

CITY OF OAKLAND



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Office of the City Auditor  
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September 17 2015

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 FY 2009-10 through FY 2013-14.

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 want to express our 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.

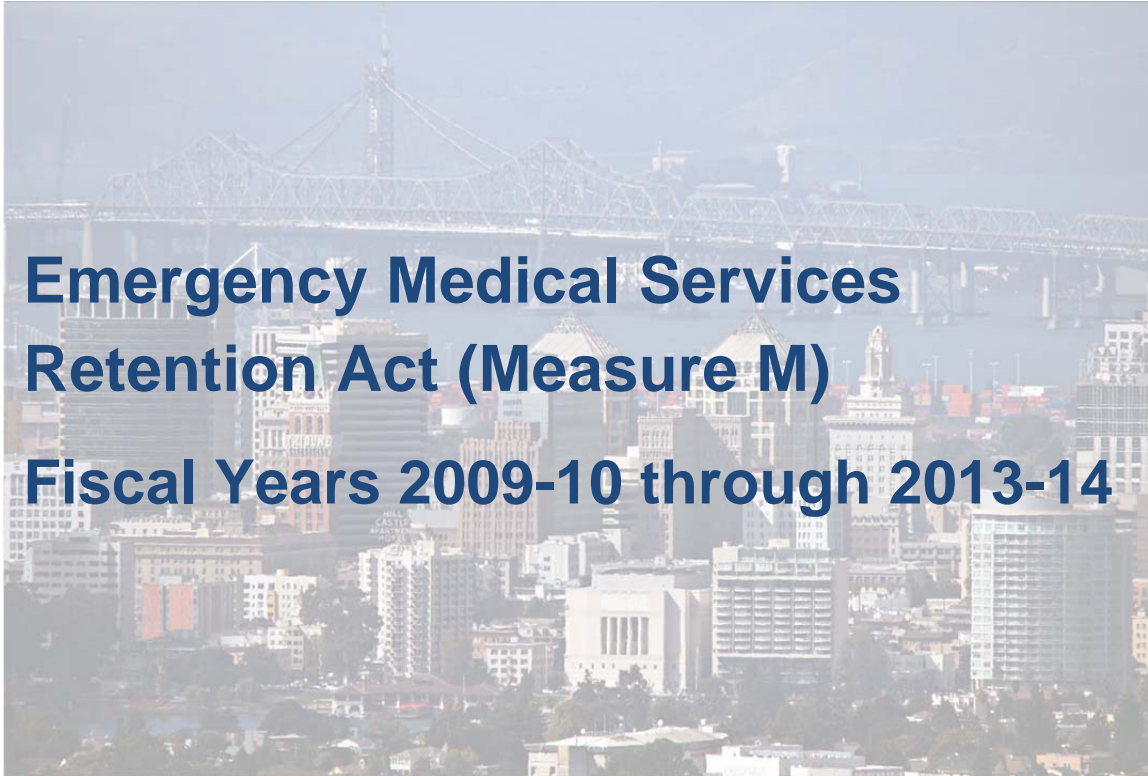
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brenda D. Roberts", followed by a horizontal line extending to the right.

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

City Auditor  
Brenda Roberts  
CPA

September 17, 2015



**Emergency Medical Services  
Retention Act (Measure M)  
Fiscal Years 2009-10 through 2013-14**

Audit Team:

Stephen Lawrence  
CPA  
*Assistant City Auditor*

Tracy Yarlott-Davis  
*Performance Auditor*



CITY OF OAKLAND

**OFFICE OF THE CITY AUDITOR**

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# Introduction and Background

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## Introduction and Objective

In 1997, Oakland voters passed the Emergency Medical Services Retention Act (Measure M), which imposed a parcel tax to support emergency medical services in the City of Oakland (City). Alameda County (County) collects the parcel taxes and remits them to the City.

The City Auditor conducted this audit as part of the Measure M's requirements. We sought to assess the adequacy of internal controls over Measure M 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 \$12.98 annually in the fiscal year 2013-14.<sup>1</sup> Tax rates may be increased by the City Council for cost of living adjustments.<sup>2</sup>

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

The Fire Department primarily used Measure M funds to pay for the technical staff who delivered emergency services. Expenditures included:

- **Employee costs:** Measure M funded Fire Communications Dispatchers, a Fire Communication Dispatch Supervisor, and Emergency Medical Services Coordinators.<sup>3</sup>
- **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.<sup>4</sup>
- **Other:** These expenditures include services to equipment and facilities, and services provided by the City's engineering, accounting, and contract compliance departments.

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<sup>1</sup> A list of parcel types subject to Measure M taxation is located in Appendix Exhibit 1.

