

SPECIAL AUDIT

EMERGENCY MEDICAL SERVICES AUTHORITY

For the time period of January 1, 2009 through June 30, 2012



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

EMERGENCY MEDICAL SERVICES AUTHORITY

SPECIAL AUDIT REPORT

JANUARY 1, 2009 THROUGH JUNE 30, 2012



Oklahoma State Auditor & Inspector

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January 22, 2013

The Emergency Medical Services Authority (EMSA) is an organization that operates in the public realm and, as such, has a duty to the public in general, and to rate payers specifically, to function efficiently and effectively, absent of excess or extravagance. EMSA operating expenditures should be made in the public interest in order to promote accountability, encourage public trust, and meet the fiduciary responsibility of this organization as a public authority. Although EMSA does strive to serve the public with the highest quality medical transport care, neither management nor the Board of Trustees (Board) consistently considers the public interest with regard to certain expenditures that could be perceived as inappropriate and excessive.

The Board and officers take pride in EMSA's positive national reputation in the medical transport community, a standing built on excellent patient care, high clinical standards, and other positive performance indicators. The Board attributes much of the Authority's success to the leadership of Stephen Williamson, EMSA's only CEO in the organization's thirty-five-year history. But, while Mr. Williamson may have played a critical role in EMSA's past success, not all of his management and expenditure practices have been in the best interest of an efficiently run organization or EMSA rate payers.

During the period examined, Mr. Williamson was reimbursed for a number of expenditures that the general public would consider unwarranted and extravagant such as spa goods and services, an American Airlines Admirals' Club membership, and multiple lifetime subscriptions to Sirius Satellite Radio. However, these expenditures are merely indicative of more serious Board inadequacies that allow abusive expenditure patterns and negatively impact public confidence in EMSA's performance, such as a disregard for the organization's fiduciary responsibilities, deficient financial oversight, and insufficient performance assessments.

It is incumbent on the Board of Trustees to aptly govern EMSA. Policies in support of the Authority's mission must be implemented *and* consistently followed to ensure effective oversight and accountability. Without proper policies involving purchasing, expense reimbursement, and conflict-of-interest disclosure, the Board has unintentionally fostered a culture of acquiescence in which officers and employees are permitted to establish inappropriate patterns of expenditure behavior and fail to disclose potential conflicts of interest, unbeknownst to members of the Board.

The general public and rate payers deserve assurance that public funds and operations are responsibly managed. As a public authority, EMSA should be held to a strict standard by which operating expenditures are deemed reasonable and necessary to assure efficient and effective medical transport care. Though our audit found numerous examples that fall short of this bar, the report provides several recommendations to improve organizational oversight, accountability, and performance toward instilling greater public trust. With greater involvement and consideration of the Board, trustees could increase public confidence in EMSA's ability to professionally manage funds and overall operations, and ultimately, improve service delivery.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

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EMSA Board of Trustees

(As of December 31, 2012)

Lillian Perryman	Chair
Jeffrey Goodloe, MD.....	Member
Joe M. Hodges	Member
Gary Marrs	Member
Jim Rodgers, MD.....	Member
Larry Stevens	Member
Clay Bird.....	Member
Ed Shadid, MD	Member
Mark Joslin	Member
Phil Lakin	Member

One member position is vacant.

Chief Executive Officer/ President

Stephen Williamson

Introduction

Pursuant to the request of the Board of Trustees (Board) of the Emergency Medical Services Authority (EMSA) and in accordance with the requirements of 74 O.S. § 227.8, we performed a special audit of EMSA for the period January 1, 2009 through June 30, 2012.

EMSA was established in Tulsa in 1977 and expanded to Oklahoma City in 1990. As the primary ambulance service provider for these cities and their surrounding communities, EMSA operates in a complex environment that demands a high level of professionalism and expertise in the fields of emergency management, healthcare, transportation, information technology, communications, and medical collections. It is worth noting that the trustees and staff of EMSA generally share a great deal of pride in their organization, including an attitude that EMSA is a standard bearer in the industry.

EMSA is governed by the 11-member Board, which includes:

- Four members appointed by the City of Oklahoma City
- Four members appointed by the City of Tulsa
- One member representing the Tulsa-area suburbs
- One representing the western division non-beneficiary jurisdictions
- The medical director in an ex-officio position, who only votes in the case of a tie.

EMSA is a *public utility-based* model Emergency Medical Service (EMS) provider, composed of four entities working simultaneously to provide emergency medical services to a community. They include:

- The Authority (EMSA), who is responsible for acquiring assets, paying bills, collecting payments, and administering contracts.
- The Contractor (Paramedics Plus), a for-profit company responsible for providing paramedics and Emergency Medical Technicians (EMTs), maintaining vehicles, and operating the dispatch centers.
- The First Responder (local fire department) who is responsible for providing first-responder emergency medical services when they arrive on the scene and ensuring there's a smooth transition of the patient between the emergency branches.
- The Office of the Medical Director (OMD, currently Jeff Goodloe, M.D., also a member of the Board of Trustees), a separate legal

entity from EMSA, who is responsible for overseeing medical protocols and training. The OMD may determine which medical equipment/supplies should be purchased.

The data examined during our procedures constitutes management's representation of the full population of data in each case, including expenditure and billing data. Because of our limited procedures and the unavailability of independent, corresponding records, we were unable to ensure the completeness of this information.

The objectives of our special audit primarily included, but were not limited to, the areas noted in the Board's request. As our procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of EMSA for the period January 1, 2009 through June 30, 2012.

Failure to report commendable features in the accounting and operating procedures of the entity should not be interpreted to mean that they do not exist.

OBJECTIVES I & II Investigate whether a conflict of interest exists between EMSA executives or its staff and any of its contractors, or whether EMSA executives, staff, or other related parties received personal financial benefit from any of its contractors, which is prohibited by applicable laws or regulations, EMSA policies and procedures, the EMSA Trust Indenture, the EMSA by-laws or the EMSA Code of Conduct.

Background

Three specific allegations of conflicts of interest or personal financial benefits were brought to our attention:

1. An allegation that the CEO's daughter was employed by EMSA's primary collection firm.
2. An allegation that the CEO was also president of the American Ambulance Association (AAA), and that his travel costs as AAA president are partially subsidized by EMSA and the Board was unaware of the scope of the costs.
3. An allegation that EMSA's contractor, Paramedics Plus (P+)¹, had sponsored a portion of the CEO's travel costs as president of the AAA.

In addition to performing procedures on specific allegations brought to our attention, we performed steps to determine whether any other related allegations pertaining to members of the EMSA Board of Trustees, EMSA officers, or any EMSA employee existed. These steps included:

- Reviewing conflict of interest forms that had been filed by EMSA trustees with the Secretary of State.
- Interviewing members of the EMSA Board of Trustees, the CEO of EMSA, and the Oklahoma City assistant city attorney, and corroborating factual elements of the interviews.
- Conducting anonymous surveys of EMSA personnel.

¹ EMSA paid P+ approximately \$160 million during the period reviewed. The current contract has been in effect since November 2008 and has been extended twice through October 2013. EMSA has issued a request for proposal (RFP) for paramedic services after October 2013 and will evaluate them through a formalized bidding process using a selection committee. EMSA staff may provide technical support to the committee.

Observations

CEO's Relationship with Collection Firm

It was alleged that Works & Lentz, a law firm used by EMSA for collection services, employed the daughter of Stephen Williamson, CEO, and that EMSA had held a contract with the firm, negotiated and signed by the CEO, since 1989.

A request from an Oklahoma City council member led to an unofficial opinion from the Oklahoma City Office of the City Attorney, in which an assistant attorney concluded that employment of the CEO's daughter at Works and Lentz is not a legal violation of any conflict of interest laws, but that EMSA's adopted Code of Conduct is applicable.

The *Code of Conduct*² is addressed to "employees of EMSA" and establishes guiding principles which govern ethical employee conduct. Principle 5 reads in relevant part:

Directors, officers, committee members and employees owe a duty of undivided and unqualified loyalty to the organization. Persons holding such positions may not use their positions to profit personally or to assist others in profiting in any way at the expense of the organization.

All persons subject to this Principle are expected to regulate their activities so as to avoid actual impropriety and/or the appearance of impropriety which might arise from the influence of those activities on EMSA's business decisions. Specific conflict of interest policies are found in EMSA's Bylaws.

Principle 6 contains language that discourages activities which might have the *appearance* of improper activity and requires disclosure of personal relationships and business activities with contractor personnel which may be construed as influencing an employee's performance.

Article 2, paragraph 8 of EMSA's By-laws³, adopted April 27, 1994, further speaks to the subject of conflicts of interest by defining the term, requiring disclosure of *actual or perceived* conflicts of interest, and prohibiting certain contracts unless disclosure is made.

According to Mr. Williamson, his eldest daughter has worked at Works & Lentz for twenty years and he informed the Board of this arrangement

² Sections 5 and 6 of the Code of Conduct may be found in Appendix II.

³ Referenced sections of EMSA's By-laws may be found in Appendix III.

when she was hired. The firm stated to us in writing she works in payroll and has no responsibilities related to management or billing.

