

City of Oakland Office of the City Auditor

Measure N Performance Audit: The City Used Paramedic Services Funds Appropriately

June 30, 2008



City Auditor
Courtney A. Ruby, CPA



June 30, 2008

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
OAKLAND, CALIFORNIA

RE: Measure N Performance Audit: The City Used Paramedic Services Funds Appropriately

Dear Mayor Dellums, President De La Fuente and Members of the Council:

I am pleased to present a performance audit of the use of the parcel tax proceeds from the Paramedic Services Act of 1997 (Measure N). In 1997, the voters of the City of Oakland (City) passed Measure N, which imposed a special tax on all parcels in the City of Oakland to raise revenue necessary to increase, enhance, and support paramedic services in the City.

The objective of our audit was to determine whether the proceeds from Measure N were properly disbursed in accordance with the objectives established in the ballot measure. Our audit found that the City spent Measure N monies in accordance with the measure—to increase, enhance, and support paramedic services in the City of Oakland. However, the language of the measure provides the City with broad discretion on how the funds can be used and we believe the City would be better served if it developed formal guidance on how these monies should be used.

The Measure N Fund had a balance of over \$1.4 million as of June 30, 2007, and we recommend the City take steps to reduce this balance and establish an appropriate reserve. If the City cannot reduce the fund balance, it should consider suspending the annual parcel tax rate increase until the fund balance is reduced to an acceptable level.

In response to the Administration's response, I want to emphasize that in the absence of procedures to ensure consistent and proper use of these funds, the City cannot provide the public with reasonable assurance that the measure's objectives are being met and that the interest of the public is being served. As I have stated in other reports released, I believe it is incumbent upon us as public servants to foster a sound internal control environment which will translate into increased public confidence.

I would like to express my appreciation to the City Administration for their cooperation during our audit. A response from the Administration is included in the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Courtney A. Ruby". The signature is written in black ink and is positioned above the printed name.

COURTNEY A. RUBY, CPA
City Auditor

City of Oakland
Office of the City Auditor

Measure N Performance Audit:
The City Used Paramedic Services
Funds Appropriately

June 30, 2008

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EXECUTIVE SUMMARY

In 1997, Oakland voters passed the “Paramedic Services Act of 1997” (Measure N). The purpose of this measure was to impose a special tax on all parcels in the City of Oakland (City) to raise revenue necessary to increase, enhance, and support paramedic services in Oakland. In fiscal years 2005-06 and 2006-07, the Fire Services Agency (Agency) spent over \$2.4 million in Measure N monies. The Agency spent \$1.8 million, or over 74 percent of these monies, on personnel services, \$522,000 on operations and maintenance costs, and another \$105,000 on overhead costs. We concluded that the Agency spent Measure N monies in accordance with the measure—to increase, enhance, and support paramedic services in the City of Oakland. However, we believe that the City would be better served if it developed formal guidance on how these monies should be used. In addition, the Measure N Fund had a balance of over \$1.4 million as of June 30, 2007, and we recommend the City take steps to reduce this balance and establish an appropriate reserve.

INTRODUCTION

The Office of the City Auditor completed a required review of the use of the parcel tax proceeds of the Paramedic Services Act of 1997 (Measure N). Specifically, the Office conducted this audit to determine whether the City of Oakland (City) spent Measure N monies in accordance with the objectives specified in the measure.

Background

In 1997, Oakland voters passed the “Paramedic Services Act of 1997.” The purpose of this measure was to impose a special tax on all parcels in the City of Oakland to increase, enhance, and support paramedic services in Oakland. Alameda County (County) is designated as the local emergency medical services agency and is responsible for approving paramedic service providers within its jurisdiction. Prior to the voters’ approval of Measure N, the Oakland Fire Services Agency (Agency) was the first responder on all medical emergencies and provided basic life support services but the County also contracted with American Medical Response to provide advanced life support services. Measure N allowed the Agency to implement a paramedic services program. The County now contracts with the City to be the first responder on medical emergencies and to provide basic and advanced life support services on medical emergencies in the City.