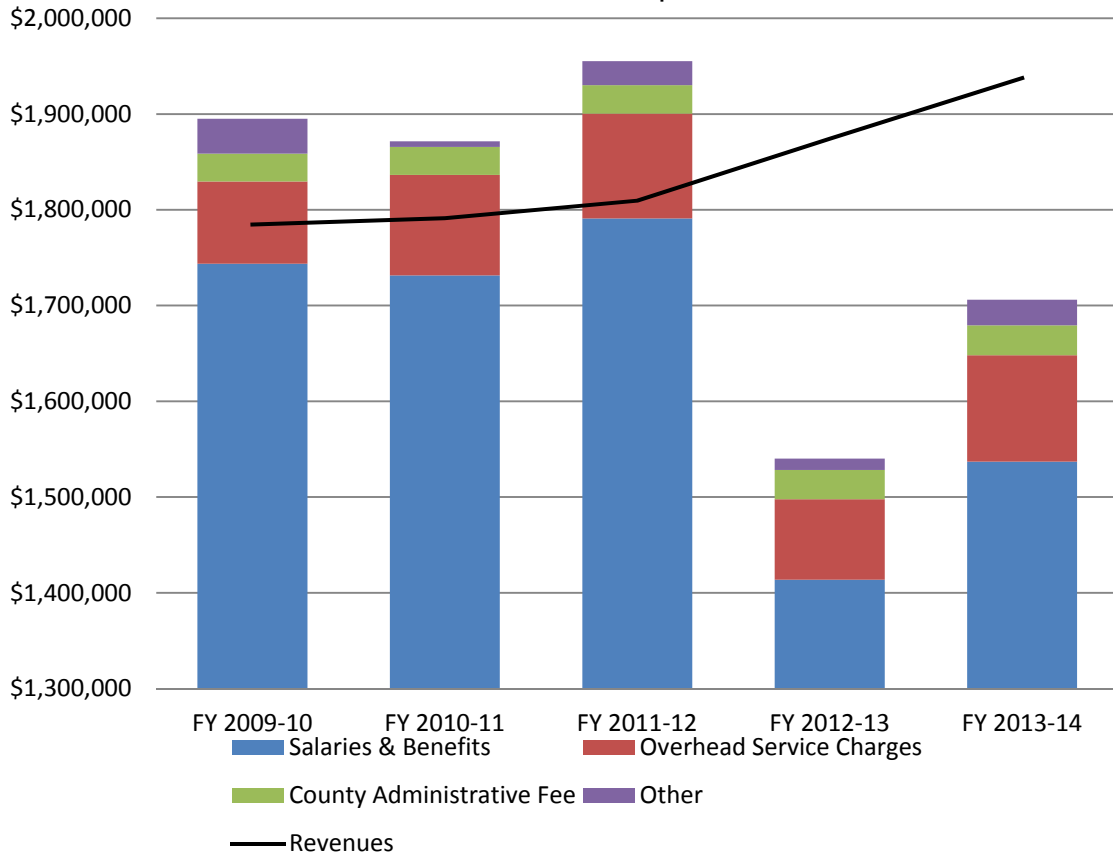
<sup>2</sup> The rate increases are based on the annual cost of living increases in the San Francisco Bay Area, but cannot exceed 5 percent of the previous year's rates. The City uses the Consumer Price Index (CPI), as reported by the US Department of Labor Statistics, to determine the rate increase. The cumulative parcel tax rate increase is 8% over the prior 5 year period.

<sup>3</sup> A list of Measure M funded positions is located in Appendix Exhibit 4.

<sup>4</sup> During the scope of our audit, the County's fee was 1.7% of the assessed amount of the parcels.

