4. Verify that all CPA firms conducting the program-specific audits are qualified and properly licensed.
5. Address and document resolution of all findings noted in the state-wide and regional EMS council audit reports.

DOH Response:

Finding #4 – The Department of Health Failed to Review State and Regional EMS Council Financial Audits

Recommendations:

We recommend that DOH:

1. Require all regional EMS councils to have program-specific audits, in which the annual financial audit report would include a Schedule of Fund Contractual Performance.
 - a. **DOH Response:**
 - i. DOH agrees and will include this requirement in future grants/contracts.
2. Develop written procedures for the Bureau to review the audits submitted by the state-wide Pennsylvania Emergency Health Services Council and the EMS regional councils, including documenting the results and supervisory approval. Procedures should also include the process of comparing cumulative Fund expenditures from the invoices to the Fund expenditures' schedule noted in the audit report.

- a. **DOH Response:**
 - i. DOH's Audit Resolution Section (ARS) will assist BEMS personnel in developing and implementing this recommendation.
3. Implement the audit review procedures developed in Recommendation 2 above.
 - a. **DOH Response:**
 - i. See response to #2 above.
4. Verify that all CPA firms conducting the program-specific audits are qualified and properly licensed.
 - a. **DOH Response:**
 - i. Going forward, DOH ARS personnel will verify the licensure status of all CPA firms conducting program-specific audits to the Pennsylvania Department of State's Licensure Search website, at: <http://www.licensepa.state.pa.us>.
5. Address and document resolution of all findings noted in the state-wide and regional EMS council audit reports.
 - a. **DOH Response:**
 - i. Starting with the last FY (14-15) audits BEMS has improved follow-up with the regions when there are findings. Starting with this FY, BEMS will fully document the follow up and place in the council's file with the audit reports.

Auditors' Conclusion:

We commend DOH for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DOH's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented.

***Finding #5 – The Department of Health Failed to Obtain and Review
Regional EMS Council Annual Reports***

Section 1021.103 of the DOH regulations require the governing body (i.e., board of directors or Board herein) of regional EMS councils to produce an annual report within 30 days after the end of the fiscal year.¹⁹ This requirement may be met by a regional EMS council Board posting the annual report on its website and providing DOH with an electronic or hard copy of the annual report within the same time frame. The annual report must include:

- A financial statement of income and expenses.
- A statement disclosing the names of officers and directors.
- Activities and accomplishments of the preceding year.²⁰

We requested all of the 32 annual reports from DOH for the Pennsylvania Emergency Health Service Council and 15 regional EMS councils for the fiscal years ended June 30, 2013 and 2014. The annual reports could not be located by DOH. Subsequent to our request, DOH requested the annual reports from the regional EMS councils. Out of the 32 reports requested, 11 could not be provided by the regional EMS councils. One council noted “it’s not listed in my contract as required” and another council stated it was “awaiting format instructions” from DOH for the annual report and was informed by DOH that the template “is behind schedule. We (DOH) won’t hold you accountable for a deadline that we can’t help you meet.” Based on our test work, we determined that DOH did not enforce the requirement that the Boards of EMS councils must submit the annual reports to the Bureau of Emergency Medical Services (Bureau), and performed no review of the annual reports.

We reviewed the 21 annual reports received after our request and found 7 reports were not in compliance with requirements due to the omission of financial information. Additionally, for 8 of the 14 annual reports that contained financial information, the expenditures did not agree with DOH records.

DOH management stated the regional EMS councils were under a misperception that the annual reports were not required to be completed. Furthermore, management acknowledged that the annual reports were not tracked or reviewed due to a lack of adequate staffing.

The annual reporting requirement within the grant agreements as provided in DOH regulations is essential to ensure the regional EMS councils are operating effectively and adequately accounting for funds. Furthermore, the annual reports would provide the Bureau with a tool to assist in monitoring the regional EMS councils and the overall statewide program, as well as analyzing the regions’ EMS activities and expenditures to evaluate the adequacy of allocated

¹⁹ 28 Pa. Code § 1021.103(d).

²⁰ Ibid.

funds. This would help DOH ensure it is providing sufficient resources to meet the needs of the regional EMS councils and the communities they serve.

Recommendations:

We recommend that DOH:

1. Enforce the requirement that the Boards of all regional EMS councils must submit annual reports in accordance with regulations.
2. Develop guidelines detailing the specific items regional EMS councils should include in the annual reports in order for DOH to collect quality information that is most beneficial in meeting program objectives.
3. Develop a uniform format for the annual reports so that data can be easily summarized and analyzed for the Commonwealth as a whole.
4. Provide written instructions to the regional EMS councils detailing the requirements of submitting an annual report and consequences if the annual reports are not submitted.
5. Track and review annual reports, ensuring the information is accurate, to assist in monitoring the regional EMS councils and the overall statewide program.