Parcel Tax Rate

Measure N imposed varying tax rates on parcels depending on the types of structures on the property. The initial tax rates imposed under the measure were as follows:

- \$7.18 for single family residences, rural and institutional parcels;
- \$14.36 for small multiple residential (2-4 units) and commercial parcels;
- \$28.72 for industrial parcels; and
- \$35.90 for large multiple residential (5 or more units) parcels.

The measure also gave the City Council the authority to increase the tax rates through a prescribed formula after the third year of the imposition of the tax and each year thereafter. The measure allows the City Council to approve tax rate increases that are the lesser of (1) the increase in the Consumer Price Index in the San Francisco Bay Area using 1997 as the index year, or (2) 5 percent above the tax rates imposed in the previous year.

Accordingly, the City Council has increased the tax rates for Measure N each fiscal year following the third year of imposition of the tax, which has resulted in a 26 percent increase in the parcel tax rate since the measure's passage. The latest parcel tax rate increase was effective July 1, 2007. Table 1 summarizes the tax rate initially imposed and the current parcel tax rate.

TABLE 1
SUMMARY OF PARCEL TAX RATE
INCREASES FOR MEASURE N

Parcel Type	Initial Rate	FY 2007-08 Rate	Percentage Increase
Single Family Residential	\$ 7.18	\$ 9.03	26%
Small Multiple Residential (2-4 units)	\$ 14.36	\$ 18.06	26%
Large Multiple Residential (5 or more units)	\$ 35.90	\$ 45.17	26%
Commercial	\$ 14.36	\$ 18.06	26%
Industrial	\$ 28.72	\$ 36.14	26%
Rural	\$ 7.18	\$ 9.03	26%
Institutional	\$ 7.18	\$ 9.03	26%

Measure N Revenues and Expenditures

Measure N authorized the City Council to request the County to collect this parcel tax in conjunction with the County's collection of property tax revenues for the City. Since the inception of Measure N through June 30, 2007, the City has received a total of over \$10.9 million in parcel tax revenues from the County. In addition to the parcel tax revenues, the Measure N Fund has received approximately \$690,000 in interest and other revenues.¹ Thus, in total, the City has had nearly \$11.6 million available to spend to increase, enhance, and support paramedic services in Oakland. A summary of the revenues available for Measure N is displayed in Table 2.

TABLE 2
SUMMARY OF MONIES AVAILABLE
FOR MEASURE N
FISCAL YEARS 1998 THROUGH 2007

Total Revenue Received from County	\$10,905,277
Interest and Other Revenue ¹	<u>689,798</u>
Total Revenue	<u>\$11,595,075</u>

¹ In fiscal years 2005-06 and 2006-07, the Agency received \$5,713 in reimbursements for providing emergency medical services training to other cities' fire departments.

Since the inception of the measure through fiscal year ending June 30, 2007, the City has spent \$10,147,900 in Measure N monies. The Audit Results section describes how the City has spent these monies.

The City accounts for all Measure N revenues and expenditures in a separate fund, Fund 2250, hereinafter referred to as the Measure N Fund. As of June 30, 2007, the year-end fund balance was \$1,447,175. The amount of the fund balance is discussed in the Audit Results section.

Oakland Fire Service Agency's Paramedic Program

Almost 80 percent of the Agency's emergency calls are medical in nature. Accordingly, all of the Agency's sworn staff are Emergency Medical Technicians and are trained to provide basic life support in medical emergencies. Basic life support refers to a specific level of pre-hospital medical treatment that trained responders can provide. The basic life support treatment may include, but is not limited to, protecting and maintaining the patient's airways, breathing support, cardiopulmonary resuscitation, stopping bleeding, splinting of fractures, managing spinal injuries and protecting and transporting patients in accordance with accepted procedures. Basic life support generally does not include the use of invasive drugs.

Licensed paramedics are allowed to perform advanced life support in urgent medical emergencies. Advanced life support includes all basic life support measures, as well as invasive medical procedures. These procedures may include but are not limited to: intravenous therapy, cardiac defibrillation, administration of antiarrhythmic medications and other drugs, medications, and solutions. Advanced life support may also include inserting a tube into the patient's throat to secure the air passages.