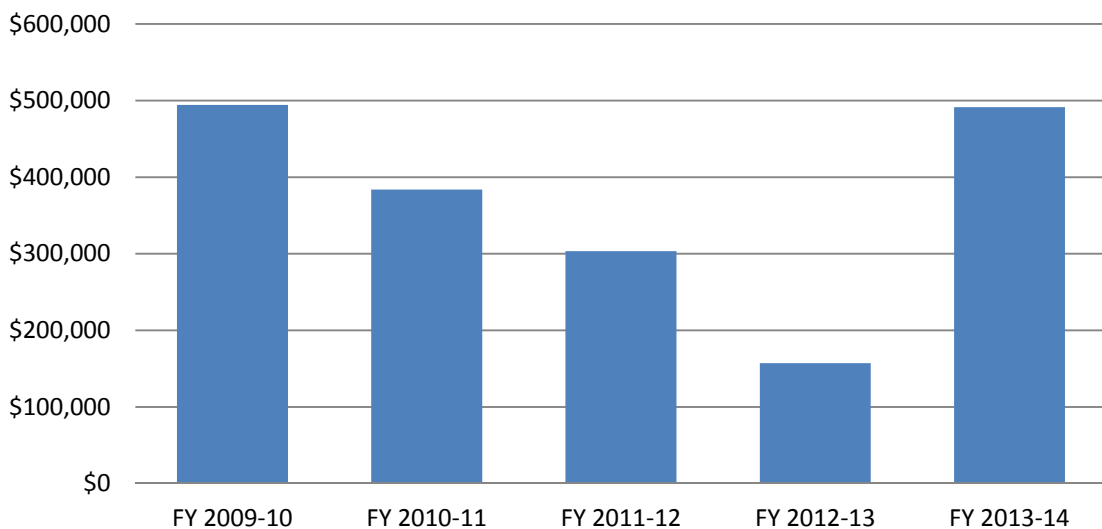
# Introduction and Background

EXHIBIT 1: Measure M Revenues and Annual Expenditures<sup>5</sup>



During the first three fiscal years of our scope, the Fire Department used portions of previous years' fund balances to fund the difference between Measure M revenues and expenditures.

EXHIBIT 2: Measure M Ending Fund Balance by Fiscal Year



<sup>5</sup> For specific expenditure and revenues numbers, please see Appendix Exhibit 3.

# Audit Results

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## **Audit Results:**

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

Measure M provides minimal direction for the specific use of these funds. The ballot measure states that revenue should be used, '...to retain and enhance emergency medical services in the City of Oakland.' All of the expenditures that we examined were in agreement with this broad directive. As noted in Exhibit 1, the Fire Department used, on average, 92 percent of the funds to pay for the salaries and benefits of emergency technical and dispatch staff.

### **2. Formalized spending and cash management guidelines for Measure M Funds**

In past audits, the City Auditor recommended the Fire Department senior management develop policies and procedures to further define how Measure M monies will be used. This is an important internal control to ensure that the monies are supporting services the voters intended. We recommended these guidelines include the following:

- the types of expenditures that may be paid for by these monies;
- a capital expenditure plan for significant equipment purchases;
- policies on an appropriate end-of-year fund balance; and
- cash flow projections for adequate planning of the fund's use over time.

The Fire Department developed a draft policy and a draft management strategy for the administration of the Measure M fund. We reviewed the draft documents with the Fire Department's senior management; management agreed to make certain revisions and then formalize their policy and management strategy. We concluded these drafts and commitment to future action meet the intent of our prior audit recommendation and improve the internal controls over administration of the fund.

# Statement of Compliance, Objective, Scope & Methodology

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## 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 Scope and Objectives

Our objective was to determine whether the Fire Department properly disbursed the proceeds from Measure M in accordance with the objectives established in the ballot measure. The scope of this audit was all Measure M monies collected and spent for the previous five fiscal years, FY 2009-10 through FY 2013-14.

## Methodology

In conducting this audit, we:

- reviewed the Measure M ballot measure language;
- reviewed the results of Measure M audits performed in prior years;
- reviewed controls, policies, and procedures related to the Fire Department's compliance with Measure M;
- interviewed the Fire Department's senior management and accounting staff responsible for administering the Measure M funds; and
- examined Measure M expenditures.



