

Emergency Medical Services Authority

Report to the Board of Trustees
September 14, 2015



September 14, 2015

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

Attention: Larry McAtee, Chairman

We are pleased to present this report related to our audit of the financial statements of the Emergency Medical Services Authority (the Authority) for the year ended June 30, 2015. 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 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 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
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and <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 June 8, 2015. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also 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 and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices 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. 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 did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. 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 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.
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.

Area	Comments
Disagreements With Management	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.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	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 program performed in accordance with <i>Government Auditing Standards</i> and OMB Circular A-133. This communication is included within the Authority's June 30, 2015 compliance report.
Significant Written Communications Between Management and Our Firm	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, 2015

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, 2015 financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Useful Life of Capital Assets	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.
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. We concluded that management's estimate is reasonable.
Allowance for Contractual Adjustments	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.

Emergency Medical Services Authority

Summary of Uncorrected Misstatements

Year Ended June 30, 2015

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 financial position, results of operations, and cash flows and to the related financial statement disclosures. Following is a summary of those differences.

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Net Position	Revenue	Expenses
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current year misstatements:					
<i>Factual:</i>					
To record disputed payable	-	(52,000)	-	-	52,000
To adjust credit balances from A/R listing and project estimated change in allowance determination	99,000	(562,000)	-	463,000	-
Subtotal	<u>\$ 99,000</u>	<u>\$ (614,000)</u>	<u>-</u>	<u>\$ 463,000</u>	<u>\$ 52,000</u>
Effect of current year passed adjustments on net position			515,000		
Total			<u>\$ 515,000</u>		

Exhibit A—Significant Written Communications between Management and Our Firm



September 14, 2015

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, 2015 and 2014 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 September 14, 2015:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 8, 2015, 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 are reasonable and 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.
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 Authority'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 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, if any, have been accounted for and disclosed in accordance with U.S. GAAP.

EMERGENCY MEDICAL SERVICES AUTHORITY

TULSA: 1417 North Lansing Avenue ■ Tulsa, Oklahoma 74106-5906 ■ PHONE: 918.596.3135 ■ FAX: 918.596.3177
OKLAHOMA CITY: 1111 Classen Drive ■ Oklahoma City, Oklahoma 73103-2616 ■ PHONE: 405.297.7100 ■ FAX: 405.297.7199

8. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net position classifications.
 - b. Arrangements with financial institutions or other organizations involving compensating balances or other arrangements involving restrictions on cash balances.
 - c. Risk financing activities.
9. 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.
10. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
11. We believe there are no known facts, decisions, conditions or budget changes that are going to significantly impact the Authority and have chosen not to include such information in the management's discussion and analysis.
12. We have informed you of all uncorrected misstatements as of and for the year ended June 30, 2015. We believe 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	Expenses
Carryover impact from previous years	\$ -	\$ -	\$ -	\$ -	\$ -
Current year misstatements:					
<i>Factual:</i>					
To record disputed payable	-	(52,000)	-	-	52,000
To adjust credit balances from A/R listing and project estimated change in allowance determination	99,000	(562,000)	-	463,000	-
Subtotal	<u>\$ 99,000</u>	<u>\$ (614,000)</u>	<u>-</u>	<u>\$ 463,000</u>	<u>\$ 52,000</u>
Effect of current year passed adjustments on net position			515,000		
Total			<u>\$ 515,000</u>		

Information Provided

13. 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 audits.
 - c. Unrestricted access to persons within the Authority 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.
- 14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15. 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.
- 16. We have no knowledge of allegations of fraud or suspected fraud, affecting the Authority'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.
- 17. 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.
- 18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.
- 19. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
- 20. 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.
- 21. 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.
- 22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

- 23. 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.



24. 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.
25. 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

26. In connection with your audits, conducted in accordance with *Government Auditing Standards*, we confirm that management:
- a. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the Authority.
 - b. Is not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
 - c. Is not aware of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
 - d. Is not aware of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
 - e. Is not aware of any fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
 - f. Has a process to track the status of audit findings and recommendations.
 - g. Has identified for the auditor previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
 - h. Has provided views on the auditor's reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
 - i. Acknowledges its responsibilities as it relates to nonaudit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

27. 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. Management is responsible for complying, and has complied, with the requirements of OMB Circular A-133.
 - b. Management is 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. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the Authority is 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. Management has prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and has 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. Management has 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. Management has 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. Management has identified and disclosed to the auditor there are no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
 - h. Management believes that we have complied with the direct and material compliance requirements.
 - i. Management has 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. Management has provided the auditor our interpretations of any compliance requirements that are subject to varying interpretations.
 - k. Management has disclosed to the auditor 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 the auditor's report.
 - l. Management has disclosed to the auditor 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 the auditor's report.

- m. Management is responsible for taking corrective action on audit findings of the compliance audit.
- n. Management has provided the auditor 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. Management is not aware of any noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.
- p. Management is 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 management 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.
- q. 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.
- r. 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.
- s. Management has charged costs to federal awards in accordance with applicable cost principles.
- t. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- u. Management has accurately completed appropriate sections of the data collection form.

Emergency Medical Services Authority



H. Stephen Williamson
Chief Executive Officer



Kent S. Torrence
Chief Financial Officer



The Board of Trustees
Emergency Medical Services Authority
Tulsa, Oklahoma

To Management and the Board of Trustees of the Emergency Medical Services Authority

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, 2015, 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 is the description of an identified deficiency in internal control that we determined did not constitute a significant deficiency or material weakness:

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.

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

McGladrey LLP

Kansas City, Missouri
September 14, 2015



Cyber Security

For years, experts have warned about increasing risks to business due to cyber attacks, and 2014 was the year the issue exploded into public view after a number of prominent companies reported significant data breaches. Due to this heightened risk, it's more important than ever for companies to evaluate key threats to information security:

- Cyber attacks can be facilitated in part by social engineering in which the attackers trick employees into providing the attackers with information or access, or even unknowingly assist an attacker by downloading malicious software. Annual security awareness training, ongoing security awareness reminders and periodic mock social engineering attacks are the primary means of defending against such attacks.
 - Cyber attackers are not only seeking credit cards and bank accounts, but also intellectual property (IP), which can take many forms including confidential customer information, manufacturing designs, purchasing information, and other trade secrets. It is important to know where IP is stored and who has access to it so that you can design and implement specific security controls.
 - In today's environment, it is common business practice to have trusted vendors that have access to various systems and applications.
- Examples include an HVAC vendor that may need to access systems to monitor their performance, or a contract payroll management provider that accesses the business network for payroll processing information. A rigorous vendor management program is needed to effectively manage third-party access so as to limit the risk that a third party can compromise your systems or data.
- Not too long ago, businesses would focus completely on preventative controls to attempt to prevent cyber attackers from compromising systems. Today it is important to also implement detective controls, such as security monitoring, which is meant to identify potential issues, and corrective controls for use when incidents do occur. Examples of corrective controls include incident response plans and having forensics specialists on retainer. If we plan for a security "failure," we can "fail" gracefully, minimize damage and recover quickly.

McGladrey is available to help if needed in any of the above areas as well as other cyber defense services. The firm has been offering these services since the mid 1990s and continues to provide high-quality innovative security and privacy protection services.

800.274.3978
www.mcgladrey.com

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