The Agency has a Firefighter/Paramedic rank and assigns this rank on each of the 24 engine companies and two truck companies in the City. The Agency assigns 78 Firefighter/Paramedics to ensure that these companies have a licensed Firefighter/Paramedic at all times. In addition, the "Memorandum of Understanding" Between City of Oakland and International Association of Firefighters Local 55 (MOU) requires the Agency to maintain a relief pool of at least 15 paramedics, who are in addition to the 78 Firefighter/Paramedics assigned to the engine and truck companies on a full-time basis. The MOU requires the City to pay a premium of 10 percent above the top step of a firefighter's regular base pay when a licensed paramedic is assigned to the paramedic relief pool.

The Agency's Emergency Medical Services Program staff provides and coordinates training for paramedics, other firefighters, and the public. In fiscal years 2005-06 and 2006-07, Emergency Medical Services had five budgeted full time equivalent (FTE) positions funded from Measure N. These positions were one Emergency Medical Services Manager, one Emergency Medical Services Coordinator, one Administrative Assistant, and two full-time equivalent instructors. Emergency Medical Services manages programs related to all 9-1-1 medical emergencies, including continuous paramedic training in accordance with local, state, and federal guidelines, implementing Metropolitan Medical Response, maintaining an inventory of equipment for basic and advanced life support, and developing community preventive health programs. In addition, the program provides paramedic related classes, such as CPR, First Aid, and Automatic Emergency Defibrillation, for citizens and businesses.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objective of this audit was to determine whether the proceeds from Measure N were properly disbursed in accordance with the objectives established in the ballot measure.

Audit Scope

The scope of the audit was all Measure N monies spent in fiscal years 2005-06 and 2006-07.

Audit Methodology

To determine whether the City has disbursed the proceeds in accordance with the ballot measure, we reviewed the ballot language and discussed how the monies can be used with a representative from the Office of the City Attorney. We also met with representatives from the Agency to determine how they use Measure N monies. To determine whether the City used the monies in accordance with the measure, we analyzed payroll expenditures, operations and maintenance expenditures, and overhead expenditures charged to the Measure N Fund to determine if these expenditures were consistent with the intent of the measure. For example, for payroll expenditures, we identified the staff costs charged to the Measure N Fund and assessed whether their duties were consistent with the objectives established in the measure. Similarly, we analyzed

operating and maintenance expenditures charged to the Measure N Fund to determine whether these expenditures were consistent with the intent of the measure. For overhead, we verified that these charges were consistent with the City's methods for applying overhead.

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.

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AUDIT RESULTS: THE CITY HAS USED MEASURE N MONIES APPROPRIATELY BUT MORE FORMAL GUIDANCE ON THE USE OF THESE MONIES IS NEEDED

Measure N provides the City with broad discretion on how the monies can be used. Specifically, the measure allows the monies to be used to increase, enhance, and support paramedic services. In fiscal years 2005-06 and 2006-07, the Agency spent over \$2.4 million in Measure N monies. The Agency spent \$1.8 million, or over 74 percent of these monies, on personnel services, \$522,000 on operations and maintenance costs, and another \$105,000 on overhead. We concluded that the Agency spent Measure N monies in accordance with the measure—to increase, enhance, and support paramedic services. However, we believe that the City would be better served if it developed formal guidance on how these monies should be used. In addition, the Measure N Fund had a balance of over \$1.4 million as of June 30, 2007, and we recommend the City take steps to reduce this balance and establish an appropriate reserve.

The City Has Used Measure N Monies Appropriately

The Measure N language provides the City with broad discretion on how the funds can be used. Specifically, Measure N states:

The tax imposed under this ordinance is solely for the purpose of raising revenue necessary to increase, enhance, and support paramedic services in the City of Oakland.

In fiscal years 2005-06 and 2006-07, the Agency spent over \$2.4 million in Measure N monies, \$1,174,947 in 2005-06 and \$1,255,624 in 2006-07. Table 3 shows Measure N monies spent by expenditure category.