Mr. Williamson also explained that he and his wife had gone to dinner on Valentine's Day in years past with a cofounder of Works & Lentz and his wife, but maintained that was the extent of any personal relationship with employees of the firm. This was corroborated by the cofounder.

During our interviews of the EMSA Board of Trustees, we asked whether or not the trustees had been made aware of Mr. Williamson's daughter's employment with Works & Lentz. None of the trustees recalled a meeting, discussion, or document in which the matter was disclosed to the Board. They each stated they were aware of the matter now, but that knowledge was very recent and typically came from Board discussions or media coverage.

Several of the trustees stressed that they did not believe, nor do they believe now, that there was ever an effort to conceal the matter from them. It should be noted that, while Mr. Williamson's daughter's employment with Works & Lentz extends to twenty years, none of the trustees we interviewed had served on the Board for that length of time. Some of the trustees acknowledged that the matter may have been disclosed to the Board twenty years ago.

The trustees had mixed opinions about the matter, with some expressing concern at the lack of disclosure. One trustee said a potential conflict would depend on whether Mr. Williamson's daughter was given preferential treatment, but multiple trustees acknowledged that the situation could create a *perceived* conflict of interest. Possible perceptions might include that Mr. Williamson's daughter was given preferential treatment at Works & Lentz, or simply that the contract with EMSA allows Mr. Williamson's daughter to continue employment.

CEO's Involvement with AAA

As the chief association for emergency medical services (EMS) in the United States, AAA's primary mission is to advocate on behalf of EMS at the national level and to provide education about EMS. Volunteers from local EMS providers form a governing board of 20 members, including the office of the president. This office is composed of three individuals: the President Elect, the current President, and the Past President.

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As CEO of EMSA, Mr. Williamson has been involved with AAA for many years. In 2006 he ran for the presidency of AAA. He stated that he both sought and received the full support of the EMSA Board of Trustees in this endeavor. The following shows the progression of Mr. Williamson’s association with AAA:

Term	Office Held
November 2006 through November 2008	President Elect
November 2008 through November 2010	Resigned due to a family matter
November 2010 through November 2012	President
November 2012 through November 2014	Past President

The two current trustees who would have been present to take part in Board discussions regarding Mr. Williamson’s decision to run for president of AAA both recalled such a discussion taking place. They stated that he informed the Board, and they supported his plans. One trustee also expressed awareness that such support would require a financial commitment on EMSA’s part. Board meeting minutes, which were less detailed until recent years, do not appear to reflect this discussion.

Most trustees were not aware of the extent of EMSA’s financial support of the CEO’s travel as President of AAA until recently.

In light of recent media scrutiny, the Board revisited the matter in 2012; the remaining members of the Board did not appear aware of the associated costs until this time. The AAA executive vice president, Maria Bianchi, attended the April 25, 2012 Board meeting and expressed her understanding that most associations do not provide travel compensation for their officers’ travel. The Board then discussed the costs and benefits of EMSA’s participation in AAA at length and continued the discussion at the subsequent May 23, 2012 meeting. They examined a cost/benefit analysis showing AAA-related expenditures totaling \$132,854 (\$106,313 in travel and \$26,541 in membership dues) between January 1, 2010 through March 31, 2012, and additional revenue received over the same time period totaling \$2,100,000 (\$840,000 as a Medicare ambulance relief extension and \$1,260,000 as a Geographic Price Cost

Index extension).⁴ According to Ms. Bianchi, these extensions, made possible in part by EMSA expenditures, positively impacted 15,000 EMS providers across the country, both public and private. EMSA's financial support of AAA's activities could be construed as subsidizing private EMS organizations, which may violate Article 10, § 15.A of the Oklahoma Constitution⁵.

Paramedics Plus Sponsorship of EMSA CEO's AAA Travel Costs

As previously stated, Mr. Williamson, in his capacity as president of AAA, had to travel frequently to Washington D.C., with EMSA bearing any costs in excess of a monthly travel allowance provided by AAA for their president's travel costs. Travel costs for AAA trips were included in a budget presented to the city councils of Tulsa and Oklahoma City in 2010. According to Mr. Williamson, during his presentation in Oklahoma City, the city council informed him of the city's budget shortfall and suggested he seek outside sponsorship for his projected travel costs. Mr. Williamson then requested and was provided with \$25,000 in funding for AAA-related travel expenses by P+ and notified the Oklahoma City city manager of the arrangement.

Board Disclosure of the P+ Sponsorship

We asked each of the current ten trustees if they had been informed by Mr. Williamson that he had sought and received a sponsorship for AAA travel costs from the EMSA contractor. As Mr. Williamson began seeking the office of the Presidency for AAA in 2006, only two of the ten current trustees were serving on the Board at that time. Of these two, one had no recollection of the matter being discussed and found out only recently. The other trustee was not aware until the matter was reported in the media.

Most of the trustees agreed that, while they did not view this as an actual conflict of interest, it could be viewed as inappropriate. Many stated they did not believe the issue represented a conflict of interest due to Mr.

⁴ Note that these figures are unaudited and are management's representation. The revenues discussed are not necessarily a direct result of the costs expended and the expenditure amount does not include Mr. Williamson's salary and benefits. Accounting records for the full period examined (January 1, 2009 through June 30, 2012) indicate payments of approximately \$41,000 to AAA for membership dues and related travel costs of over \$110,000. \$25,000 of the travel costs were paid by P+ and AAA provided approximately \$1,000 per month for travel related expenses for Mr. Williamson during his tenure as president; however, AAA's contribution is not included in this total.

⁵ See relevant excerpt of Constitution in Appendix V.

Williamson's removal from the process of selecting the contractor.⁶ One trustee stated the funds should have been sent directly to AAA instead of EMSA and believes the transaction arrangement was unacceptable. The consensus was that the matter should have been better disclosed to the Board of Trustees.

Conclusion

No confirmed conflicts of interest or prohibited financial benefits were discovered during our procedures. However, both the relationship between Mr. Williamson and Works & Lentz and the P+ sponsorship of a portion of Mr. Williamson's travel costs could appear to be conflicts of interest and, therefore, disclosure to the Board of Trustees becomes imperative. Failure to disclose potential conflicts of interest, or relationships which might *appear* to represent conflicts, is in direct violation of Principles 5 and 6 of EMSA's Code of Conduct.

Disclosure of potential conflicts of interest is imperative.

As a result of our procedures related to this objective, we make the following recommendations:

Recommendation #1: Disclose Any Potential Financial Benefits or Conflicts of Interest

The Board of Trustees should create and implement a policy requiring all trustees, officers, and employees to formally disclose on an annual basis any potential relationships with outside parties, whether factual or perceived, that could influence EMSA's business decisions.

Recommendation #2: Assess Costs and Benefits of Organizational Memberships

The Board should require that management routinely inform them about the cumulative costs of EMSA's involvement with outside organizations and associations such as AAA. The Board should then determine whether further involvement with the organizations in question is beneficial to EMSA.

⁶ Board minutes from October and November 2007 indicate Mr. Williamson advocated for the extension of the contract through 2013. See further information regarding the paramedic services contract awarding process in footnote 1.

We further recommend EMSA seek legal counsel regarding whether EMSA's financial support of AAA activities is permissible under the Oklahoma Constitution.

Recommendation #3: Properly Address Potential Sponsorships

Any future sponsorship similar in nature to that discussed in this objective should be discussed, documented, and approved by the full EMSA Board of Trustees, with the advice of legal counsel, before it is accepted.

If a future sponsorship is determined to be acceptable, rather than EMSA accepting the donation, the funds should be provided directly to the outside organization it will ultimately be paid to, with explicit instructions regarding the purpose of the funds.

Recommendation #4: Consider Bidding Process for Collection Services

The Board of Trustees should determine whether an RFP is warranted for the services Works & Lentz currently provides, which would allow for collection services to be bid by multiple vendors.

OBJECTIVE III: Investigate the extent and nature of any erroneous billing or collection practices by EMSA or any of its contractors.

Background

EMSA offers the TotalCare subscription program for users of its ambulance services. As explained on EMSA's website:

TotalCare provides for the prepayment of co-payments and deductibles for all medically necessary ambulance services for which the patient (or his or her insurance provider) has financial responsibility. In addition, TotalCare members pay a reduced rate of 40% off the regular cost of non-emergency transports.

There is one TotalCare program with two ways to join - through a fee added to your city water/utility bill, where available, or directly with EMSA.

In many communities, a small monthly fee is added to most residential water/utility bills to support ambulance operations and provide benefits. The fee covers the annual TotalCare membership fee for the account holder and all permanent members of the household.

For individuals NOT enrolled through a city water/utility bill fee, such as individuals living in nursing homes, apartment complexes or rural areas, a TotalCare membership may be purchased directly with EMSA.

One membership covers all permanent members of a household. The majority of TotalCare members obtain their memberships through city utility services. Some municipalities, such as Warr Acres, are opted in for all residents. Other municipalities, such as Tulsa and Oklahoma City, provide monthly utility database information to EMSA detailing what addresses are currently opted in or out of the TotalCare program. Several allegations related to billing and collections came to our attention:

- Patients who were TotalCare members may have received bills when their memberships should have resulted in any outstanding account balances being eliminated.
- Statements mailed to patients who were TotalCare members may have been misleading by suggesting the patients pay their balances even when not appropriate.

