

Harris County Emergency Services District #11
Expert Report of PKF Texas
Regarding Cypress Creek Emergency Medical Services
November 19, 2021

Privileged and Confidential



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Introduction

The following represents our report in the matter of Plaintiff/Counter-Defendant Cypress Creek Emergency Medical Services Association v. Defendant/Counter- and Third-Party Plaintiff Harris County Emergency Services District v. Third-Party Defendants Koronis Revenue Solutions, LLC, et al (Cause No. 2020-61450). This report and our findings are based on the review of materials submitted to us (Appendix A) by counsel, and our education and experience.

Danielle Supkis Cheek is a former Director and current independent contractor with PKF Texas based in Houston, Texas. Ms. Cheek is a Certified Public Accountant ("CPA") in the State of Texas, a Certified Fraud Examiner ("CFE"), and a Certified Valuation Analyst ("CVA"). In addition, she is a part-time faculty member at the Jones Graduate School of Business at Rice University. She is also the immediate past chair of the American Institute of CPA's Technical Issues Committee and is the US Representative to the Small and Medium Practitioners Committee of the International Federation of Accountants. Ms. Cheek regularly performs forensic accounting investigations, including analyzing the books and records of various companies and individuals in order to evaluate financial transactions to determine the source and use of funds as represented by those books and records. Such an analysis may include summarizing the information to produce assorted schedules, charts, and/or reports.

Christopher Boatcallie is currently a Senior Manager at PKF Texas based in Houston, Texas. Mr. Boatcallie is also a CPA in the State of Texas, a CFE, and a CVA. He has worked in accounting litigation support for seventeen years and has extensive experience in forensic accounting investigations, accounting/audit malpractice, and business consulting. He has worked on complex litigation in both federal and state courts and before the Securities and Exchange Commission ("SEC"), Public Company Accounting Oversight Board ("PCAOB"), and Texas State Board of Public Accountancy ("TSBPA"). He also completed formal investigative training through the Criminal Investigator Training Program ("CITP") at the Federal Law Enforcement Training Center ("FLETC").

Fees for our services were based on the actual time and expenses incurred. Fees are in no way contingent upon our findings or the outcome of this matter.

Ms. Cheek's full credentials and Mr. Boatcallie's full credentials are listed in Appendix B. We reserve the right to amend this report.

Executive Summary

PKF Texas (“PKF”) was hired as an expert for Harris County Emergency Services District #11 (“ESD11”) by Greathouse Holloway McFadden Trachtenberg PLLC (“Greathouse”). We were hired to perform specific procedures in order to assist the Board of Commissioners of ESD11 (“Board”) in evaluating the books and records of Cypress Creek Emergency Medical Services (“CCEMS”) in anticipation/connection with litigation. The scope of the work performed and the limitations of this work are discussed in general in the following section, and the individual procedures are discussed in subsequent sections to this report.

The initial scope was to structure and validate all of the raw data provided by CCEMS, to conduct a high level analytical review of aggregated data provided by CCEMS in order to assist in narrowing the scope and areas of focus for subsequent work, to evaluate the classification and allocation of ESD11 funds in the CCEMS general ledger, to assess the need for further work relating to billing data provided by Koronis Revenue Solutions (“Koronis”), to observe the existence of fixed assets, to assess the reasonableness of inventory, to evaluate the conclusions reached in prior analysis by HSSK and Dan Ramey¹, and to produce an initial report for all the procedures and findings. PKF completed the bulk of the “Initial Procedures”² on December 17, 2020 and presented an “Interim Update”³ in the form of 5 slides to the Board to assist them in evaluating which areas should be evaluated more closely and for developing a scope for any subsequent work or analysis to be performed by PKF. The Initial Procedures have also been called phase one in some correspondence and in early conversations.

The Initial Procedures were strictly used to narrow the scope of subsequent work. While the Interim Update outlined many considerations and areas that warranted potential future work, only the procedures, analysis, and documents that were ultimately relied upon as a basis for the conclusions presented within the body of this report will be discussed. The Initial Procedures did not result in any conclusions. All of our opinions and conclusions are discussed in the body of this report.