DOH Response:

Finding #5 – The Department of Health Failed to Obtain and Review Regional EMS Council Annual Reports

Recommendations:

We recommend that DOH:

1. Enforce the requirement that the Boards of all regional EMS councils must submit annual reports in accordance with regulations.
 1. **DOH Response:**
 - a. DOH agrees. As mentioned in a previous response, BEMS is currently reviewing reports to develop a standardized format for all councils and will have the new format in place for all councils.
 - b. BEMS will publish a RC-Memo to all councils outlining the requirement for the annual report and clarifying the required format as well as clarifying the consequences of failing to file.

2. Develop guidelines detailing the specific items regional EMS councils should include in the annual reports in order for DOH to collect quality information that is most beneficial in meeting program objectives.
 - a. **DOH Response:**
 1. DOH agrees, see response above.
3. Develop a uniform format for the annual reports so that data can be easily summarized and analyzed for the Commonwealth as a whole.
 - a. **DOH Response:**
 1. DOH agrees, see response above.
4. Provide written instructions to the regional EMS councils detailing the requirements of submitting an annual report and consequences if the annual reports are not submitted.
 - a. **DOH Response:**
 1. DOH agrees, see response above
5. Track and review annual reports, ensuring the information is accurate, to assist in monitoring the regional EMS councils and the overall statewide program.
 - a. **DOH Response:**
 1. DOH agrees.

Auditors' Conclusion:

We commend DOH for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DOH's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented.

***Audit Procedures and Results – Department of Health’s Head Injury Program
Complied with Law and Regulations***

Twenty-five percent of the money in the Emergency Medical Services Operating Fund (Fund) is allocated to the Catastrophic Medical and Rehabilitation Fund²¹ to administer the Head Injury Program which pays for medical, rehabilitation, and attendant care services for persons with traumatic brain injury.

DOH expended \$7.2 million (\$5.1 million during the fiscal year ended June 30, 2013 and \$2.1 million during the fiscal year ended June 30, 2014) in state dollars from the Fund for the Head Injury Program administered through its Bureau of Family Health.

To determine whether DOH ensured the revenues and expenditures of the Fund are adequately supported, properly accounted for, and used for their intended purposes as specified by law and regulations, we performed audit procedures on the revenues and expenditures of the Head Injury Program.

Our audit included analytical procedures to analyze fund activity, detail substantive procedures on a selection of items to test revenue and expenditure transactions, evaluating and testing management controls, and consideration of the results of audit work performed by the Department of the Auditor General’s Bureau of County Audits. The Bureau of County Audits performs examinations of the revenues and receipts of various county offices which include the dollars remitted to the state by law to the Fund.

We did not identify any weaknesses in the management controls that we tested, did not identify any misstatements of financial information, and did not identify any noncompliance with applicable law and regulations.

²¹ See 35 Pa.C.S. § 8153(d).

Appendix A: Objectives, Scope, and Methodology

Objectives

The objectives of this performance audit were to:

- Determine whether DOH ensured the collections and expenditures of the EMSOF were adequately supported, properly accounted for, and used for their intended purpose as specified by law and regulations. **[Results: See Findings #1, #2, and #3 for the EMS Program; No deficiencies identified for the Head Injury Program]**
- Determine whether DOH improved its overall monitoring process of the regional EMS councils to rectify the deficiencies related to program and fiscal monitoring in response to the finding from our audit released in February 2014. **[Results: See Finding #1 and Findings #3 through #5 for EMS Program].**

Scope

Our audit period covered DOH's duties and responsibilities in regard to the EMSOF from July 1, 2012 through June 30, 2014, including follow-up procedures performed and concluded as of August 18, 2015. We reviewed collections and expenditures of the EMSOF for fiscal years ended June 30, 2013 and June 30, 2014.

Methodology

The methodology in support of the audit objectives included:

- Reviewing the Emergency Medical Services System Act, Act 37 of 2009, Title 35 of the PA Consolidated Statutes §§ 8101-8157; Title 75 of the PA Consolidated Statutes §§ 102, 3121, and 3807; Notice, 42 Pa.B. 3691 (June 23, 2012); Notice, 43 Pa.B. 3062 (June 1, 2013); Title 28 of the Pa. Code Chapter 4 relating to the Head Injury Program, and program procedure memorandums.
- Interviewing and corresponding with DOH's management including staff from the Bureau of Emergency Medical Services, the Bureau of Family Health, and the Bureau of Administrative and Financial Services to assess controls and gain an understanding of policies and procedures related to the EMS Program and Head Injury Program.
- Verifying that the revenue collected from the County Clerk of Courts and District Justice Offices for traffic violations and Accelerated Rehabilitative Disposition costs agreed to the revenue deposited into the EMSOF, and that the revenue was properly allocated to Emergency Medical Services and Catastrophic Medical Rehabilitation Services as prescribed by law and regulations. There was a total of 24 months within our audit period and two funding streams each month, for a population of 48 revenue deposits. We tested 5 months in each state fiscal year from both funding streams that included revenues

collected in the audit period by a county that was audited by the Department of Audit General, Bureau of County Audits.

