CITY OF OAKLAND

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29 June 2016

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
CITY ADMINISTRATOR
CITIZENS OF OAKLAND
OAKLAND, CALIFORNIA

RE: Emergency Medical Services Retention Act Audit
Paramedic Services Act of 1997 Audit

Dear Mayor Schaaf, President McElhaney, Members of the City Council, City Administrator Landreth, and Oakland Citizens:

In 1997, the voters of Oakland passed the Emergency Medical Services Retention Act (Measure M) and the Paramedic Services Act (Measure N) to impose parcel taxes in support of emergency medical services and paramedic emergency services, respectively. Attached are the audits for the Emergency Medical Services Retention Act and the Paramedic Services Act, which reviewed the disbursement and administration of Measures M and N funds for fiscal year 2014-2015.

Measures M and N require an annual audit to ensure accountability and the proper disbursement of the parcel tax proceeds. The audits found that the Oakland Fire Department properly administered and spent Measures M and N funds in accordance with the objectives of the respective ballot measures. As a result, we are pleased to report that there are no recommendations.

I extend my appreciation to the Oakland Fire Department Fire Chief and her staff for their cooperation during the audits and for their commitment to the objectives of Measures M and N.

Respectfully submitted,

BRENDA D. ROBERTS, CPA, CFE, CIA
City Auditor

City Auditor
Brenda Roberts
CPA

June 29, 2016

Paramedic Services Act (Measure N)

Fiscal Year 2014-2015

Audit Team:

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Performance Audit Manager

CITY OF OAKLAND

OFFICE OF THE CITY AUDITOR

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Introduction & Background

Introduction

In 1997, Oakland voters passed the Paramedic Services Act of 1997 (Measure N), which imposed a parcel tax to support paramedic emergency services in the City of Oakland (City). Alameda County (County) collects the parcel tax and remits the revenues to the City.

The City Auditor conducted this audit as part of Measure N's requirements. We sought to assess the adequacy of internal controls over Measure N monies and to determine whether the Oakland Fire Department (Fire Department) used the money as prescribed by the measure.

Background

Parcel tax rates vary depending on the type of parcel; for example, a single family dwelling paid $10.56 annually in Fiscal Year 2014-15.[1] Tax rates may be increased when approved by the City Council for cost of living adjustments.[2]

The County collects the Measure N parcel tax and remits the revenue to the City. These monies are then deposited into a separate fund for use as intended by Measure N. The Fire Department is responsible for administering the Measure N funds.

The Fire Department primarily used Measure N funds to pay for the technical and professional staff that coordinate the emergency medical services training program and for emergency medical supplies. Expenditures included:

- **Employee costs**: Measure N funded Emergency Medical Services Coordinators, a Fire Division Manager, an Emergency Medical Services Instructor, and an Administrative Assistant[3].
- **Supplies**: Expenditures for emergency medical services supplies and equipment.
- **Facilities**: Expenditures for medical waste disposal, consulting services, and wireless services.
- **Overhead service charge**: A fee to recover administrative costs incurred by the City for operating the department, such as human resources, legal, and janitorial services.
- **County administrative fee**: A fee that the County charges the City to collect and remit the parcel taxes.[4]