While the body of this report outlines many findings and considerations the most substantial findings are:

- 1) Overbilling of Payroll and Health Insurance:
 - a. All CCEMS payroll allocations to ESD11 appeared to be arbitrary and were routinely trued-up at period ends seemingly in order to allocate as much payroll expense to ESD11 as possible, regardless of title/position.
 - b. We believe that Non-EMS employees of CCEMS were being improperly classified as EMS employees for all examined years. The total effect of this misclassification was an overstatement of EMS wages by \$1,714,919.25 from January 1, 2016 through December 31, 2019 before considering the impact of the classification to future budget allocations. We believe that employees were still being misclassified through the end of the contract, but we do not have detailed payroll records for the end of 2020 that would allow us to quantify damages for 2020 or any subsequent periods. The damages relating to these misclassifications would most likely increase for both 2020 and 2021 based on the historical practices of CCEMS.
 - c. ESD11 overpaid \$3,085,144.64 in wages for the Communication Center from 2016 through 2020.
 - d. ESD11 overfunded \$4,994,815.40 in health insurance premiums and claims for CCEMS employees.
- 2) CCEMS Violations of GAAP:
 - a. CCEMS failed to record Incurred-But-Not-Reported (“IBNR”) costs associated with self-insurance.

¹ See the report titled “Analysis of HSSK’s Cypress Creek Emergency Medical Services Report” issued by Houston Financial Forensics (“HFF”) on August 16, 2020 signed by Dan Ramey (“Ramey Report”). The evaluation of these reports is discussed in Appendix C.

² This initial work will be referenced as “Initial Procedures” for the remainder of this report.

³ The summary of the Initial Procedures discussed with the Board on December 17, 2020 will be referenced as the “Interim Update” for the remainder of this report.

- b. CCEMS failed to record a liability for the portion of FEMA proceeds from Hurricane Harvey that was owed to ESD11.
 - c. CCEMS failed to properly record the liability created by overpayments from customers and insurance carriers.
- 3) Instances where CCEMS information was not true and complete:
- a. Non-related general ledger accounts were grouped with ESD11 funding in the audited financial statements.
 - b. Non-EMS Employees were improperly included with EMS wages for all years.
 - c. The annual budgets of CCEMS did not properly reflect the correct allocation of Communication Center wages to ESD11.
 - d. We have seen no evidence that CCEMS properly informed the Board of the change to self-insurance and that ESD11 was paying for more than the employee-only premiums for coverage.
 - e. There was a high frequency of modifications to journal entries in the general ledger of CCEMS that spanned many prior periods. CCEMS was making changes to journal entries years after the transaction was initially recorded in the general ledger.
 - f. There were large discrepancies between amounts reported in the audited financial statements of CCEMS and the Form 990s reported to the IRS.
 - g. CCEMS recorded information in the general ledger that was incorrect such as recording the wrong vendor's name.
 - h. The support provided to ESD11 for its portion of the FEMA proceeds relating to Hurricane Harvey were questionable.
 - i. CCEMS classified meals and entertainment to general ledger accounts that would be misleading to a user of the financial statements.
 - j. CCEMS failed to properly track and process overpayments from customers and insurance carriers.
- 4) Koronis billing data:
- a. Subsequent documentation provided by Koronis and CCEMS assisted in comparing the Koronis Payments Reported to the deposits into CCEMS controlled bank accounts and assisted in explaining the "Koronis Variance"⁴ discussed during the Interim Update. However, we did not perform detailed testing of supporting documentation such as check images, wire advices, lockbox details, etc.
 - b. There were \$603,835.93 of refunds that had not been processed by Koronis or CCEMS from January of 2016 through August of 2020. There were an additional \$74,051.37 of overpayments in the activity provided for 2015. This serves as another piece of evidence for weaknesses in internal controls for each organization and for poor bookkeeping.
- 5) Efficiency of operations concerns as compared to a Benchmark Organization⁵
- a. Insurance Billings provided roughly 98% of funding for MedStar between 2016 and 2019 compared to between 36% and 44% for CCEMS for the same period.
 - b. MedStar realized between 1.96 and 2.38 times the Net Insurance Billings per one 24-hour truck as CCEMS at only 77% - 90% of the total costs from 2017 to 2019 while billing their constituents approximately 10-20% less than CCEMS in gross billings.
- 6) Report of Dan T. Ramey issued August 16, 2020
- a. The Ramey Report does little to fully address the concerns presented in the HSSK Report, sidesteps many of the direct findings in the HSSK Report, and reaches conclusions that are not supported by the evidence. Our discussion of the Ramey Report is attached as Appendix C.

