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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Management of the Colorado Department of Public Health and Environment Health Facilities and Emergency Medical Services Division:

We have performed the procedures enumerated below, which were agreed to by the management of the Colorado Department of Public Health and Environment Health Facilities and Emergency Medical Services Division (the Department), solely to assist you in evaluating the cash management controls and procedures of the Southeastern Colorado RETAC. The Southeastern Colorado RETAC's Board of Directors is responsible for the operations of the Southeastern Colorado RETAC. The Department is responsible for providing funding to the Southeastern Colorado RETAC. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Department. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose which this report has been requested or for any other purpose.

- 1. Interview the Southeastern Colorado RETAC Coordinator, Treasurer, Accountant and Board and make inquiries about the operations of the RETAC. Specifically inquire about internal controls over cash management and cash disbursements.**

We interviewed Michael Merrill (Southeastern Colorado RETAC Coordinator), Gary Cox (Treasurer), Deni Thompson (Accountant for Otero County) and Larry Reeves (Chairman of the Board of Directors) regarding the operations of the RETAC and internal controls over cash management and cash disbursements. The information gathered in these interviews was used throughout our engagement and is documented under the procedures below.

- 2. Document the existing internal controls over cash management and cash disbursements and provide cost-effective recommendations for strengthening controls (if appropriate).**

We noted that the following controls over cash management and cash disbursements were in place during the period covered by our engagement, which was January 1, 2009 through April 30, 2010:

- a) Monthly bank reconciliations for the RETAC's cash account are prepared by the Southeastern Colorado RETAC Accountant. The Accountant is an employee of Otero County. The RETAC pays a small fee to Otero County for accounting services. The Southeastern Colorado RETAC holds their cash in one checking account that is managed by the Otero County government.
- b) All cash disbursements, regardless of size, require a Purchase Order (PO) and must be approved by the Southeastern Colorado RETAC Treasurer or Chairman of the Board prior to payment by the Accountant.



- c) All checks are prepared by the Southeastern Colorado RETAC Accountant after she receives an approved PO from either the Chairman or Treasurer. All checks issued by the RETAC, regardless of amount, must have two signatures. Check signing authority is limited to Keith Goodwin (Otero County Commissioner) and Sharon Sisroy (Otero County Clerk & Recorder).
- d) All salary increases for the Coordinator must be pre-approved by the Treasurer and Chairman of the Board. The Coordinator is the only individual on the payroll. Currently, Otero County handles the payroll function for the Southeastern Colorado RETAC. A signed memo from the Chairman of the Board of Directors is submitted directly to Otero County prior to any increase in the Coordinator's salary. Otero County will not make salary changes unless an approved signed memo from the Chairman of the Board is received.

In order to strengthen internal controls over cash management, we recommend that the Southeastern Colorado RETAC consider implementing the following procedure:

Perform a detailed review of cash disbursements

Improve segregation of duties by requiring the Finance Committee, which consists of five members, to review a cash disbursements report on a monthly basis. Currently, the Accountant is responsible for entering all cash disbursements into the accounting system (ACS), cutting checks, and preparing the bank reconciliations. This lack of segregation of duties is a deficiency in internal control that could be remediated through the review of cash disbursements by the Finance Committee. (Note: We discussed the recommendation with the Accountant, who will provide the Finance Committee with a system generated list of all cash disbursements each month. We also discussed the recommendation with the Coordinator, Treasurer and Chairman and explained how to review the list of cash disbursements.)

3. Test the operating effectiveness of the Southeastern Colorado RETAC's key controls over cash management and cash disbursements during the period January 1, 2009 through April 30, 2010.

Bank Reconciliations

We obtained the bank reconciliation, bank statement, and balance sheet for April, September and December 2009 and April 2010 and verified that the bank reconciliation was performed by the RETAC Accountant. We noted that the balances per the bank reconciliations agreed to the bank statement and balance sheet. No exceptions were noted and we concluded that the bank reconciliation control is designed and operating effectively.

Approval of Cash Disbursements

We obtained the 2009 and 2010 cash disbursements journal and judgmentally selected a sample of 20 items in order to test whether cash disbursements were approved in accordance with the RETAC's policy. We noted that all expenses had a properly approved PO prior to payment by the Accountant. Based on the testwork



performed, we concluded that the cash disbursement approval control is designed and operating effectively.

Check Signing Authority

We requested and obtained check copies for a sample of 20 cash disbursements during the period January 1, 2009 through April 30, 2010. All checks appeared to be signed by the Otero County Commissioner and Otero County Clerk & Recorder, consistent with the RETAC's policy. However, upon further analysis, we noted that the two signatures were actually stamped on the checks by the Accountant. This defeats the purpose of the check signing control and is not a good business practice. The check signing control is designed, but not operating effectively. We recommend that the Otero County Commissioner and Clerk & Recorder restrict access to their signature stamps and personally sign RETAC checks (either manually or using their designated signature stamp) that are prepared by the Accountant.

Salary Authorization

We requested and obtained the approved salary authorization form for the Coordinator's salary increase in 2009. We noted that the salary authorization form was properly approved by the Chairman of the Board. We agreed the total amount from the salary authorization form to the amounts paid by Otero County without exception. We conclude that the salary authorization control is designed and operating effectively.

