

To the Board of Trustees  
**Emergency Medical Services Authority**

We are pleased to present this report related to our audit of the basic financial statements of Emergency Medical Services Authority (Authority) as of and for the year ended June 30, 2018. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than this specified party.

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the Authority's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

Generally accepted auditing standards require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

**The Responsibilities of the Auditor and Management**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States; have been described to you in our arrangement letter dated June 21, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are described in that letter.

**Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of a planned audit response to significant risks of material misstatement.

**Significant Accounting Practices, Including Policies, Estimates and Disclosures**

Our views about the qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures are indicated herein, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority's significant accounting policies are discussed in Note 1 to the financial statements. There were no changes in accounting policies during the current year.

Significant or Unusual Transactions - We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.



Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's June 30, 2018 financial statements:

- Allowance for Doubtful Accounts: The allowance for doubtful accounts is based on management's estimate of collectability of identified receivables, as well as aging of customer accounts. The allowance is adjusted as information and specific accounts become available. The Authority also compares current allowance amounts to prior-year collection or write-off experience. We tested the underlying information supporting this allowance, including the most recent aging reports and collection experience.
- Allowance for Contractual Adjustments: The allowance for contractual adjustments is based on third-party payer contracts, analysis of historical trends and other factors. The contractual allowances are adjusted as information about third-party payer contracts becomes available, as changes in contracts occur and as payment items are known. We tested the underlying information supporting this allowance, including the most recent accounts receivable reports by payer and write-off experience.
- Allowance for Contractor Receivable: The allowance for contractor receivable is based on management's estimate of collectability of the related contractor receivable. The allowance is adjusted as new information is received. We tested and recalculated management's estimate based on information available during the audit.

#### **Audit Adjustments**

There were three audit adjustments made to the original trial balance presented to us to begin our audit.

- To adjust non-capital subsidy revenue from net assets to a revenue account resulting in an increase in change in net position of \$6,184,682.
- To correct an entry related to capital contributions from Oklahoma City resulting in an increase in change in net position of \$101,814.
- To record grant revenue and grant expenditure of \$923,549 resulting in no change to net position.

#### **Unrecorded Misstatements**

During the course of our audit, we accumulated unrecorded misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, and cash flows and to the related financial statement disclosures. The following is a summary of the unrecorded misstatements:



Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expense
Carryover impact from previous years			\$ 753,000	\$ (753,000)	\$ -
<b>Current year misstatement:</b> To project estimated change in allowance	\$ 161,000	\$(1,139,000)	\$ -	\$ 978,000	\$ -
<b>Subtotal</b>	<u>\$ 161,000</u>	<u>\$(1,139,000)</u>	<u>\$ 753,000</u>	<u>\$ 225,000</u>	<u>\$ -</u>
Effect of current year passed adjustments on net position			\$ 225,000		
<b>Total</b>			<u>\$ 978,000</u>		

### Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles. The representation letter also includes the more significant oral representations made by officers and employees during the course of the audit and includes specific representations, is intended to reduce the possibility of misunderstandings between us and the Authority and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

### Other Disclosures

- We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matter, the scope of the audit or significant disclosures to be included in the financial statements.
- We are not aware of any consultations management had with other accountants about accounting or auditing matters.
- No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
- We did not encounter any significant difficulties in dealing with management during the audit.

### Internal Control Matters

In planning and performing our audit of the financial statements of the Emergency Medical Services Authority (Authority) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

- *Segregation of duties*

Individuals within the accounting department have incompatible duties in financial statement reporting transaction cycles. Duties in these transaction cycles are not adequately segregated to safeguard the Authority's assets. The Accounting Manager has the ability to initiate a purchase order, approve an invoice for payment, make entries to the general ledger and generate payment. The CFO also controls user access to the general ledger and have the ability to change access rights, a log of user access is maintained. The key compensating controls include, the CFO's review of the accounting manager's activity, management's monthly review of the financial statements as presented to the Board, independent reconciliations of cash, and the CFO's review and manual signature on checks. However, to improve the key compensating controls, we further recommend the Authority separate these responsibilities to reduce the risk of improper financial statement transactions.