⁴ The term "Koronis Variance" will be used in this report as a reference for the \$11,173,333.58 Koronis Payments Received in Excess of Deposits from the slide deck used in the December 17, 2020 Board meeting.

⁵ PKF compared the audited financial statements of CCEMS to the audited financial statements of Metropolitan Area EMS Authority ("MedStar") as a way of benchmarking the two Companies against one another.

Overall, we question the allocations by CCEMS to ESD11 for Communication Center wages, EMS wages, and health insurance. We also question the competency of the accounting function for Koronis and CCEMS, question the veracity of accounting information the CCEMS reported to the Board, and find that CCEMS was operating significantly less efficiently than a Benchmark Organization.

We also found an overall lack of clarity in the bookkeeping records and many indicators of imprecise bookkeeping and reporting functions that would cause financial information provided to the Board to be neither true nor complete. This means that the previous “Reconciliation Reports”⁶ are unreliable.

Damages for the overfunding by ESD11 for Communication Center Wages, misclassified EMS employees, and improper allocations for Health Insurance are presented in the following table:

Figure 1: Summary of Overfunding by ESD11

Summary of Overfunding by ESD11		
Description	Period	Amount
Misclassified Employees	1/1/2016 - 12/31/2019	\$ 1,714,919.25
Communication Center Wage Allocation	1/1/2016 - 12/31/2020	\$ 3,085,144.64
Health Insurance Allocations	1/1/2016 - 12/31/2020	\$ 4,994,815.40
Subtotal - Overfunding by ESD11		\$ 9,794,879.29
Less: Funds Withheld By ESD11		\$ (2,960,578.82)
Total - Overfunding by ESD11		\$ 6,834,300.47

The information and conclusions presented in this report were based on the information available to us as of the date the report was issued. Subsequent information and documents produced may affect our understanding of the facts and the conclusions reached. We reserve the right to amend or update our opinions based on any subsequent information provided.

⁶ Mark C. Eyring, CPA, was engaged by the ESD11 Board of Commissioners to “review the amounts provided to CCEMS by the District for certain expenditures and to verify the funds provided were used for their intended purpose”. These reports were commonly referred to as “Reconciliation Reports”. We were provided such reports dated May 18, 2017 and July 18, 2019.

Scope of Work and Limitations

This engagement was performed in accordance with the Professional Standards, Code of Professional Conduct, and Statement on Standards for Forensic Services No. 1 (“SSFS”) issued by the American Institute of Certified Public Accountants (“AICPA”) and Professional Standards issued by the Texas State Board of Public Accountancy (“TSBPA”). PKF Texas did not perform an audit or review of financial information. We also did not perform substantive testing of supporting documentation or a detailed review of the underlying records of ESD11, CCEMS, or Koronis. Our findings may have been different had more substantial testing been performed. Our opinions and findings might also change if subsequent information provided to us changes our understanding.

ESD11 expressed concern over the potential mismanagement of the funding provided by ESD11 to CCEMS and the behavior of CCEMS senior management to include the potential for fraud. Typically, management and employees engaged in fraud will take steps to conceal the fraud from others within and outside the organization. Fraud may be concealed by withholding evidence or misrepresenting information in response to inquiries or by falsifying documentation. Management, generally, has a unique ability to perpetrate fraud because it frequently can directly or indirectly manipulate accounting records and present fraudulent financial information. Fraud also may be concealed through collusion among management, employees, or third parties. Collusion may cause someone who has properly performed substantive testing or procedures to conclude that evidence provided is persuasive when it is, in fact, false. The procedures that were completed were not specifically designed to detect or investigate fraud. These procedures may discover red flags or indicators of the potential for fraud, but no determination was made as to the existence of fraud.

PKF does not make any representation to the completeness or adequacy of the procedures performed. The specific procedures performed are being presented as agreed to in subsequent communication to the signed Engagement Letter with ESD11 along with any findings or recommendations resulting from the performance of those procedures. The ESD11 Board must determine whether the procedures that have been performed are adequate for their purpose, and a trier of facts must draw ultimate conclusions from our findings. This report was prepared for the ESD11 Board and for use in litigation. It was not intended to meet the specific needs of any parties other than ESD11.