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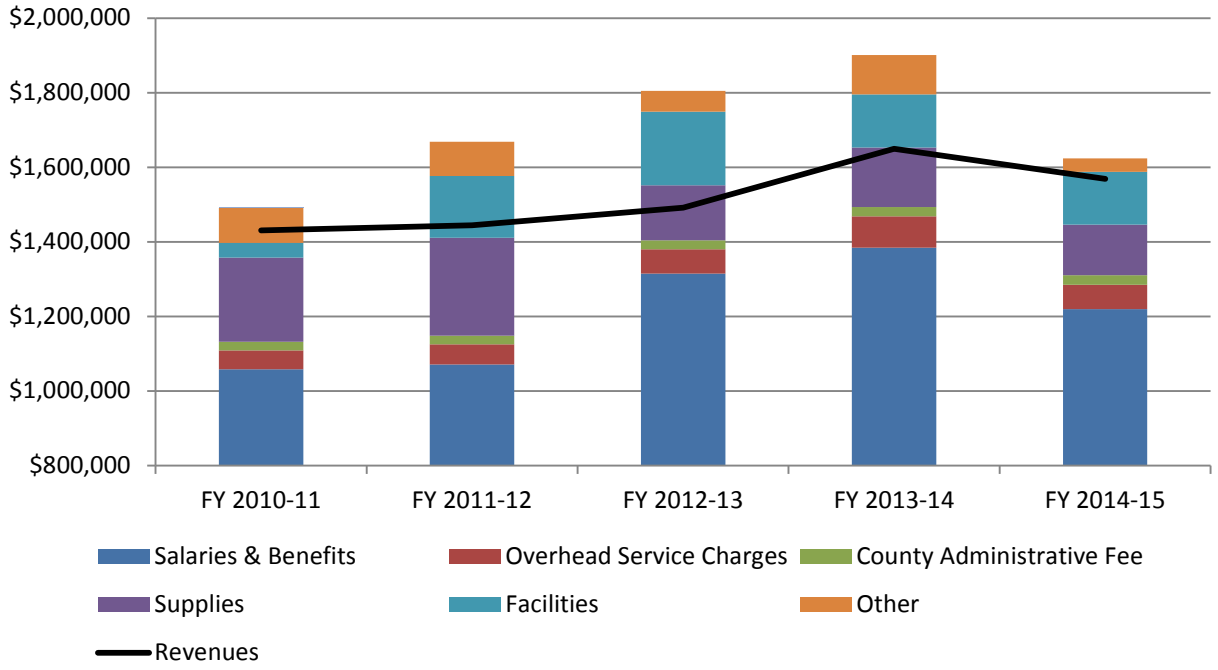
[1] A list of parcel types subject to Measure N taxation is located in Appendix Exhibit 1.
[2] The rate increases are based on the annual cost of living increases in the San Francisco Bay Area, but cannot exceed 5% of the previous year's rates. The City uses the Consumer Price Index (CPI), as reported by the US Department of Labor Statistics, to determine the rate increase. The cumulative parcel tax rate increase is 9% over the prior 5 year period.
[3] A list of Measure N funded positions is located in Appendix Exhibit 4.
[4] During the scope of our audit, the County's fee was 1.62% of the assessed amount of the parcels.

- **Other**: These expenditures included newspaper ads, recruitment, computer equipment, registration and tuition for conferences and trainings, as well as services provided by the City's accounting and contract compliance departments.

EXHIBIT 1: Historical Measure N Revenues and Annual Expenditures[5]

