

Audit Report

Maryland Emergency Medical System Operations Fund

February 2021



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

February 19, 2021

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Emergency Medical System Operations Fund (MEMSOF) for the period beginning July 1, 2016 and ending March 31, 2020. MEMSOF was established by State law to help fund the State's emergency medical services related to five different operations through surcharges on motor vehicle registrations and certain driver moving violations. The Budget Reconciliation and Financing Act of 2017 amended State law to designate the Comptroller of Maryland (COM) as the administrator of MEMSOF, responsible for accounting for all transactions and performing year-end reconciliations. According to State records, during fiscal year 2020, MEMSOF revenues and expenditures totaled approximately \$70.6 million and \$77.7 million, respectively.

Our audit disclosed that COM did not ensure that agencies reverted unspent MEMSOF funds resulting in the failure to identify one agency that did not revert a total of \$697,000 during fiscal years 2018 and 2019.

COM's response to this audit is included as an appendix to this report. We reviewed the response to our finding and related recommendation, and have concluded that the corrective actions identified are sufficient to address the audit issue.

We wish to acknowledge the cooperation extended to us during the audit by the agencies involved with the operations of MEMSOF, and COM's willingness to address the audit issue and implement appropriate corrective action.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a prominent loop at the end of the last name.

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Maryland Emergency Medical System Operations Fund Overview

The Maryland Emergency Medical System Operations Fund (MEMSOF) was established by Chapter 269 of the Laws of Maryland 1992 to help fund certain operations of the State's emergency medical services system. State law provides that MEMSOF is a continuing, non-lapsing fund, which is not required to be reverted to the State's General Fund at fiscal year-end. The law further provides that interest and earnings on MEMSOF are to be separately accounted for and credited to MEMSOF. The Budget Reconciliation Act of 2017 designated the Comptroller of Maryland as the administrator of the MEMSOF, and its General Accounting Division (GAD) maintains the fund.

MEMSOF Revenues

MEMSOF is funded by surcharges collected by the Motor Vehicle Administration (MVA) and Judiciary. As noted in Table 1 on page 5, the majority of the funding is from the MVA surcharge of \$14.50 on motor vehicle registrations specified in the Transportation Article, Section 13-954 of the Annotated Code of Maryland. The surcharges are recorded on MVA records and transferred monthly to GAD with any accrued interest. The other source of MEMSOF revenue is the \$7.50 surcharge on certain driver moving violation fines specified in the Courts and Judicial Proceedings Article, Section 7-301 of the Annotated Code of Maryland. These surcharges are collected and recorded by the Judiciary and transferred at fiscal year-end to MVA, which transfers the funds to GAD.

MEMSOF Expenditures

State law provides that MEMSOF shall be used to provide funding for the following five operations of Maryland's Emergency Medical Services (EMS) program (see Table 1 on page 5):

Department of State Police – Aviation Command

MEMSOF supports the medically oriented activities of the Maryland Department of State Police (DSP) – Aviation Command (MSPAC). MSPAC has both medically oriented and non-medically oriented functions (such as law enforcement and homeland security flights). DSP allocates MSPAC costs to MEMSOF based on the ratio of medically oriented functions to non-medically oriented functions. Since fiscal year 2003, MSPAC costs have been allocated 80 percent to MEMSOF (medically oriented) and 20 percent to General Fund

appropriations (non-medically oriented). Based on our review of certain MSPAC data, this allocation appears to be reasonable.

Maryland Institute for Emergency Medical Services Systems

The Maryland Institute for Emergency Medical Services Systems is responsible for coordinating the delivery of Statewide emergency medical services, licensing and certifying emergency medical service providers, providing emergency medical service research and education, maintaining a Statewide communication system, and regulating and licensing commercial ambulances.

Senator William H. Amoss Fire, Rescue, and Ambulance Fund

Title 8, Subtitle 1 of the Public Safety Article of the Annotated Code of Maryland established the Senator William H. Amoss Fire, Rescue, and Ambulance Fund (Amoss Fund) for grants to local jurisdictions for the purchase of fire and rescue equipment and building rehabilitation. The Maryland Emergency Management Agency (MEMA) under the Military Department administers these grants. Funds from MEMSOF are provided to the Amoss Fund for MEMA to provide grants in accordance with the Public Safety Article.

Maryland Fire and Rescue Institute

The Maryland Fire and Rescue Institute (MFRI) is the State's fire and emergency service training agency responsible for the majority of basic level pre-hospital training and education for EMS providers. MEMSOF funds are appropriated to MFRI as part of the University of Maryland, College Park budget.