The information and conclusions presented in this report were based on the information available to us as of the issuance date of the report. Subsequent information and documents produced may affect our understanding of the facts and the conclusions reached. We reserve the right to amend or update our opinions based on any subsequent information provided.

Detailed Procedures Performed by PKF Texas

The remainder of this report will discuss the individual procedures and analysis that was performed by PKF. These procedures were designed to address each specific area outlined in the scope of work.

The procedures chosen to address this scope of work were:

- Determine the completeness of all the records provided by CCEMS and reconcile each source of data to any supporting or related information provided by CCEMS.
- Assess the allocation of expenses between ESD11 and CCEMS for all expense classifications with added emphasis on the evaluation of the allocation of wages for general, payroll, and health insurance.
- Compare the operations and financial statements of CCEMS to a similar emergency medical service company (“Benchmark Organization”).
- Analyze the billing data from Koronis, the incident and response data from CCEMS, the CCEMS payroll data, and the account activity within the general ledgers of CCEMS.
- Evaluate the accuracy of the records for fixed assets and inventory and determine the ownership of the fixed assets.
- Assess the condition of the general ledger for CCEMS and compare the CCEMS budgets to the actual results of operations to evaluate the allocation of ESD11 funds to expense classifications and fixed assets in the CCEMS general ledger.
- Assess the findings of a previous forensic report prepared by HSK and the related rebuttal report prepared by Houston Financial Forensics.⁷
- Assess whether financial information maintained by CCEMS was in accordance with generally accepted accounting principles.
- Assess whether financial information maintained by CCEMS was compliant with the Contract for Providing Emergency Medical Services between ESD11 and CCEMS. Specifically, assess whether CCEMS financial records were true and complete and in accordance with all applicable statutes, rules, and regulations of any and all local state or federal authorities.

Accounting Requirements For CCEMS

Before we get into the detailed sections discussing our work, we need to establish a couple concepts that will be referenced throughout this report. First, the CCEMS audited financial statements were prepared in accordance with generally accepted accounting principles (“GAAP”) from 2016 to 2020.⁸ Established in 1973, the Financial Accounting Standards Board (“FASB”) is the independent, private-sector, not-for-profit organization that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow GAAP. GAAP provides accountants with the most comprehensive and commonly accepted guidance, conceptual framework, and definitions for terminology relating to financial statement presentation. GAAP will be referenced in other sections of this report, and footnotes providing a reference for specific standards that apply will be provided when applicable.

In addition to GAAP, there were also expectations set for the accuracy of records to be kept by CCEMS in the Contract for Providing Emergency Medical Services between ESD11 and CCEMS. Specifically, Section 7.02 of that agreement states, “CCEMS shall at all times maintain true and complete financial records in accordance with generally accepted accounting principles consistently applied.”⁹ We will frequently opine as to the “true and complete” nature of the CCEMS accounting records and documents throughout this report. CCEMS was also expected to “conduct its activities in accordance with all applicable statutes, rules and regulations of any and all local state or federal authorities”.¹⁰ We will

⁷ See Appendix C.

⁸ See the Audited Financial Statements of CCEMS and audit opinions for the years ended 12/31/2016, 12/31/2017, 12/31/2018, 12/31/2019, and 12/31/2020.

⁹ See “Contract for Providing Emergency Medical Services” between ESD11 and CCEMS Section 7.02A.

¹⁰ See “Contract for Providing Emergency Medical Services” between ESD11 and CCEMS Section 2.03E.

provide footnotes with a direct reference to any statute, rule, or regulation that applies to applicable sections of the report.

Assessment of the Completion of Records Provided by CCEMS

Initial data requests were made formally to CCEMS on July 2, 2020. In response, CCEMS provided unresponsive and unhelpful data. When PKF informed CCEMS that the data was unfit for the work, CCEMS' counsel, Mr. George Vie, responded as follows on August 25, 2020:

“PKF and Ms. Cheek, however, will be specifically prohibited from releasing or disclosing the underlying data, books, records, and PKF audit working papers to any person except as specifically authorized by CCEMS. This precludes releasing or disclosing copies of the books, records, and audit working papers to Commissioners of Harris County Emergency Service District #11 or the District’s attorneys.”