- TotalCare member accounts may have been turned over to collection agencies inappropriately.

Through discussion and observation with Patient Accounting management and staff and review of applicable documentation and data, we developed an understanding of EMSA's billing and collection procedures. We further familiarized ourselves with any potential risks related to billing and collections through discussion and observation, review of EMSA-related news articles, anonymous survey of EMSA employees, and review of pertinent audits conducted by other entities.

Observations

We selected a sample of 49 individual ambulance runs (40 selected randomly and 9 judgmentally) and reviewed the electronic records of each account in detail to ensure the billing for each ambulance run had been handled appropriately, and that if any errors occurred they were discovered and handled appropriately.

With respect to the items tested, we identified the following issues:

- Two patients who were opted in as TotalCare members were not identified as such during initial account processing. Eventually EMSA was contacted by a family member of each patient, and a patient account representative was then able to locate the patient in the utility database, at which point the patient's remaining account balance was eliminated in accordance with TotalCare rules.
 - One of these patients was turned over to a collection agency before being identified as a member.
- Two patients received statements bearing misleading messages. Both patients were TotalCare members.
 - The first patient was one of those discussed above who was not initially identified as a member. As a result, the patient received a statement bearing a request to remit payment or set up a payment plan. As a member, the patient would not have been responsible for any ultimate account balance, so this message was not correct.
 - The other patient, who had been correctly identified as a TotalCare member, received a statement reading, "A claim has

been filed with your commercial insurance carrier, but you remain responsible for this bill." This message may have been misleading.

Inherent Difficulties with Utility Program Address Data

Our procedures led us to the understanding that EMSA's difficulty in identifying TotalCare members does not necessarily result from human error, but from problems inherent to the organization of relevant address data. The data EMSA employees must use to determine TotalCare membership is provided by the utility services in applicable cities, and is based upon street addresses. There are inherent complications in navigating this address data. For example:

- For multi-family homes, such as apartments or condominiums, the water bill may be delivered to one address, but the individual homes are physically located at separate addresses, potentially causing a patient's address not to be listed in the system.
- Address and resident name formatting may make searching the database for a specific patient difficult. For example, apartment addresses may not include unit numbers, or may be associated with the name of the complex or the name of the apartment management company.
- Individuals in single-family homes may live at multiple addresses over time, may have temporary addresses and a permanent address, or may live at an address not listed separately in the utility database, such as a garage apartment.

We encountered several patient account representatives who have developed complex methods for identifying TotalCare members in the utility database. Methods may include searching for addresses using different formats, verifying addresses with the US Postal Service, and even using images from Google Maps to attempt to determine the names of apartment complexes. EMSA's chief information officer further stated that his department has obtained some information related to multi-family homes in the Tulsa area and is working to determine how that information can be incorporated within the database to improve usability.

Misleading Language in Past Account Statements

During the time period reviewed, EMSA used a system of prepared statements and letters to contact patients by mail. In some cases the statements could have been confusing to patients because the specific message or instructions may not have been immediately noticeable (messages were below the billing information and dollar amounts) and because the phrase "due from patient" was present on the statement even if the patient should not actively be paying at the time of receipt. (However, there was also a "due from insurance" line on the statements, and the balance was printed here when appropriate.)

EMSA has already taken steps to improve its statements, though the changes occurred after the time period covered by our procedures. The new statements appear to clearly state whether the patient has been identified as a TotalCare member, and if the statement is not a bill, it clearly states "This is not a bill." Each statement includes an information box at the bottom of the page informing the patient of their account status and how to proceed. These statements appear to represent an improvement over the past statements. However, the appropriateness of the future statements will be contingent on proper identification of TotalCare participants, and choosing the correct statement to issue in each patient's unique situation.

Allegations of Inappropriate Suits against Utility Members Not Supported

A specific billing-related allegation involved EMSA filing numerous collection lawsuits against patients who were opted into the TotalCare utility program. We examined a list of 163 allegedly wrongful lawsuits and reviewed EMSA's explanations for each of the related accounts. According to EMSA, the majority of these accounts belonged to patients who were not in fact utility members on their dates of service, or who were turned to collections for an appropriate reason.

In four cases, EMSA admitted error, including two accounts that had already been recalled from collections, one in which EMSA had the wrong address, and one in which the patient was mistakenly identified as a non-member.

These explanations align with the processes, timelines, and issues we observed during our procedures. We reviewed the account details for a judgmentally selected sample of 16 of these cases, including the four cases

in which EMSA admitted error. With respect to the items tested, EMSA's explanations were supported, and its cases of human error appeared to be similar in cause to those found in our initial testwork.

Other Issues Noted

As a result of our procedures, we also identified the following issues related to the elimination of member account balances, failure of paramedics to collect certain patient information, and risk of error when calculating the cost of certain EMSA services:

- Patient account representatives who have completed training are no longer subject to regular approval of account balance adjustments by management, and therefore appear to have the ability to eliminate the balance on a patient account (of a family member or friend, for example) without justification and without detection. While management explained that it is the department's unofficial practice to report any related-party accounts and have them transferred to another patient account representative, there is no formal policy outlining this requirement.
- EMSA's contract with Paramedics Plus requires the medics who perform its ambulance runs to collect a "correct patient address or a correct patient telephone number." EMSA has the ability to fine Paramedics Plus \$250 for every incomplete patient care form. While our discussions with Patient Accounting staff suggested that a correct address or phone number is not always obtained by the medics, discussion with management revealed that EMSA does not enforce this requirement using the fine. Failure to enforce this contract requirement could result in paramedics not collecting important patient contact information whenever possible.
- TotalCare members who receive non-emergency ambulance transports are not eligible to have their full account balances eliminated, but may receive a 40% discount on non-emergency services after meeting certain requirements (such as submission of a physician certification of medical necessity). This discount is calculated by hand, which may increase the risk of clerical errors.

Patient account representatives have the ability to write off account balances without management approval.

Conclusions

While our testwork revealed that some billing errors did occur, they do not appear to have been intentional. Some failures to identify TotalCare members may be due to error on the part of the patient account representative or incorrect information provided by the patient, but utility address data also plays a large role in the difficulty of the member identification process. With clear and concise statement language and continued improvements to the utility address data, these billing issues should improve.

As a result of our procedures related to this objective, we make the following recommendations:

Recommendation #5: Improve Address Data System

EMSA should strive to improve the organization and usability of its utility address data to the greatest extent possible, given cost-benefit considerations. Special attention should be paid to the ability to search for specific addresses at multi-family residences such as apartments. This process will likely involve seeking input from the Patient Accounting staff using the data and relevant cities' utility personnel providing the data.

Recommendation #6: Enhance Patient Outreach Efforts

While EMSA has already taken steps to improve the wording on its patient statements, they should continue to improve general outreach efforts to ensure TotalCare customers are informed about the program's benefits and the patients' related responsibilities. EMSA might consider working with city utility departments to include a message on members' monthly statements informing them about the TotalCare program.

Recommendation #7: Enforce Contractual Requirements

Accurate patient contact information benefits EMSA in its overall billing process. For this reason, EMSA should enforce the contractual requirement that the paramedic contractor provide a correct patient address or phone number on every patient care form. If management does not believe that this requirement is important or feasible, they should reconsider its inclusion in the paramedic services contract.

Recommendation #8: Address Potential Conflicts with Related-Party Accounts

In order to avoid potential conflicts regarding patient account representatives reconciling accounts of friends or relatives, management should develop a formal policy requiring patient account representatives to report any such accounts to their immediate supervisor for reassignment to another employee. Additional measures related to this risk may include an annual or at-hire statement signed by patient account representatives promising to abide by this process for handling related-party accounts.

Recommendation #9: Automate Discounts

Application of the 40% discount for TotalCare members' non-emergency services should be automated in the billing system, in such a manner that patient account representatives can select a "40% discount" option, reducing the risk of clerical error from human calculation and data entry.

OBJECTIVE IV: Determine if EMSA's policies on board governance reflect industry best practices and make policy recommendations, as appropriate.

Background

To assess the degree to which EMSA's policies on board governance reflect industry best practices, we examined EMSA's policies and compared them to practices used by similar entities. EMSA has adopted policies and procedures that pertain to administrative issues, human resources, and patient accounts. Though none of the policies pertain specifically to Board governance, certain policies do cover topics over which the Board has, or should have, control, such as employee performance evaluations and expense reimbursement. Specific policies are noted in the observations below.

While there is not a body of best practices literature addressing city/county trust authority boards specifically, we found a number of resources that discussed best practices of nonprofit and government entities in general. Practices outlined in these resources would also apply to EMSA, as EMSA operates as a public trust and, as such, within the public realm.

Additional steps performed within this objective included interviewing current EMSA trustees regarding Board practices and EMSA staff, and giving past members who served during the period of January 1, 2009 through June 30, 2012 the opportunity to share any potentially relevant information.