R Adams Cowley Shock Trauma Center

The R Adams Cowley Shock Trauma Center (STC), operated by the University of Maryland Medical System, is the core element of the State's EMS system and serves as the State's Primary Adult Resource Center for the treatment of trauma. MEMSOF funds are provided as an operating subsidy to STC through the Maryland Health Care Commission, a unit of the Maryland Department of Health.

Table 1
Maryland Emergency Medical System Operations Fund
Fiscal Year 2020 Fund Activity

Balance as of July 1, 2019	\$ 25,588,853
Revenues	
Motor Vehicle Administration	68,479,366
Judiciary	1,726,269
Interest earnings	357,801
Total	70,563,436
Expenditures	
Department of State Police - Aviation Command	34,801,046
Maryland Institute for Emergency Medical Services Systems	14,599,825
Senator William H. Amoss Fire, Rescue, and Ambulance Fund	15,000,000
Maryland Fire and Rescue Institute *	9,902,935
R Adams Cowley Shock Trauma Center	3,400,000
Total	77,703,806
Balance as of June 30, 2020	\$ 18,448,483

* The Maryland Fire and Rescue Institute expenditures reflect a fiscal 2019 deficiency appropriation and a fiscal 2020 budget amendment.

Source: Prepared by OLA using State budget and accounting records using the modified accrual basis of accounting

Audit Coverage

The 2016 Joint Chairmen’s Report required OLA to perform a financial audit of MEMSOF and expressed the intent of the General Assembly that MEMSOF be added to the standard audit cycle. A letter from the Joint Chairmen, dated May 6, 2016, clarified the periodic audits should primarily focus on year-end closeout transactions to ensure proper maintenance of the fund. As a result, our audit focused on related closeout transactions for fiscal years 2017, 2018, and 2019 at the five agencies using MEMSOF funds and GAD’s maintenance of the fund. In addition, based on our assessment of materiality and risk, we performed certain testing for MSPAC such as of the cost allocation of expenditures between MEMSOF and the General Fund.

Our audit did not include reviewing other aspects of these agencies including procurement, disbursement, payroll, and cash receipts, which were subject to audit during our fiscal compliance audits of the respective agencies. In addition, the collection and disposition of surcharges by the MVA and Judiciary is subject to audit as part of the respective audits of these agencies.

Status of MEMSOF-related Findings from DSP Audit Report

On September 23, 2019, we issued a fiscal compliance audit report on DSP which included a finding (Finding 5) related to procurement of helicopter maintenance services and aviation fuel. The audit found that DSP did not comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel. Specifically, we noted that DSP did not consolidate the procurements of helicopter maintenance services or obtain appropriate control agency approvals. In addition, DSP purchased aviation fuel without conducting competitive procurements, executing written agreements, and did not ensure DSP's exemption from federal and State excise taxes under applicable law was applied. We recommended that DSP comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel.

During our current MEMSOF audit, DSP advised us that it was working on implementing the recommendations. This finding, and eventual implementation of the related recommendation, will be followed up during our next fiscal compliance audit of DSP.

Findings and Recommendations

Reconciliation and Reversion of Funds

Finding 1

The General Accounting Division (GAD) did not ensure agencies reverted unspent Maryland Emergency Medical System Operations Fund (MEMSOF) funds resulting in the failure to identify one agency that did not revert funds totaling \$697,000 during fiscal years 2018 and 2019.

Analysis

GAD did not ensure agencies reverted unspent MEMSOF funds resulting in the failure to identify one agency that did not revert funds totaling \$697,000 during fiscal years 2018 and 2019. Although GAD maintained records of the revenues and expenditures at each agency allocated MEMSOF funds, GAD relied on the

agencies to revert any unspent funds as part of the year-end closing process. Our review of fund balances and related closing documents at the Maryland Institute for Emergency Medical Services Systems (MIEMSS) and Maryland Department of State Police – Aviation Command (MSPAC)¹ for fiscal years 2018 and 2019 noted that collectively \$697,000 had not been used by MIEMSS (\$298,000 for fiscal year 2018 and \$399,000 for fiscal year 2019).

MIEMSS reported to GAD that the funds were retained and indicated that it had the legal authority to retain the funds. GAD did not verify MIEMSS' assertions and therefore, did not identify that MIEMSS in fact did not have the statutory authority to retain the funds. After our inquiring about the status of the reversion of unspent funds in August 2020, MIEMSS reverted \$1.3 million to MEMSOF, which included the fiscal years 2018 and 2019 amounts noted above and unspent funds from 2020.

Recommendation 1

We recommend that GAD work, in conjunction with MIEMSS and other entities receiving MEMSOF funds, to ensure all unused MEMSOF funds are reverted timely, when required by State law.