Complying with this request would have violated the professional ethics of a CPA as it would have subordinated our judgement for what could be included in a report and would have restricted the scope and content of our report.¹¹

The AICPA Code of Professional Conduct “prohibits a member from knowingly misrepresenting facts or subordinating his or her judgment when performing professional services for a client, for an employer, or on a volunteer basis”.¹² It is our position that withholding information that would be responsive to the scope of work provided to the ESD11 Board has the potential to materially misrepresent facts. PKF’s objection to the request is reflected on page 5 of the Minutes of the Meeting of Board of Commissioners for August 27, 2020. Therefore, PKF Texas refused holistically and in no uncertain terms to comply with Mr. Vie’s request regarding special confidentiality rules related to CCEMS data provided to PKF Texas.

General Ledger Completeness

PKF was initially provided with general ledger details, trial balances, audited financial statements, bank statements, and credit card statements from January 1, 2016 through August 31, 2020. The first steps taken were to determine whether the information provided by CCEMS was complete. These collective tests will be referred to as “completeness testing”. The purpose of these tests was to determine whether the records produced by CCEMS were complete in relation to one another. Completeness tests cannot prove the accuracy of the underlying bookkeeping records. These tests solely consider if PKF received a full set of records and may identify concerns related to underlying bookkeeping issues. That means that passing a completeness test does not mean that expenditures or activity were appropriate, and solely means that PKF believes we received a complete data set.

The general ledgers for each year were aggregated and validated for completeness. The aggregate data set was then summarized by general ledger account number and year. The information in this summary was then used to roll-forward the ending balances for each general ledger account at the end of each year to compare to the trial balances that were provided by CCEMS. These general ledger accounts that were rolled forward agreed to the trial balances for the same respective periods from January 1, 2016 through August 31, 2020 with only one exception. There was a \$124,074.17 difference between cash and accounts payable in August of 2020 which was most likely a timing difference.¹³ No further work was deemed necessary as a result of this comparison.

¹¹ On August 27, 2020, we received scope restricted data that would prohibit a comprehensive analysis due to the way the CCEMS bookkeeping is kept. The last of the initial requested items were received on September 15, 2020.

¹² See ET Section 1.130.020.01.

¹³ “Timing Differences” are referenced several times throughout this report. Timing differences are a result of the difference between when something is recorded in a general ledger compared to the date reflected from another source. An example of a timing difference would be the difference between the date that someone writes a check and records it in their check register compared to the date on their bank statement which reflects the date the check is processed by the bank.

The next comparison was made between the trial balances for each period and the audited financial statements for the same period. Trial balances were grouped and compared to the statements of financial position¹⁴ and statements of activities¹⁵ for each respective period from 12/31/2016 through 12/31/2019. The statements of financial position accounts all reconciled without exception. There were a few classification changes that occurred between the periods for the statements of activities. Revenue from Special Operations was included as ESD11 revenue in 2016 and 2017 but was separated into its own revenue source for 2018 and 2019.¹⁶ There was also a change in the classification for some of the general ledger accounts grouped with “Insurance Billings” in 2016 and 2017 that were moved into “Education Funds” in 2019 and 2020.¹⁷ Neither of these grouping differences were considered material, and the total revenue for each period reconciled between the trial balances and the audited financial statements. The general ledgers and trial balances provided by CCEMS appeared to be complete and reconciled to the audited financial statements for each respective period. However, changing the way revenue accounts are grouped in the financial statements violates the requirement for CCEMS to provide financial information to the Board that is in accordance with GAAP “consistently applied”.

Proof of Cash

Next the activity (debits/credits) in the general ledger for the Operating, Payroll, and General bank accounts were compared to the deposits and withdrawals in the bank statements for each month between January of 2016 and August of 2020. We knew that it would be difficult to compare historical reconciliations prepared by CCEMS to the statements and the general ledger activity, so this approach was used as a “proof of cash” for whether the information provided to PKF was substantially complete. There was the following cumulative difference for all periods between the general ledger activity and the bank statement activity for each respective account: \$56,837.27 for the Operating Account, \$6,147.59 for the Payroll account, and no difference for the General account. These differences were immaterial and could easily be a timing difference between CCEMS records and the bank records. No further work was performed to assess the reason for these differences. The information in the general ledger for all of the bank accounts appeared to be complete.