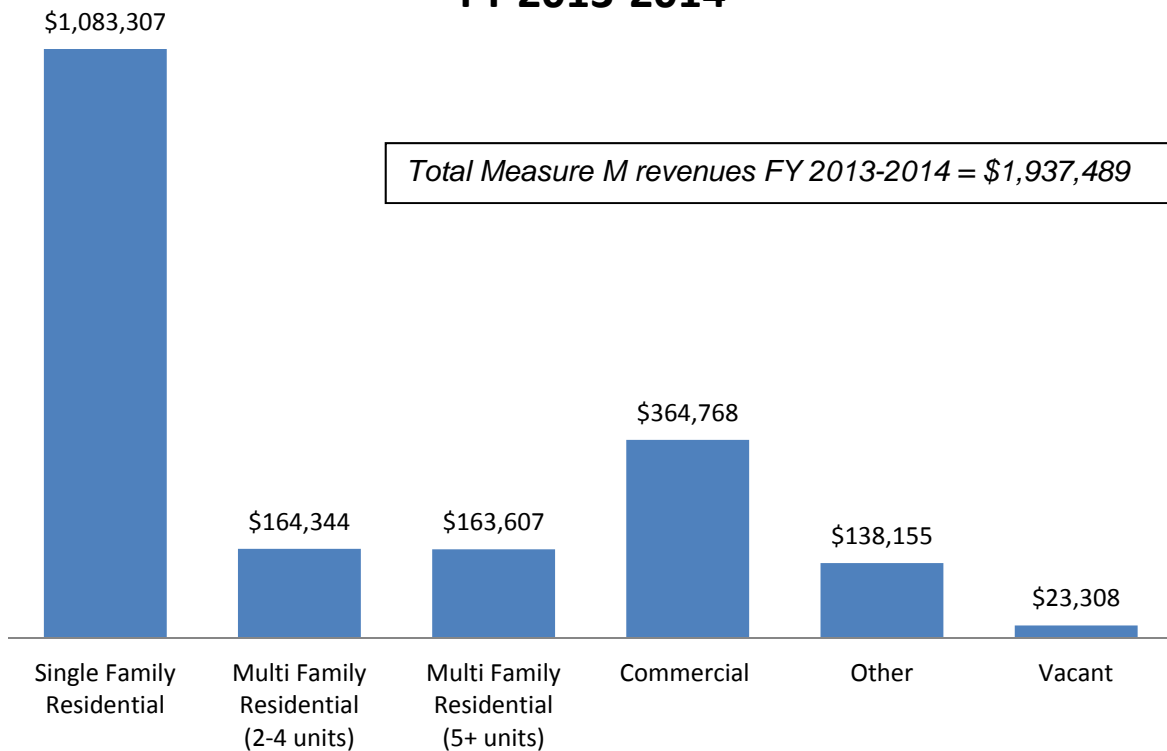
# Appendix Exhibits

## Appendix Exhibit 1: Parcel Tax Rates for Measure M

Parcel Type	Parcel Tax Rate for FY 2013-14	Parcel Tax Increase since FY 2009-10
Single Family Residential	\$12.98	\$0.92
Small Multiple Residential	\$25.95	\$1.82
Large Multiple Residential	\$64.89	\$4.56
Commercial	\$25.95	\$1.82
Industrial	\$51.90	\$3.63
Rural	\$12.98	\$0.92
Institutional	\$12.98	\$0.92

## Appendix Exhibit 2: Measure M Revenue by Parcel Type

### Measure M Revenue by Parcel Type FY 2013-2014



## Appendix Exhibits

### Appendix Exhibit 3: Detailed Measure M Revenue and Expenditures

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b>Revenue</b>	\$1,784,656	\$1,791,176	\$1,809,477	\$1,874,246	\$1,937,489

<b>Expenditures</b>					
Salaries + Benefits	\$1,743,718	\$1,731,466	\$1,791,014	\$1,413,625	\$1,536,940
Overhead Service Charges	\$85,866	\$105,005	\$109,456	\$84,133	\$111,217
County Administrative Fee	\$29,130	\$29,247	\$29,640	\$30,436	\$31,173
Other <sup>6</sup>	\$36,349	\$5,837	\$25,138	\$11,928	\$26,685
<b>Total</b>	<b>\$1,895,062</b>	<b>\$1,871,555</b>	<b>\$1,955,247</b>	<b>\$1,540,121</b>	<b>\$1,706,015</b>

<b>Change in fund balance due to current year expenditures</b>	-\$110,406	-\$80,379	-\$145,771	\$336,238	\$231,474 <sup>7</sup>
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### Appendix Exhibit 4: Positions Funded by Measure M

	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
Fire Communications Dispatcher	9	9	9	9	9
Fire Communications Dispatcher Supervisor	1	1	1	1	1
Emergency Medical Services Coordinator	1	1	1	1	2
Accountant	.10	.10	.10	.10	.10

<sup>6</sup> Categories include miscellaneous contracting, minor computer equipment, vehicle replacement, and divisional overhead depending upon the year.

<sup>7</sup> The ending fund balance total by fiscal year is located in Exhibit 2 of the report.

# City Administrator's Response

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CITY OF OAKLAND



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Office of the City Administrator  
Sabrina B. Landreth  
City Administrator

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August 27, 2015

The Honorable Brenda Roberts  
Oakland City Auditor  
1 Frank Ogawa Plaza, 4<sup>th</sup> Floor  
Oakland, CA 94612

RE: Measure M Audit for Fiscal Years 2009-2014

Dear City Auditor Roberts:

I am pleased to provide you with the City Administration's response to the Measure M Audit for Fiscal Years 2009-2010 through 2013-2014. The Administration and the Oakland Fire Department welcome audits to improve efficiency, effectiveness, and the safeguarding of taxpayer dollars.

Measure M was passed by voters in 1997 to impose a parcel tax to support emergency medical services in the City of Oakland. This audit was conducted as part of the Measure M's requirements. As stated in the audit, all expenditures that were examined were in agreement with the directive of Measure M. The Fire Department used on average 92 percent of the funds to pay for the salaries and benefits of emergency technical and dispatch staff.

Due to this audit, the Fire Department will formalize a spending and cash management guideline for Measure M funds, which will consist of the following:

- The types of expenditures that may be paid for by these monies
- A capital expenditure plan for significant equipment purchases
- Policies on an appropriate end of year fund balance
- Cash flow projections for adequate planning of the fund's use over time.

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

Sincerely,

Sabrina B. Landreth  
City Administrator

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