

# **Emergency Medical Services Authority**

Report to the Board of Trustees  
October 1, 2013



October 1, 2013

Board of Trustees  
Emergency Medical Services Authority  
1417 North Lansing Avenue  
Tulsa, Oklahoma 74106-5906

Attention: Clay Bird, Chairman

We are pleased to present this report related to our audit of the financial statements and compliance of Emergency Medical Services Authority (the Authority) for the year ended June 30, 2013. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial and compliance 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 these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Emergency Medical Services Authority.

*McGladrey LLP*

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## Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) 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 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.

Area	Comments
<b>Our Responsibilities With Regard to the Financial Statement Audit</b>	Our responsibilities under auditing standards generally accepted in the United States of America, <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and provisions of OMB Circular A-133 and OMB's Compliance Supplement have been described to you in our arrangement letter dated March 26, 2013.
<b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b>	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
<b>Accounting Policies and Practices</b>	<p><b>Preferability of Accounting Policies and Practices</b></p> <p>Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p><b>Adoption of, or Change in, Accounting Policies</b></p> <p>Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. In the current year the Authority adopted GASB Statement No. 63, <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position</i>. The adoption of this Statement changed the presentation of the basic financial statements to a net position format.</p> <p><b>Significant or Unusual Transactions</b></p> <p>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.</p> <p><b>Management's Judgments and Accounting Estimates</b></p> <p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
<b>Audit Adjustments</b>	Audit adjustments proposed by us and recorded by the Authority are attached with the representation letter included with Exhibit A.
<b>Uncorrected Misstatements</b>	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
<b>Disagreements With Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Area	Comments
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	We did not encounter any significant difficulties in dealing with management during the audit.
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	We have separately issued a report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements and major programs performed in accordance with <i>Government Auditing Standards</i> and OMB Circular A-133. This communication is included within the Authority's June 30, 2013 Compliance Report.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

## Emergency Medical Services Authority

### Summary of Significant Accounting Estimates

#### Year Ended June 30, 2013

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 determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the Authority's June 30, 2013 basic financial statements:

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
<b>Depreciable Useful Life of Capital Assets</b>	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience.	We believe the estimates used by management of the Authority are reasonable.
<b>Allowance for Doubtful Accounts</b>	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. We concluded that management's estimate is reasonable.
<b>Allowance for Contractual Adjustments</b>	The allowance for contractual adjustments is based on third-party payor contracts, analysis of historical trends and other factors.	The contractual allowances are adjusted as information about third-party payor 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 payor and write-off experience. We concluded that management's allowance methodology and estimates are reasonable.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
<b>Other Postemployment Benefit Plan (OPEB)</b>	Other postemployment benefit plan accounting and disclosures are based upon calculations performed by an actuary and include numerous assumptions and estimates.	The employee-related factors include turnover, retirement age and mortality. These factors and the estimated discount rate used to determine the present value of liabilities and rate of return on retirement plan assets are based upon historical and general market data. The amount was calculated by an actuary hired by the City of Tulsa, and management of the City determines the portion of the OPEB liability that is allocated to the Authority.	We analyzed the City's methodology, obtained actuarial calculation reports and concluded the estimates and allocation to the Authority are reasonable.

## Emergency Medical Services Authority

### Summary of Uncorrected Misstatements

#### Year Ended June 30, 2013

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the statements of financial position, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences (in thousands).

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditure
Reversed opening equity misstatement - OPEB	\$ -	\$ -	\$ 320,000	\$ -	\$ (320,000)
Factual:					
To correct improperly capitalized assets	(13,000)	-	-	-	13,000
To accrue employee benefit expenses not recorded for year end	-	(21,000)	-	-	21,000
Judgmental:					
To reserve an allowance against medicare billing receivable	(183,000)	-	-	-	183,000
<b>Subtotal</b>	<b>\$ (196,000)</b>	<b>\$ (21,000)</b>	<b>320,000</b>	<b>\$ -</b>	<b>\$ (103,000)</b>
Effect of current year passed adjustments on net position			(103,000)		
<b>Total</b>			<b>\$ 217,000</b>		