It is especially important to identify elements of good governance for organizations that represent the public in order to obtain and maintain stakeholder confidence and provide sound guidance to achieve objectives. The following are some key ideas identified in our research related to the role of the Board, including board meeting conduct, board composition, member orientation and training, governance responsibility delineation and delegation, strategic planning, and oversight provision. Within each of these topics is an assessment of how they currently apply or should apply to the EMSA Board.

Observations

Board Meetings:

Best practice guidelines for conducting board meetings include the advance distribution of the agenda and any related reports, provision of

adequate operating and financial information on the agenda, promotion of questions and open dialogue, and regular attendance. An agenda with related materials must be sent in advance of the meeting so that members come prepared to ask questions and make decisions. The board will be able to conduct its business most efficiently if advance materials are provided.⁷ At the meeting, operating and financial information on the agenda will enable the members to assess the organization's operating and financial status. Additionally, members should be encouraged to participate and ask questions about those materials or any other issues facing the organization in order to make informed decisions.⁸ Attendance is also a necessary component of participation and enables members to perform their fiduciary duties.

EMSA provides the agenda and accompanying materials for upcoming board meetings a week in advance, allowing trustees sufficient time to review. During interviews, trustees expressed satisfaction with the advance distribution and sufficiency of materials, and some acknowledged the willingness of the chief executive officer (CEO) and chief financial officer (CFO) to respond to inquiries before and during the meeting. However, one trustee expressed concern with the apparent lack of trustee involvement and inquiry during the meetings and had been discouraged from asking questions in the past. This same trustee also noted a culture of complacency on the Board in the past, but explained that after media inquiries into EMSA began, trustees became more active and engaged. Participation and engagement is predicated on attendance, however; with approximately 33 percent of meetings canceled during the period examined due to lack of a quorum or the board chair opting to cancel due to trustees' scheduling conflicts, effective participation could have proven difficult.

Article VI of EMSA's Trust Indenture contains the following clause regarding trustee attendance:

8. Any Trustee who fails to attend any three consecutive, regularly scheduled Board meetings or who fails to attend at least six regularly scheduled meetings in any twelve month period, without a reasonable and valid reason for such absence shall be deemed to have resigned from the Board.

⁷ BoardSource. *The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives*, 2nd Edition. Jossey-Bass, 2007.

⁸ U.S. Government Accountability Office, *Pension Benefit Guaranty Corporation: Governance Structure Needs Improvements to Ensure Policy Direction and Oversight*, July 2007, <http://www.gao.gov/assets/270/263367.pdf>.

For trustees' convenience, EMSA began conducting board meetings via videoconference between EMSA's Oklahoma City and Tulsa offices in December 2006. This meeting method was designed to enable trustees to travel to the nearest EMSA office, rather than driving to an intermediate location. Despite this fact, approximately 33 percent of meetings were canceled during the period covered by our procedures due to lack of a quorum or scheduling conflicts. For meetings that actually took place, trustee attendance averaged 71 percent during calendar years 2009 through 2011, and increased to 80 percent during the first six months of 2012. Two current trustees appear to fall under the clause included previously, with personal attendance rates of 46 and 36 percent. At different points, those two trustees failed to attend six and nine consecutive meetings, respectively.⁹

Despite the Board's ability to videoconference, 33 percent of board meetings were canceled during the period examined.

The degree to which the board controls trustee selection is dictated by the Trust Indenture. The trustee selection process, described in more detail below, is strongly controlled by the municipalities, with Tulsa and Oklahoma City making most appointments and each of the East and West Divisions appointing one trustee. The clause above provides EMSA with a degree of control, an option that the board may wish to consider in the future if attendance begins to decline again.

Composition, Orientation and Training:

According to BoardSource, board members should be carefully selected, oriented, and trained. Members should have motivations, values, experience, and skills to help the organization. Members should receive orientation and ongoing training to keep them focused and informed.¹⁰ Ongoing training also serves the purpose of keeping Board members current with information on changes in governance practices and in the regulatory environment.¹¹

The trustee selection process is outlined in Article VI of EMSA's Trust Indenture. With the current appointment structure, the Board does not have significant control over the trustee selection process. The Board

⁹ "Consecutive meetings" refers to meetings that actually took place and does not take into account interspersed canceled meetings, for which attendance records are unavailable.

¹⁰ BoardSource. *The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives*, 2nd Edition. Jossey-Bass, 2007.

¹¹ U.S. Government Accountability Office, *Legal Services Corporation: Governance and Accountability Practices Need to be Modernized and Strengthened*, August 2007, <http://www.gao.gov/assets/270/265463.pdf>.

does, however, control the orientation and training for its members. Though most members have some knowledge of EMSA prior to their tenure, derived either from experience in municipal government or experience in the medical field, orientation and training appear to be somewhat informal, with new members meeting with the CEO and discussing the organization's operations. Board members do not receive any training beyond this initial meeting. During board member interviews, none of the trustees expressed concern about the level of orientation and *initial* training received, and most said they felt information was readily available. One trustee suggested that more *ongoing* training might benefit the organization; despite trustees' experience, the fast-changing world of healthcare might warrant educating members on topics including healthcare, government reimbursement, and clinical standards.

Ongoing training should be designed to help members stay focused and informed. Though recent media reports on EMSA appear to have resulted in enhanced board activity, some trustees felt that prior to recent events, the Board as a whole was not actively engaged, but rather that there were a few trustees who were particularly vocal and active, with the rest taking a more passive role. The Board also has some new members (one since May 2011, two since June 2012) who may or may not play active roles in the future. Ongoing training might benefit the EMSA Board in multiple ways, from engaging existing or long-term trustees by keeping them up to date on issues that pertain to the Board, to informing new trustees of what to expect. The U.S. Government Accountability Office notes that educating new and existing board members can contribute to the Board's strategic focus.¹²

Delineated Governance Responsibilities & Delegation:

Best practices dictate the need for delineated responsibilities both amongst board members and between the board and staff. Within the board itself, creating committees to divide board work will enable more in-depth attention to specific governing issues, thereby enhancing expertise,¹³ without occupying the time of the entire board. Board and staff responsibilities should also be clearly defined to enable the board to

¹² U.S. Government Accountability Office, *Washington Metro Could Benefit from Clarified Board Roles and Responsibilities, Improved Strategic Planning*, June 2011, <http://www.gao.gov/products/GAO-11-660>.

¹³ Corporation for National and Community Service. *Best Practices of Highly Effective Nonprofit Boards*, <http://www.nationalserviceresources.org/best-practices-boards>.

provide oversight and governance, while staff provides day-to-day management.¹⁴

The Board does not appear to use the assistance of committees to a great extent. During trustee interviews, the only two committees mentioned were the Audit Committee and the Compensation Review Committee, the former of which was named by three trustees and the latter being named by only one trustee. This could indicate that the Board is not taking advantage of the opportunity to delegate some responsibilities to these committees, but rather is discussing some issues more than necessary with the full Board. The Board could save time and operate more efficiently if committees performed primary work, then submitted recommendations to the full Board.

Best practices also suggest that for those entities operating in an ethically sensitive environment, an ethics committee represents an important component of the control environment to set the ‘tone at the top’ of an organization. An ethics committee can provide oversight of the organization’s code of conduct and recommend policies to help ensure compliance with the code.¹⁵ Most trustees acknowledge EMSA as a public or partially-public entity, thereby making oversight, efficiency, and transparency all the more important, but recent allegations against EMSA regarding its expenditures, billing practices, and potential conflicts of interest (discussed in greater detail in the other objectives of this report) have impacted the public’s trust in EMSA. To our knowledge, the EMSA Board has not appointed an ethics committee, but trustees have expressed an interest in re-instilling the public’s faith in the organization.

Proper delineation and delegation between the Board and staff appears to exist, with the Board trusting the current CEO to effectively operate the authority. During interviews, some trustees attributed EMSA’s positive national reputation to the abilities of the CEO, indicating their satisfaction with his performance.

Strategic Planning:

BoardSource suggests having clear mission and vision statements and ensuring the board is familiar with them and working toward the organization’s goals. Not only should the board maintain awareness of

¹⁴ BoardSource. *The Nonprofit Board Answer Book: A Practical Guide for Board Members and Chief Executives*, 2nd Edition. Jossey-Bass, 2007.

¹⁵ U.S. Government Accountability Office, *Legal Services Corporation: Governance and Accountability Practices Need to be Modernized and Strengthened*, August 2007, <http://www.gao.gov/products/GAP-07-993>.

the mission and vision, but it should engage in strategic thinking in line with these elements. Continual strategic thinking might include identifying emerging trends and aligning agenda items with organizational priorities.¹⁶ Likewise, the Center for Nonprofit Success suggests that an organization's strategic objectives are the methods by which the mission will be accomplished, with the organization's activities falling under these objectives.¹⁷

Though EMSA's commitment to quality and mission to reduce pain and suffering by providing superior and compassionate service are communicated on its website and to trustees, trustees were mostly unaware of any strategic planning on the part of the board. During Board interviews, one trustee discussed thinking this was the CEO's responsibility, while others did not recall strategic planning occurring at all. Some expressed an interest in engaging in more activities of this type, and some thought the organization was already making more effort to engage in planning.