TABLE 3
MEASURE N EXPENDITURES
BY CATEGORY
FY 2005-06 AND FY 2006-07

Expenditure Category	FY 2005-06	FY 2006-07	Total	Percent of Total
Personnel Services	\$ 877,309	\$ 925,979	\$ 1,803,288	74.2%
Operations and Maintenance	247,275	275,282	522,282	21.5%
Overhead	50,363	54,638	105,001	4.3%
Totals	\$ 1,174,947	\$ 1,255,624	\$ 2,430,571	100%

As Table 3 shows, in fiscal years 2005-06 and 2006-07, the Agency spent the majority of Measure N monies on personnel services. Specifically, during the last two fiscal years, the Agency spent 74.2 percent of Measure N monies on personnel costs. Furthermore, the Agency spent 21.5 percent of Measure N monies on operations and maintenance costs, and overhead accounted for the remaining 4.3 percent of expenditures.

Our review found that these expenditures were in accordance with Measure N's broad directive to increase, enhance, and support paramedic services. However, the Agency has adopted a narrow view of how these monies can be used. Most of these monies have not been used to pay for any of the Firefighter/Paramedic positions. Rather, the Agency has used these monies to pay for the salaries, fringe benefits, and leave costs of Agency staff that oversees the training of paramedics.

Additionally, in fiscal years 2005-06 and 2006-07, the Agency used Measure N monies to pay for the paramedic premiums to licensed paramedics assigned to the relief pool. As mentioned in the Background section of the report, the MOU requires the City to pay a premium to licensed paramedics assigned to the paramedic relief pool. Accordingly, the Agency spent Measure N monies on paramedic premiums totaling \$228,000 in 2005-06 and an additional \$223,000 in 2006-07.

The operations and maintenance expenses charged to Measure N included, but are not limited to, medical supplies, paramedic equipment, training, office supplies, and contract payments to a physician to ensure that the Agency's Emergency Medical Technicians and Firefighter/Paramedics follow the appropriate medical protocols when providing basic and advanced life support services.

The City charges certain funds an overhead rate, referred to as Central Service Overhead, to recover general administrative costs associated with those operations providing direct services. The overhead costs were consistent with the City's procedures for calculating overhead costs.

The City Needs to Develop Formal Guidance on How to Use Measure N Monies

The City has not developed any written policies and procedures regarding how Measure N monies can be used. Thus, the City lacks any formal guidance on how these monies can or cannot be used. Therefore, the decisions on how Measure N monies can be spent are left to the discretion of Agency staff.

In our opinion, the City needs to develop formal guidance on the use of Measure N monies to ensure consistent and proper use of these monies. We contacted other jurisdictions in Alameda County that passed similar ballot measures to support emergency medical services to determine if these jurisdictions have more guidance on the use of the monies raised in their jurisdictions. Several of these jurisdictions had more specific language in their ballot measures that better defines how these monies can be used. For instance, the City of Berkeley's measure states that the taxes imposed are to be used for emergency services, which the measure defines as "emergency medical care and transport to residents and emergency responders, medical training within the Berkeley Fire Department, payments for the reasonable and direct costs of EMS services provided by Alameda County to the City, and activities incidental thereto." Similarly, the City of Livermore's tax states that the purpose of the measure is to continue to fund emergency medical services. According to the measure, "Emergency medical services shall mean salaries, equipment, and training required to provide (first-in) response by fire personnel to provide advanced life support to persons suffering medical emergencies."

In comparison to Oakland's Measure N, the other jurisdictions' measures have more specific definitions of how their special tax monies can be used to pay for emergency medical services. Furthermore, the measures in these jurisdictions provide for a broader use of their special tax monies than currently used by the City of Oakland. Specifically, the measures in the other jurisdictions allow these monies to be used to pay for the costs of sworn staff providing paramedic services. In Oakland, Measure N monies are used primarily to pay for the staff that provide and coordinate the training of paramedics, as well as the supplies and equipment needed for emergency medical care. The only Measure N monies used for sworn staff is the premium paid to members of the paramedic relief pool.