**Exhibit A—Significant Written Communications between Management and Our Firm**



October 1, 2013

McGladrey LLP  
4801 Main Street  
Suite 400  
Kansas City, Missouri 64112

This representation letter is provided in connection with your audits of the basic financial statements of the Emergency Medical Services Authority (the Authority) as of and for the years ended June 30, 2013 and 2012 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP)

We confirm, to the best of our knowledge and belief, as of October 1, 2013, the following representations made to you during your audits:

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 26, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable
5. Related-party transactions, including those with joint ventures and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP

8. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Net positions
  - b. Arrangements with financial institutions or other organizations involving compensating balances or other arrangements involving restrictions on cash balances.
  - c. Line of credit or similar arrangements.
  - d. Security agreements in effect under the Uniform Commercial Code.
  - e. All significant estimates and material concentrations known to management which are required to be disclosed.
  - f. GASB Statement Nos. 60, 61 and 62 were adopted in the current year and GASB Statement Nos. 65, 66, 67, 68, 69 and 70 were pending. None of these GASB Statements impacted or are expected to impact the Authority and therefore have not been disclosed. We believe the adoption of GASB Statement No. 63 to be appropriate and its effect is properly disclosed in the basic financial statements and related footnotes.
  - g. Deposits categories of risk.
  - h. Any other liens or encumbrances on assets or revenues or any assets or revenues which are pledged as collateral for any liability or which are subordinated in any way.
  - i. Leases and material amounts of rental obligations under long-term leases.
  - j. Risk financing activities.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Authority has no significant amounts of idle property and equipment or property or equipment
  - b. The Authority has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
  - a. To reduce receivables to their estimated net collectable amounts.
  - b. For estimated adjustments to revenue, such as for denied claims or other estimated retroactive adjustments by third-party payors.
  - c. For obligations related to third-party payor contracts and contractual settlements
  - d. For postretirement benefits other than pension
11. There are no.
  - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements



- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the GASB Accounting Standards Codification
  - d. Guarantees, whether written or oral, under which the Authority is contingently liable
  - e. Agreements to repurchase assets previously sold
  - f. Investments, other than certificates of deposit
  - g. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books
  - h. Liabilities which are subordinated in any way to any other actual or possible liabilities
  - i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - j. Debt issue provisions.
  - k. Authorized but unissued bonds and/or notes.
  - l. Derivative financial instruments.
  - m. Special and extraordinary items.
  - n. Arbitrage rebate liabilities.
  - o. Impairment of capital assets
  - p. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2013 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2013.
  - q. Pension obligations or deferred compensation agreements attributable to employee services rendered through June 30, 2013.
  - r. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - s. Material losses to be sustained as a result of purchase commitments
  - t. Environmental cleanup obligations.
  - u. Assets that have permanently declined in value
- 12 There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Contingencies Topic of the GASB Accounting Standards Codification





13. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
14. The Authority has satisfactory title to all owned assets.
15. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
16. Net positions invested in capital assets, restricted and unrestricted are properly classified.
17. Expenses have been appropriately classified
18. Revenues are appropriately classified
19. Capital assets are properly capitalized, reported and depreciated
20. We agree with the findings of specialists in evaluating other postemployment benefits and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
21. We have informed you of all uncorrected misstatements

As of and for the year ended June 30, 2013, management believes that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate to the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenditure
Reversed opening equity misstatement - OPEB	\$ -	\$ -	\$ 320,000	\$ -	\$ (320,000)
<b>Factual</b>					
To correct improperly capitalized assets	(13,000)	-	-	-	13,000
To accrue employee benefit expenses not recorded for year end	-	(21,000)	-	-	21,000
<b>Judgmental</b>					
To reserve an allowance against medicare billing receivable	(183,000)	-	-	-	183,000
<b>Subtotal</b>	<u>\$ (196,000)</u>	<u>\$ (21,000)</u>	<u>320,000</u>	<u>\$ -</u>	<u>\$ (103,000)</u>
Effect of current year passed adjustments on net position			(103,000)		
<b>Total</b>			<u>\$ 217,000</u>		