Oversight:

One of the more critical functions of the board is that of oversight. Best practices suggest oversight is necessary to ensure duties delegated to staff are carried out to the board's wishes, the organization is succeeding in its mission, and resources are used wisely. The Center for Nonprofit Success offers up the following four components of oversight:

1. Financial Oversight
2. Risk Management
3. Program Monitoring and Evaluation
4. Evaluation of the Chief Executive¹⁸

In addition to evaluating the CEO, the board should regularly assess its own performance through a survey, interviews, or other tools.¹⁹ Doing so will enable the board to see if performance targets are being met, and take corrective action if necessary.²⁰

¹⁶ Ibid, BoardSource.

¹⁷ Center for Nonprofit Success, as referenced by the National Association of Veterans' Research and Education Foundations, *Overview of Corporate Governance*, http://navref.org/bestpractices/pdf/Heyman_Overview_of_Corporate_Governance.pdf.

¹⁸ Center for Nonprofit Success, Ibid.

¹⁹ Executive Service Corps of Washington, *Best Practice Materials for Nonprofit Boards*, <http://www.escwa.org/files/bbp.pdf>.

²⁰ Corporation for National and Community Service. *Best Practices of Highly Effective Nonprofit Boards*, <http://www.nationalserviceresources.org/best-practices-boards>.

The Board appears to perform some oversight, but not in all areas that are proposed by best practices. Financial oversight is provided through the sharing of financial information between the EMSA CFO and the Board, with the Board ensuring departmental and agency budgets are on track. Additionally, EMSA has adopted a policy requiring CEO/president, vice president and CFO review of purchases over \$25,000. Furthermore, EMSA receives an annual external audit. Most board members recalled seeing general budget information, rather than specific expenditure items. When asked if there was a dollar threshold above which the Board might review a single expenditure, most trustees thought there was one, but could not name the amount, while one trustee thought the amount was \$25,000. With regard to risk management, EMSA retains a number of insurance policies on matters ranging from employee liability to workers compensation coverage.

EMSA has a policy that requires the board chair to review the CEO's expense reports, but this is a travel policy²¹ and would not cover expenses that were incurred outside of those incurred while traveling on EMSA business.

Program monitoring and evaluation currently appear to be performed mostly by the CEO. One trustee implied during interviews that the CEO offers performance information to the Board that mostly addresses EMSA's financial well-being. This trustee would like the board to consider other aspects of performance, such as the cost-effectiveness of certain vendor contracts.

The Executive Service Corps of Washington suggests that at least two board members should annually evaluate the CEO on the basis of a performance agreement or board policies with measurable outcomes clearly established in advance of the evaluation period.²² Evaluation of the CEO serves three purposes:

1. Clarify expectations between the board and the CEO on roles, responsibilities and job expectations
2. Provide insight into the board's perceptions of the CEO's strengths, limitations and overall performance

²¹ Relevant sections of EMSA's Travel Policy may be found in Appendix I.

²² Executive Service Corps of Washington, *Best Practice Materials for Nonprofit Boards*, <http://www.escwa.org/files/bbp.pdf>.

3. Foster growth and development of both the CEO and the organization.²³

Alignment of expectations between the Board and the CEO will establish a foundation by which the CEO and Board can move forward with the organization's goals while mitigating the risks of misunderstanding. Despite the fact that across the nonprofit sector, more than two-thirds of executives receive a formal annual evaluation²⁴, EMSA does not appear to

EMSA does not have a policy requiring formal performance evaluations of the CEO.

have performed one prior to the last couple of years. EMSA has a policy on annual employee evaluations, but this policy does not specifically address the CEO. One trustee (who is a past Board chair) claimed that during his tenure as chair, there was no tie between compensation levels and a performance review, and performance was assessed during informal one-on-one interviews with the CEO. The process has been formalized in recent years, with anonymous surveys sent by trustees to the Board chair for review.

The Board does not appear to evaluate its own performance. One member does see the Board moving in this direction in the future. Best practices suggest at least periodic performance reviews in order to identify impediments to governance and ways to strengthen operations.²⁵

Conclusions

Certain EMSA policies reflect best practices, where others demonstrate an opportunity for improvement. In general, policies and practices related to board meetings reflect industry standards, with the exception of trustee attendance, and the Board appears committed to a greater degree of participation in the future. Training, delegation and oversight represent areas that currently receive some attention, but not at a level which might be expected of a public entity. Finally, strategic planning and thinking represent areas in which the Board is not currently engaged, but should be.

As a result of our procedures related to this objective, we make the following recommendations:

²³ Center for Nonprofit Success, as referenced by the National Association of Veterans' Research and Education Foundations, *Overview of Corporate Governance*, http://navref.org/bestpractices/pdf/Heyman_Overview_of_Corporate_Governance.pdf.

²⁴ BoardSource, *Nonprofit Governance Index 2010*, https://www.boardsource.org/dl.asp?document_id=884.

²⁵ BoardSource, as referenced by the Nonprofit Alliance, *The Importance of Board Self-Assessment - Board Chair and Board Member Best Practice Packet*, http://www.nonprofitalliance.org/system/res/25/original/Board_Member_Packet.pdf.

Recommendation #10: Strengthen Trustee Attendance Policies

Attendance is a critical component of Board participation. Though the EMSA Board does not control trustee selection, they do have control over attendance policies. The Board has various options to consider, from enforcing its current attendance policy (outlined in the Trust Indenture), to strengthening that policy by amending the Trust Indenture or providing more detail in the By-laws. Additionally, although trustee appointments fall outside of EMSA's control, the Board may want to consider suitable trustee candidates, with backgrounds and experience that would benefit the organization, and discuss those with the appointing authorities. Regardless of which options best suits the Board's needs, attendance should be addressed in order to ensure an active and engaged membership.

Recommendation #11: Create More Committees to Address Specific Issues

During interviews, the only two committees mentioned were the Audit Committee and the Compensation Review Committee. EMSA Board meeting minutes also mention a Public Relations Committee. Given trustees' lack of awareness of other committees, it is possible that more committees exist, but it is unlikely that those committees regularly meet or submit recommendations to the Board.

Trustees also acknowledged the Board's inaction in a number of areas, including formal training for new and existing members, strategic planning, and review of the CEO's expenditures.

Our findings suggest that the Board could benefit from the creation of new committees to handle these specific issues. For example, a Training or Continuing Education Committee could address the Board's need for training in healthcare policy, trustee training in government expenditure standards, and some form of ethics training for the Board and staff. A Strategic Planning Committee could aid the Board in setting the organization's course over the next three to five years. An Ethics Committee, as noted under the observations, could provide oversight of the code of conduct and help set the tone at the top for EMSA.

The EMSA Board and its trustees already operate under significant time constraints. Subject-specific committees will enable the Board to address

the needs previously described without requiring the whole Board's attention until recommendations are prepared.

The Board has the ultimate responsibility for determining which issues warrant the creation of a new committee.

Recommendation #12: Enhance Financial Oversight by Reviewing Single-item Purchases over a Certain Threshold

Financial oversight is one of the most critical components of the Board's duties. Though the Board performs this duty to an extent by reviewing financial and budget information as provided by staff, certain questionable expenditures indicate the Board needs to become more involved in this area.²⁶ One Board member acknowledged during interviews that single high-dollar purchases did not cause him consternation, but might if multiple high-dollar purchases demonstrated a pattern of expenditure behavior. However, as the Board's goal is one of governance, rather than micromanagement, the Board may wish to consider other options to achieve this goal.

Additional committees may enable the Board to address more issues that require attention.

Creation of additional committees serves the purpose of addressing specific issues without occupying the energies of the entire Board. A new committee, such as a finance or purchasing committee, could set an expenditure threshold (e.g., \$2,500), review applicable expenditures, and create a list of committee-approved items for acceptance at the next Board meeting. The committee would then be aware if staff's purchases were routinely high or inappropriate. The policy might also require expenditures to meet certain criteria, as defined by the committee, such as whether the purchase seems reasonable or necessary to conduct EMSA business.

The committee might also have the authority to review all expenditures, regardless of whether they meet the threshold, at its discretion. This type of review may not occur on a regular basis, but periodically the committee may request expenditure reports from staff that cover all expenditures during certain time periods.

We also recommend that the Board revise its purchasing policy to address purchases above the chosen threshold. Formalizing this decision will not only provide greater direction to existing and future Board members, but may also positively impact the public perception of EMSA

²⁶ See narrative under Objective V for more information on specific expenditures.

by ensuring certain expenditures are not made by staff without the Board's approval.

Expenditures reviewed under this recommendation would exclude those that are reviewed by the full Board under recommendation #13.

Recommendation #13: Formalize Policy Whereby the Board Approves Purchases Over \$25,000.

During trustee interviews, most trustees thought that EMSA had a policy requiring the Board to approve purchases over a certain threshold, with one trustee estimating the threshold at \$25,000. Though such a review may be common practice on the Board, review of EMSA's current purchasing policy, adopted February 2012, revealed that purchases over \$25,000 require the approval of the President, Vice President, and CFO, not the Board. Formalizing this policy and requiring Board approval for these purchases offers a sense of permanency to actions which may or may not be practiced by future Board members and staff.