4. Obtain and review Southeastern Colorado RETAC board meeting minutes for the period January 1, 2009 through April 30, 2010 and summarize the matters that the RETAC has been working on.

We obtained the Southeastern Colorado RETAC board minutes for 2009 and 2010 noting that the RETAC has been working on or is organizing events that include the following:

- EMS management courses
- Farm Medic class
- Injury prevention program
- Updates to emergency response equipment
- New radios to be compliant with new regulations
- Advanced Cardiac Life Support (ACLS) class
- Pediatric Education for Pre-hospital Professionals (PEPP) course
- Telemedicine Solution Pilot Program
- Safety Summit
- EMS protocol books
- SNAP program
- IV Class and potential High Angle Rescue Course

We noted that the events and programs that the Southeastern Colorado RETAC worked on during 2009 and 2010 and discussed in its board meetings appear consistent with the overall mission and objectives of the organization.



5. **Based on the procedures performed, evaluate the effectiveness of the Southeastern Colorado RETAC in fulfilling its mission. Identify the strengths of the RETAC and best practices that can be shared with other RETACs. If performance issues are identified, provide recommendations on how to address them.**

Based on the procedures we performed, we noted that the activities of the Southeastern Colorado RETAC during 2009 and 2010 were consistent with the organization's mission to provide support and coordinate the activities of individual counties, agencies and hospital facilities to improve patient care.

Strengths and Best Practices

- a) The Southeastern Colorado RETAC has formed a finance committee which meets prior to each scheduled Board meeting. The Finance committee consists of one person for each member county. The Finance committee performs a detailed review of the financial statements and an analysis of budget v. actual of expenses.
- b) The Southeastern Colorado RETAC provides services for six member counties. The RETAC provides a portion of the funds received from the State each year to the respective member counties to support local EMS projects. The RETAC sends funds to each member county twice a year. The RETAC requires each member county to submit a plan (found on the RETAC website) each six months which explains the expected future use of the funds received and the actual use of funds during the prior six months. This helps ensure the funds are used appropriately and consistently with the mission of the RETAC.

Opportunities for Improvement

- a) As mentioned in item "b" above, under strengths and best practices, the RETAC has formed a Finance Committee which meets prior to each scheduled quarterly meeting. It was suggested by the Chairman of the Board (who is also a member of the Finance Committee) that the Committee hold more frequent meetings (monthly or bi-monthly) to review and discuss financial activity. This will help ensure a more timely review of financial statements.
6. **Obtain the most recent financial statements (preferably as of and for the period ended 4/30/10). Agree the cash balance to the corresponding bank account reconciliation and bank statement. Review the form and content of the reconciliation and investigate any large or unusual reconciling items. Analyze whether it appears that the RETAC is keeping the funding they receive under the contract with the State of Colorado, and the related expenses, separate from other funding as required by the contract with the State.**



We obtained the April 2010 bank reconciliation. The “bank balance” was agreed to the corresponding bank statement and the “book balance” was agreed to the general ledger. We noted no large or unusual reconciling items and concluded that the form and content of the bank reconciliation was appropriate.

During our review of the April 2010 bank reconciliation and per inquiry with management it was noted that the Southeastern Colorado RETAC does not have separate bank accounts for the funds they receive from the State of Colorado and other funding sources. The Southeastern Colorado RETAC currently receives funding from the CDPHE, CDOT, and a Hospital Preparedness Grant. These funds are all deposited to the same bank account. Revenue and expenses from these funding sources are tracked separately within ACS through account classifications, however, all revenue and expense accounts are combined to calculate a single net income (or net loss) of the RETAC.

The Southeastern Colorado RETAC’s contract with the State of Colorado includes the following provision: “The Contractor shall keep all funds it receives under this Contract separate from all other funds the Contractor may receive from any other source. The Contractor shall maintain a separate bank account or budget line item for the funds it receives from the State under this Contract.” As noted above, the funds received from the State are not deposited in a separate bank account, but are tracked and accounted for separately through account classification. We believe this is consistent with the intent of the Contract with the State, however, we recommend that the Southeastern Colorado RETAC utilize a class type feature within ACS to recognize revenue and expenses separately from the funding received from the State and other sources.

7. **Obtain a detailed listing of the major expenses included in the most recent financial statements. Identify large and unusual expense items and vouch them to supporting documentation (such as invoices). Evaluate whether the expenses have been completely and accurately recorded in the financial statements and also whether the expenses appear to be legitimate costs that should be incurred by the RETAC in fulfilling its mission.**

We obtained a cash disbursements log for all expenses included in the most recent financial statements. We selected a sample of 20 large and unusual expense items for testwork. During our review of supporting documentation (invoices and check copies), we noted that the expenses appeared to represent legitimate costs that should be incurred by the Southeastern Colorado RETAC in fulfilling its mission. No expenses came to our attention that were not legitimate costs of the Southeastern Colorado RETAC and all expenses appeared to be completely and accurately recorded in the financial statements.



We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the financial statements of the Southeastern Colorado RETAC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Colorado Department of Public Health and Environment Health Facilities and Emergency Medical Services Division, and is not intended to be and should not be used by any other parties.

K Financial

Louisville, Colorado
June 22, 2010