*Information Provided*

22. We have provided you with
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
23. All transactions have been recorded in the accounting records and are reflected in the financial statements
24. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud
25. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving
  - a. Management
  - b. Employees who have significant roles in the internal control
  - c. Others where the fraud could have a material effect on the financial statements
26. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators or others
27. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements
28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements
29. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware
30. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data
31. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices

*Supplementary Information*

32. With respect to supplementary information presented in relation to the financial statements as a whole:
  - a. We acknowledge our responsibility for the presentation of such information



- b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
  - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
33. With respect to management's discussion and analysis presented as required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.
34. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us

*Compliance Considerations*

35. In connection with your audits, conducted in accordance with *Government Auditing Standards*, we confirm
- a. We are responsible for:
    - i. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Authority
    - ii. Establishing and maintaining effective internal control over financial reporting.
  - b. We have identified and disclosed to you:
    - i. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives
    - ii. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
  - c. We are aware of no fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that has been reported.
  - d. We have a process to track the status of audit findings and recommendations






- e. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
  - f. Kent S. Torrence, Chief Financial Officer who has sufficient skills, knowledge and experience has supervised, reviewed, and approved and we take full responsibility for the proposed adjusting journal entries, financial statements and related notes and acknowledge the auditor's role in the preparation of this information
36. In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm
- a. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
  - b. We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
  - c. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on our federal programs
  - d. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance
  - e. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
  - f. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
  - g. We have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards
  - h. We believe that we have complied with the direct and material compliance requirements
  - i. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements
  - j. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
  - k. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your report

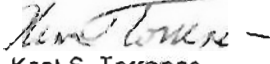




- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of your report.
- m. We are responsible for taking corrective action on audit findings of the compliance audit.
- n. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- o. We are not aware of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.
- p. We are not aware of any noncompliance with direct and material compliance requirements occurring subsequent to the period covered by your report.
- q. We are not aware of any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance is audited.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- t. We have charged costs to federal awards in accordance with applicable cost principles.
- u. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- v. We have accurately completed appropriate sections of the data collection form. We further acknowledge our responsibility for the complete, accurate and timely filing of the data collection form with the Federal Audit Clearinghouse.

**Emergency Medical Services Authority**

  
H. Stephen Williamson  
President and Chief Executive Officer

  
Kent S. Torrence  
Chief Financial Officer



## Emergency Medical Services Authority

### Adjusting Journal Entries

#### Appendix A

Description	Effect — Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenditure
To adjust patient receivable allowance for a correction in the reserve percentage	\$ (500,000)	\$ -	\$ -	\$ 500,000	\$ -
Recognition of grant revenue and expense	-	-	-	(4,286,986)	4,286,986
Client entry to reconcile to grant financial statements	(126,518)	-	-	-	126,518
Client entry to record other postemployment benefits	-	(372,626)	-	-	372,626





The Board of Trustees  
Emergency Medical Services Authority  
Tulsa, Oklahoma

In planning and performing our audit of the financial statements of the Emergency Medical Services Authority (the Authority) as of and for the year ended June 30, 2013, 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.

Certain deficiencies in internal control that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following are descriptions of identified control deficiencies 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 transactions 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. Also, the Western Division Director, Supervisor, Customer Service personnel, and Accounts Receivable clerks have access to payments, can authorize and record discounts and adjustments, can make changes to patient's billing file information, reconcile contractual adjustments to supporting remittance and can suppress statements from being issued to patients. The key compensating controls include 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.

Accounts receivable allowance: The allowance reserve for patient receivables is calculated by management on the basis of historical cash collections of the Authority; however, this calculation is not reviewed for accuracy by a second individual. In the current year, an error in the time frame used for the historical cash collection reports underlying the original reserve calculation resulted in an audit adjustment to the allowance for doubtful accounts. Due to the materiality of the balance involved, we recommend the Authority utilize a second individual to review the allowance reserve calculations and support.

This communication is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*McGladrey LLP*

Kansas City, Missouri  
October 1, 2013