Recommendation #14: Adopt a Policy for Formal Evaluation of the CEO

We recommend amending the employee evaluation policy to address the evaluation of the CEO. As noted above, previously-informal evaluation practices have become more formal on the EMSA Board in the last couple of years, but for permanency, such a practice should be formalized to the extent it is written in EMSA's policies.

The policy should consider evaluation methodology, objectives, and which trustees, in addition to the Chair, will participate in the review.

Recommendation #15: Perform Self-Assessments

The benefits of board self-assessment have been documented by multiple sources. Not only can Board performance evaluations offer members the opportunity to reflect on their individual responsibilities, but can increase the level of teamwork and set an example for the staff.²⁷ We therefore recommend that the Board annually assess its performance using a survey, interviews, or by other methods the Board deems appropriate.

²⁷ BoardSource, as referenced by the Nonprofit Alliance, *The Importance of Board Self-Assessment - Board Chair and Board Member Best Practice Packet*, http://www.nonprofitalliance.org/system/res/25/original/Board_Member_Packet.pdf.

OBJECTIVE V: Assess expenditures for economy and public purpose.

Background

In order to properly assess the propriety of EMSA's expenditures, we reviewed the following laws and regulations which would specify reasonable and unreasonable expenditures:

- *The Oklahoma State Constitution*²⁸, which pertains to all governmental entities under the State's purview
- *EMSA Trust Indenture*²⁹, which establishes EMSA and provides rules for the organization and its governing Board of Trustees
- *EMSA Code of Conduct*³⁰, addressed to "employees of EMSA," establishes guiding *principles* which govern ethical employee conduct
- *EMSA Policies and Procedures*, as applicable
- *Government Auditing Standards 7.33*, which defines "Abuse" as follows:

Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.

Our procedures included review of individual expenditure and fixed asset records and documentation, discussion and observation with EMSA staff, interview of members of the Board of Trustees, anonymous survey of EMSA employees, and review of the detailed policies and governing documents outlined above.

Observations

As noted in our introduction, EMSA is the primary ambulance service provider for Tulsa and Oklahoma City and its surrounding communities, and operates under the public utility-based EMS model. EMSA represents a public trust authority of the City of Tulsa and City of Oklahoma City governments, and is a political subdivision of the State of Oklahoma.

²⁸ Relevant excerpt of the Constitution may be found in Appendix V.

²⁹ Article VII of the Trust Indenture may be found in Appendix IV.

³⁰ Sections of EMSA's Code of Conduct may be found in Appendix II. Sections cited are from the Code adopted 8-27-08, as it was in effect for all but the last three days of the period examined.

During our interviews, most trustees characterized EMSA as a hybrid of both public and private organizations. This acknowledgment of EMSA as a public entity led to discussions of the importance of oversight and transparency. One trustee aptly stated that, “As a public entity, EMSA should have expenses that represent the public’s interests and a minimal amount of resources should be used to provide an adequate working environment.”

As noted under Objective IV, the Board appears to review general budgets rather than expenditures on individual items. Currently there is no official cost threshold above which the Board must approve a purchase. Trustees expressed mixed feelings on issues such as whether any of EMSA’s expenditures were excessive and whether the Board’s level of review should be increased. They agreed expenditures should be “reasonable,” but offered no consistent definition of the term.

The observations below are presented with the intent of disclosing items that we believe the Board of Trustees, taxpayers, and ratepayers would find of interest in the full disclosure of expenditures of a public trust of the State of Oklahoma.

Billings to Paramedics Plus

EMSA reduces its monthly wire payments made to P+ by the amount of certain purchases P+ has asked EMSA to make on its behalf. These expenses are largely recurring items, such as fuel and supplies for ambulances, an annual Christmas party, and beverages. During the period reviewed, a total of \$7,120,888 in purchases was made by EMSA on behalf of P+ and deducted from its monthly payments to P+.

EMSA purchases on behalf of P+ include a frozen drink machine and items for a gambling-themed event.

We question the appropriateness of this arrangement, which allows P+ to take advantage of EMSA’s tax exemption as a public entity and leads to questionable expenditures, such as a frozen drink machine or a gambling-themed event, appearing in the financial records of a public trust.³¹ Further, the contract for services provided by P+ does not contain language either allowing or prohibiting these transactions.

³¹ Additional examples of questionable purchases made by EMSA on behalf of P+ are listed in Appendix VI.

Expenditure Testing Related to Check Disbursements and Credit Card Transactions

EMSA's expenditures during the period reviewed included:

- Check disbursements totaling over \$60 million
- Corporate credit card payments totaling \$7,029,520, which included \$6.71 million in system-generated American Express (Amex) payments to EMSA's vendors, as well as \$258,601 in direct purchases by eight employees who hold EMSA Amex cards.

We reviewed a selection of judgmentally chosen expenditures from the period.³² Our review included obtaining supporting documentation such as check copies, invoices, and employee expense reports from EMSA's Accounting Department and inquiring of the appropriate EMSA staff or, in some instances, individuals outside of EMSA to assess the propriety of the expenditures. We identified the following items of concern during this review:

*EMSA employee reimbursements*³³

We reviewed ten payments totaling \$27,141 and noted the following:

1. Multiple employees made reimbursed purchases such as information technology items (IT), office supplies, and hotel rooms, using personal reward cards (for example, the Best Buy Reward Zone program). In each of these instances the employee personally benefited from an EMSA purchase.
2. One employee received a \$2,200 advance toward travel expenses, and his related expenses included potentially questionable items such as hotel bills with room service and multiple parking charges on single days, purchase of souvenirs, purchase of an iPhone, and additional unexplained purchases such as Army Surplus goods.
3. We noted multiple instances of reimbursement for questionable items such as large meals, sizeable tips, valet parking, and room service. While EMSA does not have guidelines in place governing

³² Our expenditure selection was made by sorting disbursements into categories, selecting those categories which appeared to warrant further scrutiny, and further selecting individual payments from within those categories for review.

³³ Employee reimbursements discussed in this section exclude amounts paid to the CEO. Reimbursements to him are addressed separately in the *CEO Reimbursements* section.

these specific issues, they did institute a per diem expense limit (in accordance with federal limits by location) in December 2011.

In many cases we observed a lack of documentation justifying employee expenses; for example, travel reimbursements did not always explain the purpose of the trip or need for items purchased during the trip, and no written justification was provided for use of rental cars. In addition, EMSA was unable to provide supporting documentation for two reimbursements requested.

Oklahoma City Apartment Maintained by EMSA

During the period reviewed, EMSA paid over \$40,000 in rent for an apartment in the Deep Deuce area of Oklahoma City, because they had determined that maintaining an apartment was more cost effective than booking hotel rooms for a trustee and staff person who made frequent trips from Tulsa to Oklahoma City. Our review of select miscellaneous expenditures also included:

- \$1,542 in cable television services at this apartment
- The following purchases reimbursed to the CEO with notations that the items were for the apartment:
 - Computer with three year maintenance service (\$1,028.99)
 - Remote control (\$433.49)
 - LCD TV (\$428.99)
 - Food, household, and toiletry items (\$110.46)

EMSA rented an apartment in Oklahoma City and purchased a number of related items, including an LCD TV, cable television service, a computer, and toiletries.

This is not an exhaustive list of expenses related to the apartment, but only those items brought to our attention through our limited procedures.

EMSA did not renew the lease on this apartment in October 2011, citing cost effectiveness and public perception as the reasons.

Restaurants, Catering Services, and Event Planning

We identified three noteworthy events or parties during the period reviewed. The total estimated event expenditures and descriptions are as follows:

- \$1,250 on a retirement party, which covered the cost of catering (June, 2009)
- \$4,304 on a 20-year anniversary party, including the purchase of three Mont Blanc pens between \$385 and \$410 each (one for each of the three celebrated employees) and \$3,124 on catering (October, 2009)
- \$4,504 on a retirement party, including \$2,823 on catering, \$831 on party planning fees, and \$325 on a crystal flower vase for the retiree (July, 2010)

In December 2010, after these events were held, EMSA implemented a policy requiring that employee award costs be “reasonable,” and in December 2011, a new policy on employee awards was put in place, limiting awards to employees at \$400 or less and limiting the cost of any related celebration to that of cake and punch.

Expenditures reviewed in this category also included items such as a \$101 fruit basket gifted to the wife of an EMSA officer when she was recovering from an operation and \$2,187 in food vouchers for paramedics working at the Tulsa State Fair (not deducted from payments to P+ as discussed earlier).

Floral Services

According to the detailed expenditure listing provided by EMSA, they expended \$35,190 during the time period examined on floral arrangements for office beautification and consolation gifts.

Fitness Services

EMSA paid \$23,875 during the period examined to the wife of an EMSA employee to provide exercise classes to EMSA’s Oklahoma City employees at a cost of \$125 per person per month. Supporting documentation for a sample of two payments to this individual included only an email from the individual’s husband to the accounting manager or the CFO listing the names of employees wishing to participate.