In our opinion, the City needs to develop formal guidance on the use of Measure N monies to ensure consistent and proper use of these monies. Formal written policies and procedures are a fundamental component of an organization's management that provides reasonable, though not absolute, assurance that management's objectives are being met. Therefore, we recommend that the City Administration develop a policy and procedure defining how Measure N monies can be used. Specifically, the policy and procedure should clearly state the specific programmatic activities that can be funded with Measure N monies and the allowable costs associated with these activities. This policy and procedure should also identify responsibility for enforcing its provisions.

The Measure N Fund Has a Significant Balance

At the end of the fiscal year 2006-07, the Measure N Fund had a significant balance of over \$1.4 million. This balance was accumulated in the first few years after the measure was passed. For instance, in the first two years after the measure was passed, the City received nearly \$1.9 million in revenues and spent only \$10,500. Although spending has increased significantly, the Measure N Fund had a balance of over \$1.4 million at the end of fiscal year 2006-07. Since the inception of the measure, the Measure N Fund's year-end balance has ranged from \$947,209 (in 1997-98, the first year after the measure passed) to \$2,613,265 in 2000-01. Moreover, the Measure N Fund's year-end balance has averaged over \$1.8 million since the passage of the measure.

According to Agency officials, the City has received several federal grants which have been used to purchase supplies and equipment for emergency medical services. If the City had not received these grants, the Agency would have used more Measure N monies to pay for these purchases. While the use of these grant monies has been beneficial for the City, Agency officials believe that it has contributed to the amount of the Measure N fund balance.

Although the Measure N Fund has a significant balance, City staff has requested the City Council to approve an increase to the tax for each of the last eight years. In our opinion, the Fire Services Agency should work with the Office of the City Administrator and the Finance and Management Agency to reduce the year-end balance for the Measure N Fund. These steps should include developing a policy on an appropriate reserve for the Fund, developing a long term expenditure plan for Measure N monies, budgeting expenditures at a level commensurate with the estimated annual revenues, monitoring the fund balance, and identifying other uses for these

monies that are consistent with the uses specified in the measure. If the City cannot reduce the fund balance, it should consider suspending the annual parcel tax rate increases until the fund balance is reduced to an acceptable level.

In response to the audit, the Agency has developed a spending plan for fiscal year 2008-09. The proposed fiscal year 2008-09 spending plan identifies nearly \$300,000 in purchases for equipment and medical supplies. The Agency also anticipates purchasing an estimated \$700,000 in cardiac monitors/defibrillators beginning in fiscal year 2009-10. Although this is a positive step in addressing the recommendations, the Agency should develop a long term spending plan for Measure N monies and implement the other recommendations mentioned above.

CONCLUSION

Our review found that the Agency spent \$2.4 million in Measure N monies in fiscal years 2005-06 and 2006-07. The Agency spent most of these monies, 74 percent, on personnel services associated with providing and coordinating the training of paramedics and premiums paid to members of the paramedic relief pool. The Agency spent the remaining monies on operations and maintenance costs and overhead. Our review concluded that these monies were spent in accordance with the broad directive of the measure to increase, enhance, and support paramedic services in Oakland. However, we believe that the City would be better served if it developed formal guidance on how these monies should be used. In addition, the Measure N Fund had a balance of over \$1.4 million at the end of the fiscal year 2006-07. The City should take steps to reduce this balance.

Recommendations

RECOMMENDATION No. 1: The City Administration should develop a policy and procedure defining how Measure N monies can be used. Specifically, the policy and procedure should clearly state the specific programmatic activities that can be funded with Measure N monies and the allowable costs associated with these activities. This policy and procedure should also identify responsibility for enforcing its provisions.