Also, the Western Division Director, Supervisor, Customer Service personnel and Accounts Receivable clerks have access to payments, can record discounts and adjustments, can make changes to patient's billing file information, reconcile contractual adjustments to supporting remittance and can suppress statement from being issued to patients. The mitigating controls are management's monthly review of the write-offs report and bank reconciliations performed by persons independent of the billing and payment process. However, to improve the key compensating controls, we further recommend the Authority separate these responsibilities to reduce the risk of improper financial statement transactions.

- *Patient Refund Account*

Employees with access to checks for the Patient Refund Account are assigned groups of checks for a specific employee. As checks are issued by each employee, checks are written out of sequence increasing the risk of misappropriation of the Authority's assets. This activity is reviewed by the Accounting Manager. We would recommend that the Authority centralize this process and ensure that patient refund checks are written in sequence to reduce the risk of improper financial statement transactions.



## **Other Matters**

### **Information Security Governance**

Executive managers and those charged with governance must be confident that the entity is protecting your information and the systems that process it. The potential impacts of a failure in the availability, confidentiality or integrity of your critical information assets is monumental in today's environment of cybersecurity breaches.

Many organizations believe their information security practices are adequately mitigating their risks. Unfortunately, they are often surprised to discover those practices are failing to perform as expected and the consequences are usually severe.

Information security is more than a technology issue. It is a governance and management challenge that involves risk management, accountability and reporting. And it requires executive stewardship to ensure the timely assessment of emerging threats and your organization's effective response to them.

Additional information on "Information Risk is Business Risk" can be accessed through our AGH University website located at <http://www.aghuniversity.com/webinars/archived/archived-webinars.aspx> (from the "select a topic" drop-down box, select Information Technology). Additionally, we encourage your management team to take advantage of peer networking groups, trade associations or other resources relating to IT and information risk and the most recent best practices as the constant risk evolves.

Additionally, a structured assessment can help you develop stronger, better and more systematic approaches to your information security. It will help you clearly and objectively understand the strengths and weaknesses in your current information security processes and the extent to which those processes are meeting your needs. Most important, it will guide you with recommendations to help you protect your information, facilities, people and technology.

We believe a review or assessment must be completed on a periodic basis; this assessment can be completed internally or by using an outsourced service provider. Executive managers should be involved with the review and summary reports should also be shared with those charged with governance.

### **Vulnerability Assessment**

In addition to a periodic information system governance review, the entity should also conduct periodic (at least annually or semi-annually) vulnerability assessments. There are more than 71,000 known network vulnerabilities that can leave organizations open to significant risk. High-profile security breaches have become commonplace and many companies are susceptible to the same failures.

Network vulnerability assessments can help you identify and resolve your vulnerabilities before they are exploited by cybercriminals. AGH's experienced security professionals use network vulnerability assessments to discover and analyze known flaws and weaknesses.

Using automated scanners - along with their experience and judgment - our security professionals will identify existing vulnerabilities, evaluate their severity and recommend steps for fixing the underlying problems.

### **Comprehensive Policy and Procedure Review**



Given the broad and deep scope of your operations, you should consider completing a comprehensive evaluation of the adequacy and effectiveness of the entity's internal financial policies, processes and procedures, including a comparison to best practices among organizations the same size.

For entities that have experienced budget cuts in the finance area or those that have experienced turnover, a periodic review of controls is imperative. Even if your finance team has been stable over the years, we remind you that even the best design of controls is only as good as the people who carryout and execute such controls.

Financial policies, procedures and processes are a key element of sound fiscal administration. When policies are effective, they can preserve or enhance the fiscal health and wealth of the organization and create efficiencies for staff members.

This comprehensive evaluation could include:

1. Evaluation of existing controls
2. Identification of financial policies that could lead to vulnerability to fraud and/or abuse
3. For those identified weaknesses and risks, recommendations for improvements



**Closing**

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Emergency Medical Services Authority.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

September 18, 2018  
Wichita, KS