Donations

During our procedures, we encountered payments that were effectively donations. EMSA paid \$1,140 to local Tulsa vendor Dwelling Spaces for the purchase of 60 gift bags for Leadership Oklahoma, a professional leadership organization which has EMSA sponsorship. They also paid

\$15,000 during the period to First Tee of Metropolitan OKC, a charity aiming to "promote character development in youth through the game of golf."

In addition, the CEO's reimbursed purchases included the following donations:

- \$2,500 for an annual sponsorship of a AAA event
- \$100 for a National MS Society bike event
- \$100 to AAA's Stars of Life event

EMSA donations to private entities may represent violations of the Oklahoma Constitution.

This is not an exhaustive list of donations, but only those items brought to our attention through our limited procedures. Donations such as these from a public trust may represent violations of the Oklahoma Constitution, which prohibits donations to any company, association, or corporation (see Appendix V).

CEO Reimbursements

During our procedures, several allegations of frivolous spending, specifically pertaining to Mr. Williamson, were brought to our attention. It also became evident that the controls governing the oversight of Mr. Williamson's expenditures and reimbursements were, at best, evolving and not always followed.

Mr. Williamson's reimbursements for business-related expenses during the period examined comprise 50% of all reimbursements to 37 EMSA employees, or \$316,795 from the population of \$638,613. The \$316,795 is made up of 44 individual reimbursement checks ranging from travel expenses to IT purchases for EMSA staff made by the CEO.

We reviewed the supporting documentation for 19 judgmentally selected reimbursements to the CEO and noted a multitude of questionable and, at times, abusive purchases. The following are examples of these purchases:

- A \$450 membership in the American Airlines Admiral's Club, listed on the expense report as an "airline fee," and a later renewal of this membership for \$350.
- A \$669 hotel bill *not* including the room charge, but composed of charges such as room service (ranging in amount from \$75 to

\$104), mini bar, and data service. Many other hotel bills included similar incidental charges, including meals of varying cost and long distance calls. We also observed small reimbursed purchases within hotels such as souvenir items and razors.

- A \$415 spa bill with no explanation other than “Bill Paramedics Plus” on the expense report, and an additional spa bill for \$490 with the notation “P+” on the receipt.
- Two lifetime subscriptions to Sirius Satellite Radio at \$399.99 each.
- A \$1,105 dinner with seven AAA Board and staff members.
- Multiple reimbursements included in-flight internet use, internet use at a “hot spot” or hotel, and long distance calls from hotels, despite the fact that EMSA furnishes the CEO with a cell phone with internet service.
- Multiple purchases of gifts, such as a \$349.90 purchase from Uncommon Goods and a \$255.88 purchase from Bodean’s Seafood, as well as retirement gifts reflected in the *Restaurants, Catering Services, and Event Planning* section.
- Reimbursement for food purchases while sometimes not in travel status, including regular purchases from donut and coffee shops.

Justification for individual purchases is often not included on the CEO’s expense reports. Many of his reimbursements included purchases of IT items of varying values, from small support items to \$7,761 and \$9,695 computer purchases. We also noted that many of the CEO’s purchases were supported only by print-outs from his credit card records, and not by actual invoices or receipts.

During our procedures we noted that the CEO receives a monthly vehicle allowance of \$600. However, he was also regularly reimbursed for fuel purchases while driving an EMSA vehicle. Nine of the 19 reimbursements reviewed in detail included at least one fuel receipt, and it is possible that additional fuel could have been purchased using his corporate credit card after February 2011. Many reimbursements also included car wash charges.

The CEO’s reimbursements included a \$450 membership in the American Airlines Admiral’s Club, two spa bills totaling \$905, and two \$399 lifetime subscriptions to Sirius Satellite Radio.

The CEO's total purchases (including reimbursed costs as well as corporate credit card purchases) for the period examined totaled \$416,109.23 and, of that total, \$220,436.89 was spent with no Board oversight. Approval requirements and trustees appointed to the chair position changed during the period examined, but the overall effect is that over half of the CEO's purchases were not subject to an appropriate level of review.

CEO purchases totaled over \$416,000 during the period examined, more than half of which were not subject to review.

Current policies pertaining to Board Chair approval of CEO purchases largely deal with travel expenses. However, travel costs account for only 35% of the CEO's purchases during the period examined, when both reimbursements and corporate credit card purchases are considered. There is no clear policy governing who, if anyone, is required to approve the CEO's credit card purchases. Despite this lack of formal policy, Accounting staff does appear to make some effort to ensure supporting documentation is provided. Most trustees were not familiar with the review process and some trustees felt there needed to be a greater review of Mr. Williamson's expenditures and EMSA's expenditure policies in general to protect both the CEO and the organization.

Conclusions

EMSA employees' attitudes and practices are strongly influenced by senior management. It therefore becomes imperative for senior management, especially the CEO, and the Board of Trustees to strike a proper *tone at the top* so employees understand that abusive expenditures will not be tolerated.

In our estimation, not all of the expenditures reviewed met the Board's general requirement that they be "reasonable." Furthermore, we believe the matters noted above were not isolated incidences which occurred in the rarest of circumstances, but an indication that the mindset amongst EMSA staff is not in line with EMSA's own guideline to spend the organization's assets "as carefully as they would spend their own."

In light of the procedures performed and findings noted above we believe a change in attitude, approach, and, in some instances, policies and procedures should take place among the EMSA Board of Trustees, the officers, and the employees. It is imperative these individuals view EMSA

as a *public* trust of the State of Oklahoma, beholden to all the rules and regulations imposed on such entities and always mindful of the need to serve the best interest of the public, including generating expenses that represent the public's interests. Even the *perception* of excessive or unnecessary expenditures has the potential to negatively impact ratepayers' trust and the credibility of this public authority.

With these considerations noted, we make the following recommendations:

Recommendation #16: Realign Expenditure Expectations

It is important that the Board is able to effectively monitor expenditure processes and controls in place and effectively gauge the risk of a breakdown in those controls. To that end the trustees should determine what constitutes a reasonable and necessary expenditure and formally communicate that standard to EMSA staff. The Board should also develop a firm understanding of the nature, amount, and context of expenditures they are approving, or should be approving.

Recommendation #17: Review All of the CEO's Expenditures

All expenditures made by the CEO, including credit card and expense report transactions, should be reviewed in detail and approved by the Board Chair or the Committee mentioned in Objective IV. This review should be formalized in a written policy.

Recommendation #18 Enhance Expenditure Transparency

EMSA should explore options to achieve greater expenditure transparency, which may include consideration of joining the State of Oklahoma's P-card program. By joining this program, EMSA would have the ability to view and reconcile purchases online, and download them onto their own website. Enhancing expenditure transparency could benefit EMSA both internally, between the Board and employees, and externally, between EMSA and the public, by allowing greater access to the organization's financial data.

Recommendation #19: Seek Legal Counsel Regarding Certain Questionable Expenditure Practices

The Board should determine whether the current process of making purchases on behalf of the paramedic contractor is advantageous to

EMSA. This should include seeking the advice of legal counsel to determine whether this reimbursement relationship is appropriate.

We further recommend EMSA discontinue its donation practices and seek legal counsel regarding whether gifts and contributions provided to charities, not-for-profits, and associations are permissible under the Oklahoma Constitution.

APPENDICES

APPENDIX I

Excerpt from EMSA Policies and Procedures #20: Travel Policy

APPROVALS:

- A. All Personnel must have company travel and any related expenses approved by their supervisor prior to submitting expense records for reimbursement.

All officers must have company travel and any related expenses approved by the President prior to submitting expense records for reimbursement.

The President's expense requests must be approved by the Board Chairman or Vice Chair prior to reimbursement.

APPENDIX II

Excerpts from Principles 5, 6 and 7 of EMSA's Code of Conduct (Adopted 8-27-08)

Principle 5 - Conflicts of Interest

Directors, officers, committee members and employees owe a duty of undivided and unqualified loyalty to the organization. Persons holding such positions may not use their positions to profit personally or to assist others in profiting in any way at the expense of the organization.

All persons subject to this Principle are expected to regulate their activities so as to avoid actual impropriety and/or the appearance of impropriety which might arise from the influence of those activities on EMSA's business decisions. Specific conflict of interest policies are found in EMSA's Bylaws.

5.1 - Outside Financial Interests

While not all inclusive, the following will serve as a guide to the types of activities by an employee, or household member of such employee, which might cause conflicts of interest.

- A. Ownership in or employment by any outside concern which does business with EMSA. This does not apply to stock or other investments held in a publicly traded corporation, *provided* the value of the stock or other investments does not exceed 5% of the corporation's stock. EMSA may, following a review of relevant facts, permit ownership interests which exceed these amounts if management concludes such ownership interests will not adversely impact EMSA's business interest or the judgment of the employee.
- B. Representation of EMSA by an employee in any transaction in which he or she or a household member of such employee has a substantial personal interest.
- C. Disclosure or use of confidential, special or inside information of or about EMSA, particularly for personal profit or advantage of the employee or a household member of such employee.
- D. Competition with EMSA by an employee or a household member of such employee, directly or indirectly, in the purchase, sale or ownership of property or property rights or interest, or business investment opportunities.