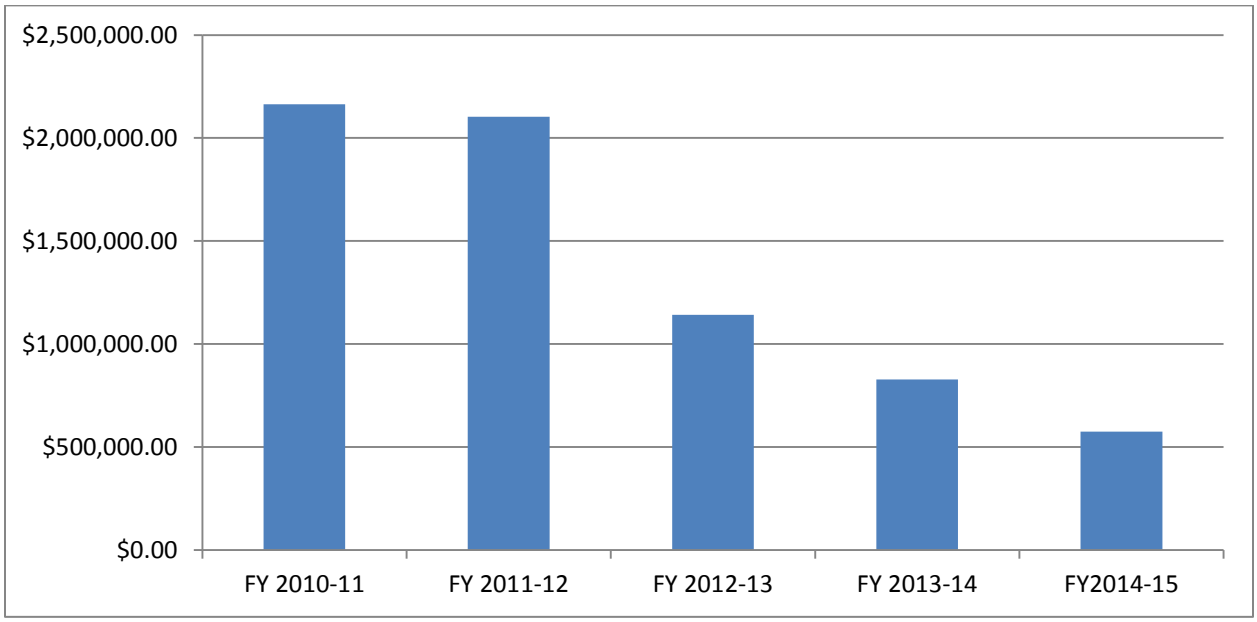


In fiscal years 2010-11 through 2013-14, the Fire Department used accumulated fund balances from fiscal years 2009-10 and prior to fund the difference between Measure N revenue and expenditures.

Revenues for fiscal year 2013-14 were $1.65 million and this amount includes a one-time miscellaneous sale of previously purchased LifePak 12 equipment resulting in $104,940 in additional non-parcel tax proceeds.

[5] $737,422 in paramedic capital equipment purchases are not included in FY 2011-2012 figures in Exhibit 1 for ease of comparability between years. For specific expenditure and revenues numbers, please see Appendix Exhibit 3.

EXHIBIT 2: Historical Measure N Beginning Fund Balance by Fiscal Year



1. Funds were used within the Measure's broad directive

Measure N provides minimal direction for the specific use of these funds. The ballot measure states that revenue should be used, "…to increase, enhance and support paramedic emergency services in the City of Oakland." All of the expenditures that we examined and invoices we tested were properly authorized and in agreement with this broad directive. As seen in Appendix Exhibit 3, on average the Fire Department used 75 percent of the funds to pay for the salaries and benefits of emergency technical and professional staff.

2. Formalized spending and cash management guidelines for Measure N Funds

In past audits, the City Auditor recommended the Fire Department's senior management develop policies and procedures to further define how Measure N monies will be used. This is an important internal control to ensure that the monies are supporting services the voters intended. In response to the previous audit recommendations, the Fire Department formulated and implemented the following policies and spending plan:

- Fund balance management policy
- Financial management expenditures policy
- Expenditures criteria
- Capital spending plan

These policies were reviewed, accepted and authorized by the Fire Chief. The existence of these policies and spending plans assists the Fire Department in maintaining and managing the funds so that they are used as the voters intended.

Statement of Compliance with Government Auditing Standards

We conducted this performance audit 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.

Audit Objective and Scope

Our objective was to determine whether the Fire Department properly disbursed the proceeds from Measure N in accordance with the objectives established in the ballot measure. The scope of this audit was all Measure N monies collected and spent for the previous fiscal year, FY 2014-15.