RECOMMENDATION No. 2: The Fire Services Agency should work with the Office of the City Administrator and the Finance and Management Agency to reduce the year-end balance for the Measure N Fund. These steps should include developing a policy on an appropriate reserve for the fund, developing a long term expenditure plan for Measure N monies, budgeting expenditures at a level commensurate with the estimated annual revenues, monitoring the fund balance, and identifying other uses for these monies that are consistent with the uses specified in the measure. If the City cannot reduce the fund balance, it should consider suspending the annual parcel tax rate increases until the fund balance is reduced to an acceptable level.



Inter-Office Memo

Office of the City Administrator

June 18, 2008

To: Courtney Ruby, City Auditor

From: Deborah Edgerly, City Administrator *DE*

Re: Response to Draft Measure N Audit Findings and Recommendations

I have reviewed the May 29, 2008 Final Draft Measure N Audit Report and am pleased that the City Auditor has confirmed that the City has expended Measure N funds in accordance with the provisions of the ballot measure. Responses to the two recommendations included in the audit report are provided below.

Recommendation No. 1:

The City Administration should develop a policy and procedure defining how Measure N monies can be used. Specifically, the policy and procedure should clearly state the specific programmatic activities that can be funded and the allowable costs associated with these activities. This policy and procedure should also identify responsibility for enforcing its provisions.

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Response:

The Measure N initiative clearly states the purpose for which these funds may be utilized – to increase, enhance, and support paramedic services. A written policy would merely re-state this measure language and would therefore serve no useful purpose. Such written policies defining specifically how monies may be used do not exist for any of the City's other funds. In addition, direction for the appropriate expenditure of all City funds is provided in the City's Budget which is reviewed and adopted by the City Council. The audit recommendation disregards the fact that staff has consistently demonstrated a clear understanding of the guidelines for the appropriate expenditure of Measure N funds. Measure N funds are currently utilized by the Fire Department to fund five full-time equivalent positions which cover administrative services to the Emergency Medical Services (EMS) program, design of the EMS training curriculum, instructors who provide EMS training and to purchase advance life support equipment.

The audit also recommends establishing a written procedure for the expenditure of Measure N funds. The City currently has in place detailed purchasing procedures for the expenditure of all City funds. The procedure for the expenditure of Measure N funds falls within the existing purchasing guidelines.

Recommendation No. 2:

The Fire Services Agency should work with the City Administrator's Office and the Finance and Management Agency to:

- reduce the year end balance for the Measure N Fund. These steps should include developing a policy on an appropriate reserve for the fund, developing a long term expenditure plan for Measure N monies, budgeting expenditures at a level commensurate with the estimated annual revenues, monitoring the fund balance, and identifying other uses for these monies that are consistent with the uses specified in the measure.
- If the City cannot reduce the fund balance, it should consider suspending the annual parcel tax rate increases until the fund balance is reduced to an acceptable level.

Response:

A review of annual revenues and expenditures indicates that each year expenditures do closely approximate total revenue collected. The current fund balance of \$1.4 million can be attributed to the fact that the Oakland Fire Department has been actively seeking grant funds to purchase medical related equipment and supplies and that the fund balance has been intentionally grown to be used when major medical equipment needs to be replaced as was the case in FY 2004-05 when \$875,000 in Measure N funds were utilized to purchase replacement defibrillators. The Fire Chief has a plan for the expenditure of approximately \$1 million of the Measure N fund balance for the purchase of replacement medical equipment. This plan was discussed with the City Auditor prior to completion of the audit and during the May 21, 2008 audit exit conference and was also documented in an April 30, 2008 memorandum from the Fire Chief to the City Auditor (copy attached). (2)

Staff does concur with the recommendation to develop a target reserve fund balance for the Measure N fund. However, it should be understood that the Measure N fund balance will most likely exceed the recommended minimum reserve level as funds are accumulated for the orderly purchase of replacement medical equipment.

In summary, the audit finding that Measure N funds have been expended properly is accurate. The recommendation for written policies and procedures for the expenditure of these funds ignores the fact that these guidelines are already provided within the initiative language and the City's purchasing procedures and disregards the fact that staff has consistently demonstrated a clear understanding of these guidelines. (3)

cc: Daniel Farrell
William Noland
William Zenoni

CITY OF OAKLAND

MEMORANDUM

To: Courtney Ruby, City Auditor
From: Daniel D. Farrell, Fire Chief
Date: April 30, 2008

Subject: Measures M & N

The purpose of this memo is to respond to our discussion that took place on April 4, 2008 with your staff on the Measure M and Measure N internal audit for the periods of FY 2005-06 and FY 2006-07.