Similar procedures were performed for the credit card general ledger accounts that were done for the bank accounts. These procedures were performed for the Visa account ending in X6982¹⁸ and the American Express (“AMEX”) account ending in X3009/X4007. There was a \$129,276.65 cumulative difference for the Visa and a \$7,541.64 cumulative difference for the AMEX. The intent of these procedures was also a general proof of the information provided by CCEMS. The information in the general ledger for all of the credit card accounts appeared to be complete.

ESD11 Funding Completeness

ESD11 also provided a list of all payments that were made to CCEMS from January 2016 through September of 2020. These payments were compared to the activity in the CCEMS general ledger for the bank accounts and the revenue accounts for ESD funding. The specific general ledger accounts were grouped each year in order to tie the sum of balances in these accounts to the total funds provided by ESD11 in the audited financial statements. These groupings slightly changed between periods, but the specific general ledger accounts were traced to the audited financial statement groupings used in each respective period.

Each payment provided by ESD11 was successfully traced into the CCEMS general ledger; however, there were additional transactions in the CCEMS general ledger that were classified as ESD11 revenue as well. CCEMS was asked for an explanation for why certain general ledger revenue accounts were included as ESD11 funded revenue in the audited financial statements. The grouping of general ledger accounts and the response from CCEMS is important because it

¹⁴ The “Statement of Financial Position” is synonymous with the term “Balance Sheet”.

¹⁵ The “Statement of Activities” is synonymous with the term “Income Statement” and “Profit and Loss Statement”.

¹⁶ Special Operations revenue was \$152,414.60 in 2016, \$138,618.24 in 2017, \$115,280.08 in 2018, and \$181,422.50 in 2019.

¹⁷ The amount moved from “Insurance Billings” to “Educational Funds” was \$39,075 in 2018 and \$46,183 in 2019.

¹⁸ The Visa account ending in X6982 was opened in August of 2016.

demonstrates that CCEMS is not even aware that general ledger accounts have been improperly grouped with ESD11 funded revenue in the past in the audited financial statements.

The following figure shows all general ledger accounts that were included as “ESD11 Funds” in the CCEMS audited financial statements for each period reflected:¹⁹

Figure 2: ESD11 Revenue Comparison Between General Ledger and Audited Financial Statements

ESD11 Revenue Comparison Between General Ledger and Audited Financial Statements					
Description	CCEMS Response	12/31/2016	12/31/2017	12/31/2018	12/31/2019
4021 · Golf Tournament	CCEMS	\$ (43,344.00)	\$ -	\$ -	\$ -
4039 · ESD11 Additional Payroll		\$ -	\$ -	\$ (568,604.11)	\$ (403,975.59)
4040 · ESD 11		\$ (12,046,020.00)	\$ (13,955,100.00)	\$ (14,562,720.00)	\$ (14,974,377.36)
4041 · ESD11 Donated Equipment		\$ (1,191,031.63)	\$ (49,768.20)	\$ (27,440.03)	\$ (88,113.32)
4042 · ESD11 Harvey Overtime Support		\$ -	\$ (347,959.63)	\$ -	\$ -
4044 · AMLS/PHTLS	CCEMS	\$ -	\$ (35.00)	\$ -	\$ -
4045 · PEPP/Wilderness 1st Aid	CCEMS	\$ (355.00)	\$ (1,735.00)	\$ (7,090.00)	\$ (2,920.00)
4046 · ACLS	CCEMS	\$ (95.00)	\$ -	\$ -	\$ (135.00)
4047 · EMR Classes	CCEMS	\$ (1,982.00)	\$ (1,824.00)	\$ (2,000.00)	\$ -
4048 · Skills Testing/CEU Courses	CCEMS	\$ (1,320.00)	\$ (725.00)	\$ (1,410.00)	\$ (2,757.50)
4049 · Settrec Income	CCEMS	\$ (2,325.44)	\$ (4,723.00)	\$ (4,154.00)	\$ -
4075 · Ft. Bend FD Donation		\$ -	\$ -	\$ -	\$ (24,400.00)
4150 · Private Donations	CCEMS	\$ (1,022.00)	\$ (5,104.00)	\$ (2,320.00)	\$ (2,600.00)
4170 · Record Fees	CCEMS	\$ (18,870.00)	\$ (18,395.39)	\$ (21,681.00)	\$ (22,107.64)
4171 · Residential Funds	CCEMS	\$ (77,120.92)	\$ (81,356.59)	\$ (75,750.98)	\$ (67,283.68)
Total Revenue Grouped to HCESD		\$ (13,383,485.99)	\$ (14,466,725.81)	\$ (15,273,170.12)	\$ (15,588,670.09)
ESD 11 Funds on the Audited F/S		\$ (13,535,901.00)	\$ (14,605,344.00)	\$ (15,273,170.00)	\$ (15,588,670.00)
Difference		\$ 152,415.01	\$ 138,618.19	\$ (0.12)	\$ (0.09)
Special Operations Revenue		\$ (152,414.60)	\$ (138,618.24)	<i>Note 1</i>	<i>Note 1</i>
Remaining Difference		\$ 0.41	\$ (0.05)	\$ (0.12)	\$ (0.09)
Note 1: The revenue for Special Operations was shown separately in the audited financial statements for these years. Note that the 2018 information is from the amended balances included in the 12/31/2019 financial statements.					