Methodology

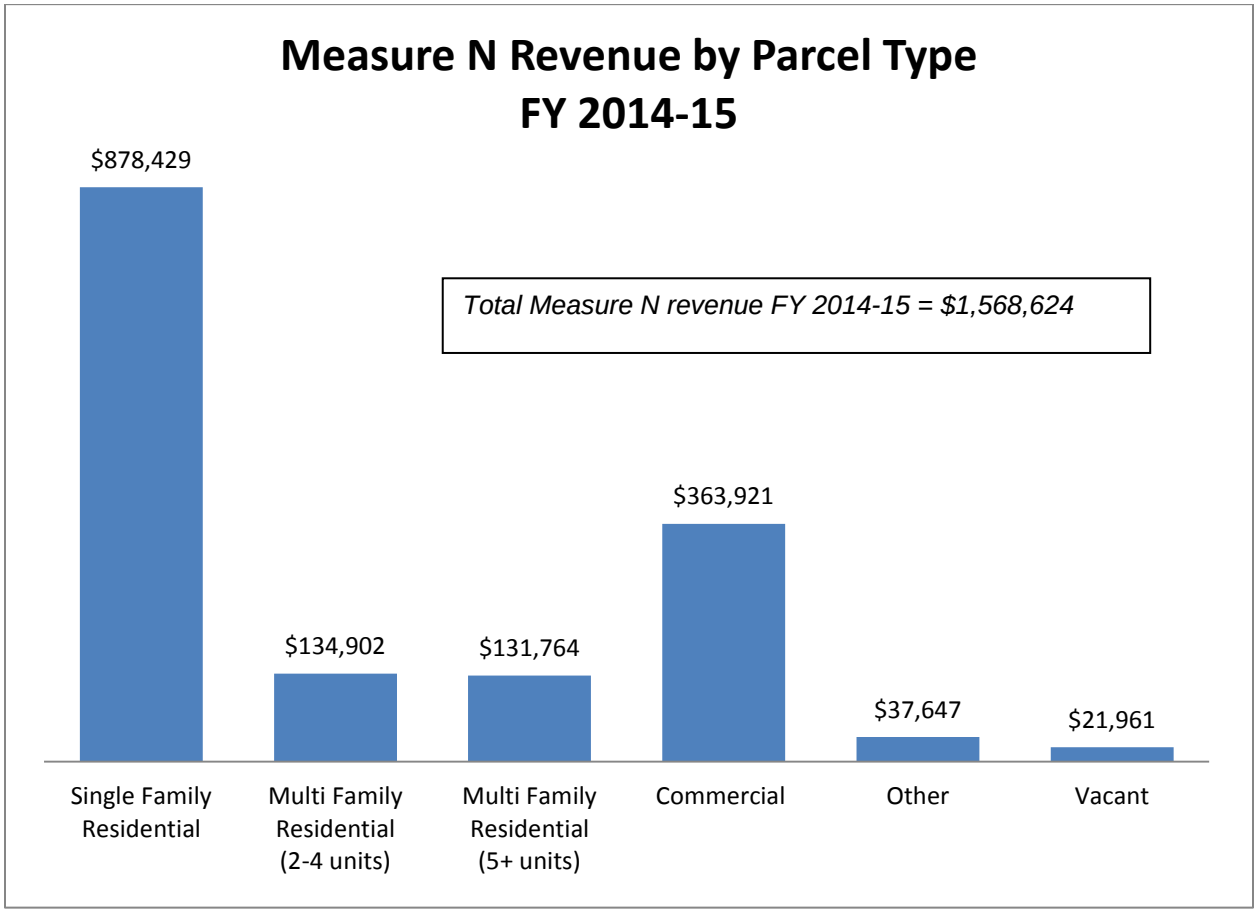
In conducting this audit, we:

- Reviewed the Measure N ballot measure language
- Reviewed the results of Measure N audits performed in prior years
- Reviewed controls, policies, and procedures related to the Fire Department's compliance with Measure N
- Interviewed the Fire Department's senior management and accounting staff responsible for administering the Measure N funds
- Examined Measure N expenditures through the analysis of line items, reviewing the higher dollar invoices and examining them for appropriateness, accuracy and authorization

