



Achieving
Higher
Expectations

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As a result of the agreed upon procedures we performed enumerated in our engagement letter dated May 19, 2010 for all eleven of the RETACs, we noted that all eleven RETACs are separating the funding received from the Colorado Department of Public Health and Environment Health Facilities and Emergency Medical Services Division (the "Department") through accounting classes or account classifications and are in compliance with the intent of the Contract. However, during the procedures performed, we noted that some RETACs have a significant cash reserve as of April 30, 2010. We recommend that the Department require each of the RETACs to provide an annual detailed explanation and accounting to the State for their planned use of excess funds from the prior year(s).

Also, in planning and performing our agreed upon procedures for each of the eleven RETACs, we considered each of the RETACs internal control over cash management (internal control) as a basis and for the purpose of recommending best practices over internal controls for each of the eleven RETACs.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the RETACs financial statements will not be prevented, or detected and corrected on a timely basis.

As a best practice for all eleven RETACs, we recommend that the following internal controls and financial policies be implemented and followed accordingly. Even though certain RETACs may currently be performing some of the following internal controls, it is necessary to emphasize the importance of each of the internal controls.

Bank Reconciliations

Bank reconciliations are a basic internal control that all organizations should perform to ensure that cash disbursements and receipts are recorded completely and accurately in the financial statements and by the bank. It is also a control that many organizations implement to address various fraud risks. We recommend that either the Coordinator or Accountant (if applicable) perform the bank reconciliations each month and in a timely manner. Any outstanding or reconciling items should be addressed accordingly.

Review of Financial Statements and Cash Disbursements

A review of financial statements (e.g. Balance Sheet and Income Statement) and cash disbursements (e.g. check register or bank statement) are common for small organizations and helps ensure that all transactions are properly accounted for and evaluated. We recommend that the Board of Directors perform a detailed review of the financial

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statements and cash disbursements at each regularly scheduled Board meeting to ensure the completeness and accuracy of the financial statements. The financial statements and cash disbursements should be sent to each Board member prior to each regularly scheduled Board meeting to ensure each member has adequate time to review the items.

Budget vs. Actual

Budget vs. actual review of revenue and expenses is an internal control that all organizations should perform on a monthly basis to ensure that all transactions are completely and accurately recorded in the financial statements. We recommend that the Board review and perform an analysis of actual revenue and expenses as compared to monthly budgeted amounts. This could be achieved by creating a budget within the RETACs accounting software and running a budget vs. actual report on a monthly basis and provided to each Board member prior to each regularly scheduled meeting to allow for adequate review and analysis.

Check Preparing & Signing

Check stock should be kept locked up by an individual who does not have check signing authority. All checks should be prepared by the individual who has access to the check stock and signed by at least one individual other than the check preparer. This is an internal control that all organizations should follow to ensure the safeguarding of assets (e.g. cash). We recommend that check stock be handled by an individual who does not have check signing authority in accordance with the bank signature cards on file with the bank.

Financial Policies

Last, during the agreed upon procedures performed, we noted several RETACs not including fixed assets on the balance sheet. As a result, there is a risk that RETAC specific assets are not appropriately accounted for and are misappropriated. We recommend that each RETAC adopt a formal policy to include all fixed assets over a specific dollar amount (e.g. \$500) on the balance sheet as a fixed asset and items below this amount are expensed immediately. We further recommend that each asset is appropriately depreciated based on the assets useful life.

We will be happy to discuss these recommendations with you and assist in any way possible with their implementation. 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.

Very Truly Yours,

K Financial, Inc.

A handwritten signature in cursive script that reads "K Financial".

Louisville, Colorado
September 3, 2010