Our discussion was focused on the following:

1. "... the City Council direct City staff to develop regulations on how Measure (M & N) monies should be used."
2. "Take steps to reduce the Measure (M & N) fund balance."

The following are our responses:

It is my position that the City Council has in fact promulgated the parameter for use of Measures M & N fund, through their approval of departmental budgets. As outlined we (OFD) continue to utilize the Measure language and guideline for our fund expenditure.

Measure M

1. The Measure M language is used as the guideline for utilizing Measure M funds. For example, Measure M is used "for the following services:

"The Emergency Medical Dispatch Center, which receives medical 911 calls, helps the caller to determine the best medical response, and provides initial medical advice while firefighters are on the way.

Training and equipment for firefighters to perform Basic Life Support emergency medical response. Basic Life Support includes monitoring blood pressure, stopping bleeding, defibrillation for irregular heart beat, treatment for shock, and temporary support for broken bones.

Continued training for firefighters to ensure and improve high quality basic medical service in Oakland." (see attached)

Currently, we use Measure M funds to fund 10 dispatcher positions and 1 medical quality assurance position. In addition, we use Measure M funds to provide medical service supplies and required training.

2. As discussed and your staff concurred, the current annual expenditure is at about the same level of the revenue collection. The \$1.38 million fund balance is mainly attributed to the one-time carry forward from 1997-1999 due to the time it took to implement the Emergency Medical Service (EMS) program. We believe that the one-time saving should be used for one-time expenditure items. Oakland Fire Department (OFD) has submitted a request to interpret the fund usage and see whether the fund is qualified for purchasing fire engines. A fire engine is the primary apparatus to carry our

personnel to the medical scene and provide Basic Life Support and Advance Life Support emergency medical services.

Measure N

1. The Measure N language is the guideline for utilizing Measure N funds. For example, Measure N is used “for the following services:

“Paramedic training for firefighters to give Advance Life Support emergency medical response. Advance Life Support includes giving life-saving medication, replacing blood loss with intravenous fluids, and keeping air passages open by intubation. Paramedic firefighters are in contact with an Emergency Room physician and act only at his/her direction, until the ambulance staff arrives and takes over.

Advance Life Support equipment and supplies for each fire engine.” (see attached)

OFD is currently using Measure N funds to provide funding for 5 full-time equivalent positions, which cover administrative service to the Emergency Medical Service (EMS) program, design of the EMS training curriculum, instructors who provide EMS training, and keep records of EMS training.

Measure N funds are also used to provide Advance Life Support equipment. For example, in 2004-05, EMS division purchased defibrillators in the amount of \$875,000.

2. The Measure N fund balance was \$1.5 million as of the end of FY 2006-07. The fund balance can be attributed to two reasons: (1) OFD has been actively seeking grant funds to purchase medical related supplies and equipment; and (2) the fund balance is to be used when medical equipment needs to be replaced as was the case in FY 2004-05 for the defibrillators.

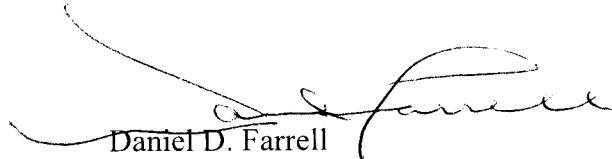
These are some examples for which we used the federal grant funds to purchase medical equipment:

- a. \$6,360.66 for various medical supplies on 9/26/06
- b. \$287,301.02 for SCBA on 2/9/07
- c. \$82,402 for the Haz Mat van on 10/11/07
- d. \$123,100.06 medical supplies on 2/15/02
- e. \$251,899.94 medical supplies on 12/15/01.

Staff also had developed a spending plan of \$991,700 in utilizing the Measure N fund balance.