Appendix A: Objectives, Scope, and Methodology (continued)

- Reconciling the EMSOF expenditures in the Commonwealth's SAP accounting system to the Status of Appropriations and DOH's financial schedule to verify expenditures were accounted for properly and ensuring the EMSOF funds were distributed to the EMS Program and Head Injury Program in compliance with law and regulations.
- Reviewing the September 2013 Legislative Budget and Finance Committee audit report entitled "A Performance Audit of the Emergency Medical Services Operating Fund."

Emergency Medical Services Program:

- Obtaining the grant agreements between DOH and the regional EMS councils and statewide advisory council for our audit period and verifying the grant agreements were in accordance with law and regulations and were approved by the appropriate DOH officials.
- Recalculating the amounts allocated to each regional EMS council during our audit period using DOH's allocation formula to verify the accuracy of the allocations.
- Utilizing SAP and auditor judgment, selecting 40 expenditures totaling \$2.97 million out of the \$21.2 million DOH disbursed to the EMS councils during the period July 1, 2012 through June 30, 2014. We selected one expenditure from each regional EMS council and the statewide advisory council for each fiscal year and additional expenditures appearing unusual in nature. We obtained the related invoice and performed detail testing to verify the expenditures were properly accounted for, adequately supported, and used for their intended purposes per law and regulations. We also verified DOH reviewed and documented approval of the invoice prior to payment to ensure adequate management oversight controls.
- Reviewing the 22 invoices, from the 40 selected above, that contained pre-hospital provider equipment expenditures in which a "Provider Equipment Request" form was to be provided to DOH, and verified the EMSOF funds accounted for 50% or less of the total maximum allowable cost for urban services or 60% or less of the total maximum allowable cost for rural services to ensure the documented provider match was in compliance with regulations. Additionally, we verified DOH management reviewed and documented approval of the equipment request to ensure adequate management oversight controls.
- Requesting all of the 15 regional EMS councils and the PA Emergency Health Services annual financial audits submitted to DOH for the state fiscal years ended June 30, 2013 and June 30, 2014, and reviewing the 24 provided. We verified DOH followed-up on any findings by ensuring adequate corrective action was taken by the regional EMS councils.

Appendix A: Objectives, Scope, and Methodology (continued)

- Reviewing the 21 annual financial audits that contained a separate schedule of EMSOF expenditures and verified the schedule agreed to DOH's tracking of cumulative invoices.
- Requesting all of the 15 regional EMS councils and the PA Emergency Health Services annual statements submitted to DOH for the state fiscal years ended June 20, 2013 and June 30, 2014, and reviewing the 21 provided. We verified DOH ensured the councils complied with laws, regulations, and provisions of the contract, and that the councils' annual reports contained all required elements.
- We inquired into DOH's on-site monitoring procedures and found there were no on-site monitoring procedures in place.

Head Injury Program:

- Obtaining the contracts between DOH and the service providers and the Brain Injury Association of Pennsylvania for our audit period and verifying the contracts were in accordance with law and regulations and were approved by the appropriate DOH officials.
- Utilizing SAP and auditor judgment, selecting 25 expenditures totaling \$1.76 million out of the \$7.2 million DOH disbursed during the period July 1, 2012 through June 30, 2014. We selected one expenditure from each service provider and the Brain Injury Association of Pennsylvania for each fiscal year and additional expenditures appearing unusual in nature. We obtained the related invoice report from DOH's CORE/SAP system and selected one service provided to an individual patient. We obtained the related invoice submitted by the provider for the service and performed detail testing to verify the expenditure was properly account for, adequately supported, and used for their intended purposes per law and regulations.
- Obtaining DOH's schedule of provider monitoring visits and comparing it to the expenditures in SAP to verify that every provider that received funding was monitored by DOH within a two-year cycle.
- Obtaining DOH's monitoring tool and resulting conclusion letters for all 11 monitoring visits conducted during our audit period and detail testing the four monitoring reports that contained findings to evaluate management oversight controls, including ensuring DOH management reviewed and documented approval of the monitoring tool and report, and adequately followed-up on the identified weaknesses.

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