5.2 - Services for Competitors/Vendors

No employee shall perform work or render services for any EMSA competitor or for any organization with which EMSA does business or which seeks to do business with EMSA outside of the normal course of his/her employment with EMSA without the approval of EMSA's President or the person's supervisor. Nor shall any such employee be a director, officer, or consultant of such an organization, nor permit his/her name to be used in any fashion that would tend to indicate a business connection with such organization.

5.3 - Participation on Boards of Directors/Trustees

- A. An employee must obtain approval from his/her supervisor prior to serving as a member of the Board of Directors/Trustee of any organization whose interests may conflict with those of EMSA.

- B. An employee who is asked, or seeks to serve on the Board of Directors/Trustee of any organization whose interest would not impact EMSA (For example: civic [non-governmental], charitable, fraternal and so forth will not be required to obtain such approval.
- C. All fees/compensation (other than reimbursement for expenses arising from Board participation) that are received by an employee for Board services provided during normal work time, not including paid time off, shall be paid directly to EMSA.
- D. EMSA retains the right to prohibit membership for any employee on any Board of Directors/Trustees where such membership might conflict with best interests of EMSA.
- E. Questions regarding whether or not Board participation might present a conflict of interest should be discussed with the employee's supervisor.

5.4 - Honoraria

Employees are, with the permission of their supervisor, encouraged to participate as faculty and speakers at educational programs and functions. However, any honoraria in excess of two hundred (\$200) shall be turned over to EMSA *unless* the employee used paid time off to attend the program for that portion of the program for which the honoraria is paid.

Principle 6 - Business Relationships

Business transactions with vendors, contractors and other third parties shall be transacted free from offers or solicitation of gifts and favors or other improper inducements in exchange for influence or assistance in a transaction.

This Principle is intended to guide employees in determining the appropriateness of the listed activities or behaviors within the context of EMSA business relationships, including relationships with vendors, providers, contractors, third party payers and government entities. It is EMSA's intent that this policy be construed broadly to avoid even the appearance of improper activity.

6.1 - Acceptance of Gifts and Favors

It is EMSA's desire at all times to preserve and protect its reputation and to avoid the appearance of impropriety. Consequently, employees may not accept or solicit any gift or favor where the receipt would either compromise impartial performance or would be viewed by the public to compromise impartial performance. An employee shall document any gifts received and immediately notify their supervisor of same. Violation shall be grounds for disciplinary action, up to and including termination.

6.2 - Workshops, seminars and training sessions

Attendance at local, vendor sponsored workshops, seminars and training sessions is permitted. Attendance, at vendor expense, at out of town seminars, workshops and training sessions is permitted only with the approval of the employee's supervisor.

6.3 - Contracting

Employees may not utilize "insider" information for any business activity conducted by or on behalf of EMSA. All business relations with contractors must be conducted at an arm's length both in fact and in appearance and in compliance with EMSA's policies and procedures. Employees must disclose personal relationships and business activities with contractor personnel

which may be construed by an impartial observer as influencing the performance and duties of the employee. Employees have a responsibility to obtain clarification from management on questionable issues which may arise.

6.4 - Business Inducements

EMSA employees shall not seek to gain any advantage through the improper use of payments, business courtesies or other inducements. Offering, giving, soliciting or receiving any form of bribe or other improper payment is prohibited.

Principle 7 - Protection of Assets.

All employees will strive to preserve and protect EMSA's assets by making prudent and effective use of EMSA's resources and properly and accurately reporting its financial condition.

This Principle is intended to guide employees by articulating EMSA's expectations as they relate to activities or behaviors which may impact EMSA's financial health or which reflect a reasonable and appropriate use of the assets of a nonprofit entity.

7.1- Internal Control

EMSA has established control standards and procedures to ensure that assets are protected and properly used and that financial records and reports are accurate and reliable. All EMSA employees share the responsibility for maintaining and complying with required internal controls.

7.2- Financial Reporting

All financial reports, accounting records, research reports, expense accounts, time sheets and other documents must accurately and clearly represent the relevant facts or the true nature of a transaction. Improper or fraudulent accounting, documentation or financial reporting is contrary to the policy of EMSA and may be in violation of applicable laws.

7.3- Travel

Travel expenses should be consistent with the employee's job responsibilities and the organization's needs and resources. It is EMSA's policy that an employee should not suffer financial loss or a financial gain as a result of business travel. Employees are expected to exercise reasonable judgment in the use of EMSA's assets and to spend the organization's assets as carefully as they would spend their own. Employees must also comply with EMSA's policies relating to travel expenses. All expenses must be submitted and approved by the employee's supervisor and the finance department prior to reimbursement.

7.4. - Personal Use of Corporate Assets

All employees are expected to refrain from converting the assets of the organization to personal use. All property and business of the organization shall be conducted in the manner designed to further EMSA's interest rather than the personal interest of an individual employee. Employees are prohibited from the unauthorized use or taking of EMSA's equipment, supplies, materials or services. Prior to engaging in any activity on company time which will result in remuneration to the employee or the use of EMSA's equipment, supplies, materials or services for personal or non-work related purposes, employees shall obtain the approval of EMSA management.

APPENDIX III

Excerpt from EMSA By-laws (adopted 4-27-1994), Article II, paragraph 8

8. CONFLICT OF INTEREST AND CONTRACTS: A conflict of interest shall be deemed to exist in any contractual relationship in which a Trustee, or any for-profit firm or corporation in which the Trustee or any member of his or her immediate family is an officer, partner, or principal stockholder, shall directly or indirectly buy or sell goods or services to, or otherwise contract with the Authority. The Trustee shall publicly disclose the actual or potential conflict of interest. The Authority shall not enter into a contract where a conflict of interest exists except pursuant to public disclosure of the conflict and where the contract is secured by competitive bidding following a public invitation to bid. Transactions specifically exempted by 60 O.S.A. §178.8 are excluded from these provisions. The Secretary shall compile and file lists of all disclosed conflicts of interest and exempted transactions with the Secretary of State as required by law.

No Trustee may vote on any proposed contract or any other action in which he may be interested directly or indirectly as an individual, as an agent, officer, or employee for other persons or corporations, as a trustee, or as a stockholder, director, officer, partner, or otherwise. All contracts, transactions, or other acts on behalf of the Authority shall be arm's length and not violative of the proscriptions in the Trust Indenture against the Authority's use or application of funds for private benefit or gain. In the event a Trustee disqualifies himself from any vote or matter coming before the Board of Trustees for consideration, the total number of Trustees for the purposes of determining a quorum shall be reduced by the number of Trustees so disqualified on such a vote or matter.

APPENDIX IV

Excerpt from EMSA Trust Indenture

Article VII, §4-5:

4. To make and perform contracts of every kind necessary to fulfill or accomplish the purposes of the Trust, including management contracts with any person, firm, corporation, association, trusteeship, municipality or government; and, without limit as to amount, to draw, make, accept, endorse, assume, guarantee, discount, execute and issue promissory notes, drafts, bills of exchange, acceptances, warrants, bonds, debentures, and to have issued a letter or letters of credit from any state or national bank, and other negotiable or non-negotiable instruments, obligations and evidences of unsecured indebtedness, or of indebtedness secured by mortgage, deeds of trust, or otherwise, upon any or all property of the Authority, and to pledge any or all income of the Authority in the same manner and to the same extent as a natural person might or could do. To collect and receive any property, money, rents or income of any sort and distribute same, or any portion thereof, for the furtherance of the authorized Trust purposes set out herein.

5. To employ an Executive Director, and such counsel, agents, servants and employees as they deem necessary or proper; and to prescribe their duties and fix their compensation at such amounts as the Trustees deem appropriate.

Article VIII, §7:

7. The Authority shall adopt sound business practices and accounting methods, appropriate to a governmental enterprise fund operation.

APPENDIX V

Oklahoma Constitution, Article X, Section 15, Paragraph A

Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation.

APPENDIX VI

Questionable Purchases by EMSA on Behalf of P+

The following are examples of questionable purchases identified during our testwork in which EMSA ultimately deducted the costs attributed to P+ from its monthly wire transfers to P+. These notations include the frozen drink machine (item 6) and gambling-themed event (item 2) mentioned in the body of the report.

1. \$11,344 total for room rental fees in December of 2008, 2009, and 2011 for P+ Christmas parties.
2. \$1,300 in casino-style entertainment for the 2009 Christmas party.
3. \$2,200 in catering costs for a P+ employee appreciation luncheon.
4. \$335 in beverages in January of 2009 and \$587 in beverages in April of 2011.
5. \$425 for one month for a snow cone machine for P+ paramedics during the summer of 2011.
6. \$1,490 total rental fees for a slushy machine from vendor *Margaritas To Go* in the summer of 2010 and 2011 for EMS week, to provide drinks to P+ paramedics.
7. \$695 in fees to start a softball league for P+ employees during the 2012 season.

This is not an exhaustive list of questionable reimbursements, but only those items brought to our attention through our limited procedures.



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