We appreciate you and your staff’s assistance on this internal audit. If you have any questions

regarding our response, please contact Donna Hom, the Chief Financial Office of the Fire Department, at ext. 2038 or via e-mail at dhom@oaklandnet.com



Daniel D. Farrell
Fire Chief

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Comments

City Auditor's Response to the City Administrator's Response

To provide clarity and perspective, we are commenting on the response from the Office of the City Administrator. In this response, the Office of the City Administrator will be referred to as the Administration.

1. In its response, the Administration states, "The Measure N initiative clearly states the purpose for which these funds may be utilized—to increase, enhance, and support paramedic services. A written policy would merely re-state this measure language and would therefore serve no useful purpose. Such written policies defining specifically how monies may be used to do not exist for any of the City's other funds. In addition, direction for the appropriate expenditure of all City funds is provided in the City's Budget which is reviewed and adopted by the City Council."

We disagree with the points the Administration has raised in the above statement. First, we believe that the language in the measure is so broad that additional written guidance is needed on how the monies can and cannot be used. The ballot measure charges the Director of Finance with the enforcement of the ordinance and authorizes the Director of Finance to prescribe, adopt, and enforce rules and regulations relating to the administration and enforcement of the ordinance. We believe such guidelines are warranted and other jurisdictions in Alameda County that have passed similar ballot measures have more specific definitions on how their tax monies can be used to pay for emergency medical services. Additionally, the City's budget is a high level document that appropriates funding programmatically but does not specifically address how Measure N monies can and cannot be used. Finally, the Administration suggests that the procedure for the expenditure of Measure N funds falls within the City's existing purchasing guidelines and procedures. The City's general purchasing procedures are intended to be the framework for the City's overall purchasing requirements. Thus, these procedures not define specific allowable costs associated with any measure. It is the City's responsibility to use Measure N monies in accordance with the measure and to ensure consistent and proper use of these monies. In the absence of procedures to ensure consistent and proper use of these funds, the City cannot provide the public with reasonable assurance of its compliance with Measure N. For example, a written policy would clearly identify responsibility for enforcing the provisions of Measure N and thereby provide reasonable assurance that the measure's objectives are being met. Thus, we reiterate our recommendation that

the Administration should develop a policy and procedure defining how Measure N monies should be used.

2. Next, in response to Recommendation No. 2, the Administration attributes the Measure N Fund balance to the fact that the Fire Services Agency (Agency) has been actively seeking grant funds to purchase medical related equipment and supplies and that the fund balance has been intentionally grown to be used when medical equipment needs to be replaced.

We would like to point out that the Measure N Fund balance has been consistently high. As page 10 of the report noted, the year-end fund balance has ranged from \$947,000 to \$2.6 million. The year-end fund balance has averaged \$1.8 million since its inception and was over \$1.4 million in fiscal year 2006-07.

While page 11 of the report acknowledges the actions the Agency has taken by developing a spending plan for fiscal year 2008-09, the audit found no existing plan in place to intentionally grow the fund. The Agency's actions are acknowledged as a positive step in the report and we recommend the Agency develop a long-term spending plan in addition to implementing the other recommendations included in Recommendation No. 2.

3. We have one comment in regards to the Administration's summary of its response. The other items mentioned in the summary have already been addressed in our preceding comments. The Administration refers to guidelines in the initiative's language and they have provided examples of these guidelines. As noted earlier, Measure N states "The tax imposed under this ordinance is solely for the purpose of raising revenue necessary to increase, enhance, and support paramedic emergency services in the City of Oakland." This is the only language governing the use of the Measure N monies. As noted earlier, we believe this language is so broad that additional written guidance is needed to define how the monies can and cannot be used. The guidelines that the Administration has referred to in its response are from the published *Arguments In Favor Of Measure N* that accompanied the original ballot measure, but are not a part of the measure's language. According to the Office of the City Attorney, the language in the measure is the only guiding language on how the monies can be used. Again, we believe that this language is too broad and the City should develop a specific policy and procedure on how the Measure N monies can be used.