¹ The remaining three agencies were not tested as they did not need to revert any unspent funds either because State law authorizes the agency to retain the funds or the agency had fully expended all MEMSOF funds by year-end. Based on our review, unspent funds for MSPAC had been reverted as required.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Emergency Medical System Operations Fund (MEMSOF) for the period beginning July 1, 2016 and ending March 31, 2020. Funds are collected by two agencies, the Motor Vehicle Administration and the Judiciary, and funds are used by the following five agencies:

- Department of State Police – Aviation Command
- Maryland Institute for Emergency Medical Services Systems
- Senator William H. Amoss Fire, Rescue, and Ambulance Fund
- Maryland Fire and Rescue Institute
- R Adams Cowley Shock Trauma Center

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MEMSOF's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk and as directed by a letter from the Joint Chairmen, dated May 6, 2016, we focused our efforts on year-end closeout transactions and the Comptroller of Maryland - General Accounting Division processes in place to account for and maintain the fund.

The Senator William H. Amoss Fire, Rescue, and Ambulance Fund was subject to audit within our Military Department audit report issued June 10, 2020. Our audit procedures during the Military Department audit included inquiries of appropriate personnel, inspection of documents and records, tests of transactions, and observations of the respective agencies operations.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit

period of July 1, 2016 to March 31, 2020, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspection of documents and records, tests of transactions, and to the extent practicable, observations of the respective agencies operations. Generally, transactions were selected for testing based on auditor judgement, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Each agency's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to the agencies, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the agency's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This finding is also a significant instance of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to the applicable agency that did not warrant inclusion in this report.

The response from the Comptroller of Maryland, on behalf of MEMSOF, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the agency regarding our review of its response.

APPENDIX



Peter Franchot
Comptroller

Sharonne R. Bonardi
Deputy Comptroller

February 18, 2021

Mr. Gregory Hook, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Hook:

Enclosed is the Comptroller's response to your report on the Maryland Emergency Medical System Operations Fund (MEMSOF) for the period beginning July 1, 2016 and ending March 31, 2020.

We have carefully reviewed the finding, and we believe that our response fully addresses the recommendation contained in the report. Should you need additional information or clarification, please contact Lindsay Welsh, External Audit Manager, Office of Risk Management by email at lwelsh@marylandtaxes.gov or by telephone at 410-260-6156.

The Comptroller appreciates your objective appraisal of our operations and your recommendations for continuous improvement and commends your auditors for their professionalism and thorough review.

Sincerely,



Sharonne R. Bonardi
Deputy Comptroller



Sandra L. Zinck
Director, General Accounting

cc: Honorable Peter Franchot, Comptroller

Comptroller's General Accounting Division
July 1, 2016 to March 31, 2020

Agency Response Form

Background Information

Please respond on the factual accuracy of the information presented in the Background Information section of the Discussion Notes related to your agency.

Agency Response	
Agency Responsibilities	Factually Accurate
Please explain any concerns with factual accuracy.	

Comptroller's General Accounting Division
July 1, 2016 to March 31, 2020

Agency Response Form

Finding 1

The General Accounting Division (GAD) did not ensure agencies reverted unspent Maryland Emergency Medical System Operations Fund (MEMSOF) funds resulting in the failure to identify one agency that did not revert funds totaling \$697,000 during fiscal years 2018 and 2019.

Recommendation 1

We recommend that GAD work in conjunction with MIEMSS and other entities receiving MEMSOF funds to ensure all unused MEMSOF funds are reverted timely, when required by State law.

Agency Response

Background / Analysis	Factually Accurate
Please explain any concerns with factual accuracy.	<p>It is GAD's position that by following its long-standing accepted practices, it was meeting the statutory definition for administering the MEMSOF funds. However, GAD accepts OLA's recommendation that it will in collaboration with the agencies ensure that all unused MEMSOF funds are reverted timely. To comply with this recommendation, GAD has the following comments in support of its position:</p> <ol style="list-style-type: none">1) Md. Code Ann., Transportation Art. § 13-955 (b)(2) was amended in 2017 to read "The Comptroller shall administer the Fund, including accounting for all transactions and performing year-end reconciliation." (See Exhibit 1.) The fiscal note accompanying this amendment indicated there would be no additional costs to the Comptroller to carry out this unique duty. Nor did the proposed legislation or language as enacted grant to the Comptroller authority to access any records of the six agencies to whom monies from the Fund were appropriated. Lastly, the Comptroller was not given any authority to compel the six agencies to produce records or take other enforcement action against the six agencies. <p>Importantly, the 2017 amendments did not change or otherwise alter to whom monies from the Fund were appropriated. Consequently, though the 2017 amendments used the term "administer" when referring to the Comptroller, the actual administration of the appropriated funds remained with the six agencies identified in Section 13-955(e).</p>