Appendix Exhibit 1: Parcel Tax Rates for Measure N

Parcel Type	Parcel Tax Rate FY 2014-15	Parcel Tax Increase since FY 2010-11
Single Family Residential	$10.56	$0.89
Small Multiple Residential	$21.11	$1.77
Large Multiple Residential	$52.79	$4.44
Commercial	$21.11	$1.77
Industrial	$42.23	$3.55
Rural	$10.56	$0.89
Institutional	$10.56	$0.89

Appendix Exhibit 2: Measure N Revenue by Parcel Type



Appendix Exhibit 3: Historical Measure N Revenue and Expenditures

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Revenue	$1,430,524	$1,444,021	$1,491,146	$1,649,092[6]	**$1,568,624**
Expenditures					
Salaries + Benefits	$1,057,918	$1,070,731	$1,314,602	$1,384,397	**$1,219,515**
Supplies	$226,244	$262,792	$146,992	$159,557	**$136,171**
Facilities	$39,260	$165,088	$198,048	$142,603	**$141,672**
County Administrative Fee	$23,275	$23,608	$24,229	$24,801	**$25,400**
Overhead	$50,453	$54,138	$65,483	$83,831	**$65,230**
Other[7]	$93,196	$91,989	$55,667	$106,002	**$35,754**
Capital/Non-Capital Assets	$0	$737,422[8]	$0	$0	**$0**
Total	$1,490,346	$2,405,768	$1,805,021	$1,901,191	**$1,623,742**
Change in Prior Year Ending Fund Balance	-$59,822	-$961,747	-$313,875	-$252,099	**-$55,118[9]**

[6] This amount includes $104,940 in proceeds from a one-time miscellaneous sale.
[7] Categories include miscellaneous contracting, minor computer equipment, conference registration and continuing education resources depending upon the year.
[8] This was for purchases of cardiac monitors, chest compression devices and automatic external defibrillators.
[9] The fund balance by fiscal year is located in Exhibit 2 of the report.

Appendix Exhibit 4: Positions Historically Funded by Measure N

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY2014-15
Administrative Assistant	1	1	1	1	**1**
Emergency Medical Services Coordinator	3	3	3	3	**3**[10]
Fire Division Manager	1	1	1	1	**1**
Battalion Chief			.75	.75	**.75**
Temporary Part-Time Emergency Medical Services Instructor	1	1	1	1	**1**
Accountant	.10	.10	.10	.10	**.10**
Program Analyst					**.25**

[10] One of the three positions is vacant as of this report date.

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Office of the City Administrator
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City Administrator

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June 16, 2016

The Honorable Brenda Roberts
Oakland City Auditor
1 Frank H. Ogawa Plaza, 4th Floor
Oakland, CA 94612

RE: Measure N Audit for Fiscal Year 2014-2015

Dear City Auditor Roberts:

I am pleased to provide you with the City Administrator's response to the Measure N Audit for Fiscal Year 2014-15. The Administration and the Oakland Fire Department (OFD) welcome audits to improve efficiency, effectiveness, and the safeguarding of tax payer dollars.

Measures N was approved by voters in 1997, and authorizes a special tax to fund Paramedic Services. Funds collected and dispersed under Measure N are required to undergo an annual audit by the City Auditor to assure accountability and the proper disbursement of the proceeds of these taxes in accordance with the objectives stated in the measure language.

As stated in the Audit, all expenditures that were examined were properly authorized and in agreement with Measure N. On average, the Fire Department used 74 percent of the funds to pay for the salary and benefits of emergency technical and dispatch staff.

Since the period covered by the audit, July 1, 2014 through June 30, 2015, many positive changes have been made within the Fire Department concerning financial management and controls. For example, and as noted in your audit, the Fire Department has formalized spending and cash management guidelines for Measure N funds.

I look forward to working with you in continuing to target key areas that could result in additional ways to improve accountability and transparency of the City's use of Measure N funds.

Sincerely,

Sabrina B. Landreth
City Administrator

CC: Teresa Deloach Reed, Chief, Fire Department
Kirsten LaCasse, Interim Controller