Comptroller's General Accounting Division
 July 1, 2016 to March 31, 2020

Agency Response Form

	<p>Subsequent to enactment of the 2017 amendment, the Comptroller: 1) removed the Fund account from the Motor Vehicle Administration and placed the account within the Comptroller; 2) sent specific instructions to each of the six agencies which received an appropriation from the Fund to return (i.e. revert) any unencumbered Fund balances to the Fund account at the end of the fiscal year; 3) provided each of the six agencies which received an appropriation from the Fund clear instructions how to document and carryout the directive in 2) above; 4) provided each of the six agencies with instructions to use a separately identifiable agency fund to account for revenues and expenditures from the fund; and 5) provided each of the six agencies with a specific, named person within the Comptroller's Office whom they could contact with any questions or issues.</p> <p>GAD has completed all year-end reconciliations as required for each fiscal close included in the audit period. The GAD also ensured that the chief financial officer for each of the six agencies receiving an appropriation from the Fund provided a written attestation that s/he had correctly accounted for the Funds that had been appropriated.</p> <p>2) GAD has inquired of OLA what specifically it did not do as contemplated by the language of Transportation Art., § 13-955(b) (2) as amended in 2017, and what specific actions it should take in the future as corrective measures. The only specific recommendation from OLA is that GAD, at the conclusion of the fiscal period, should look in FMIS and move unspent funds from an agency to the Fund account. No other specific actions were identified that GAD could or should have taken to comply with § 13-955(b)(2).</p> <p>It is GAD's position that it will seek claritive legislation in order to adequately comply with § 13-955(b)(2) as currently written.</p>		
Recommendation 1	Agree	Estimated Completion Date:	6/30/21
Please provide details of corrective action or explain disagreement.	GAD will work collaboratively with all MEMSOF entities to be certain funds are reverted as required by State law.		

Md. TRANSPORTATION Code Ann. § 13-955

Copy Citation

This documents reflects changes received through chapter 18 of the 2020 session

MD - Annotated Code of Maryland TRANSPORTATION TITLE 13. VEHICLE LAWS -- CERTIFICATES OF TITLE AND REGISTRATION OF VEHICLES SUBTITLE 9. REGISTRATION CLASSIFICATIONS AND FEES PART IV. MISCELLANEOUS FEES

§ 13-955. Maryland Emergency Medical System Operations Fund

- (a) "Fund" defined.** -- In this section, "Fund" means the Maryland Emergency Medical System Operations Fund.
- (b) Establishment; management and nature.** --
- (1)** There is a Maryland Emergency Medical System Operations Fund.
 - (2)** The Comptroller shall administer the Fund, including accounting for all transactions and performing year-end reconciliation.
 - (3)** The Fund is a continuing, nonlapsing fund which is not subject to § 7-302 of the State Finance and Procurement Article.
 - (4)** Interest and earnings on the Fund shall be separately accounted for and credited to the Fund, and are not subject to § 6-226(a) of the State Finance and Procurement Article.
- (c) Composition.** -- The Fund consists of:
- (1)** Registration surcharges collected under § 13-954 of this subtitle;
 - (2)** All funds, including charges for accident scene transports and interhospital transfers of patients, generated by an entity specified in subsection (e) of this section that is a unit of State government; and
 - (3)** Revenues distributed to the Fund from the surcharges collected under § 7-301(f) of the Courts Article.
- (d) Expenditures.** -- Expenditures from the Fund shall be made pursuant to an appropriation approved by the General Assembly in the annual State budget or by the budget amendment procedure provided under § 7-209 of the State Finance and Procurement Article, provided that any budget amendment shall be submitted to and approved by the Legislative Policy Committee prior to the expenditure or obligation of funds.
- (e) Uses.** -- The money in the Fund shall be used solely for:
- (1)** Medically oriented functions of the Department of State Police, Special Operations Bureau, Aviation Division;
 - (2)** The Maryland Institute for Emergency Medical Services Systems;
 - (3)** The R Adams Cowley Shock Trauma Center at the University of Maryland Medical System;
 - (4)** The Maryland Fire and Rescue Institute;
 - (5)** The provision of grants under the Senator William H. Amoss Fire, Rescue, and Ambulance Fund in accordance with the provisions of Title 8, Subtitle 1 of the Public Safety Article; and
 - (6)** The Volunteer Company Assistance Fund in accordance with the provisions of Title 8, Subtitle 2 of the Public Safety Article.

AUDIT TEAM

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