¹⁹ The general ledger accounts that show a CCEMS Response of “CCEMS” are the accounts that CCEMS represented as being CCEMS funds.

CCEMS was directly asked why many of these accounts were grouped with ESD11 funded revenue. The detailed response from CCEMS through George Vie about the revenue accounts reflected in Figure 2 is provided below:²⁰

It is not clear to us on what basis you conclude these are grouped to HCESD revenue. These are CCEMS revenue accounts only. Subject to that qualification,

- 4021 – Golf Tournament **Used for scholarship funds from the gold tournament/special events**
- 4044 – AMLS/PHTLS **Educational Classes**
- 4045 – PEPP/Wilderness 1st Aid **Educational Classes**
- 4046 – ACLS **Educational Classes**
- 4047 – EMR Classes **Educational Classes**
- 4048 – Skills Testing/CEU Courses **Educational Classes**
- 4049 – Settrec Income **Southeast Texas Regional Advisory Council Reimbursement SETRAC**
- 4150 – Private Donations - **Donations made by citizens**
- 4170 – Record Fees **Fees collected from parties requesting medical records, i.e. attorneys**
- 4171 – Residential Funds **Donated funds collected by MUD Districts on bills**

It is clear from Figure 2 above that CCEMS' own accountants and bookkeepers do not understand how their revenue accounts are mapped to the audited financial statements. This is an indicator of poor controls of financial reporting. This is also an example where financial information that was reported to the Board was neither true nor complete. Changing the grouping of general ledger accounts with ESD11 provided funds between periods also violated the requirement for accounting principles to be "consistently applied".

Damages from Allocations of Expenses Between ESD11 and Other CCEMS Operations

Misclassified Employees

We found that CCEMS was improperly grouping Non-EMS employees with EMS employees. This meant that ESD11 was paying more than it should have for EMS employees and that CCEMS was not providing true and complete financial information to the Board. This section of the report discusses the procedures we performed that support this conclusion.

²⁰ Mr. Vie provided this representation from CCEMS in an email dated November 12, 2020.

CCEMS provides ESD11 with a budget for each year for the expenses that CCEMS will incur during the upcoming year. This budget breaks out how much CCEMS and ESD11 will pay for each expense shown on the budget. The following figure is a screen shot of the Administration portion of the budget for 2016:

Figure 3: Administration Budget for 2016

Revenues and Expenses	CCEMS 2016	ESD-11 2016	Totals
Administration			
1 Accounting	\$15,000.00		
2 Administration Expense	\$110,000.00		
3 Community Relations	\$50,000.00		
4 Insurance (General)	\$400,000.00		
5 Insurance (Health)	\$360,000.00	\$2,250,000.00	\$2,610,000.00
6 Insurance (Workmen,s Comp)	\$330,000.00		
7 Interest Expense on Loan	\$257,000.00		
8 Legal Expense	\$250,000.00		
9 Office Supplies	\$10,000.00		
10 Postage	\$6,000.00		
11 Printing	\$10,000.00		
12 Promotional Items	\$5,000.00		
13 Rent (Station 7 - 512)	\$35,000.00		
14 Station Maintenance/Repair	\$140,000.00		
15 Station Supplies	\$32,000.00		
16 Special Operations	\$125,000.00		
17 Telephones	\$205,000.00		
18 Konoris	\$650,000.00		
19 Utilities	\$180,000.00		
20 Wages (Administration)	\$920,000.00		
Totals (Administration)	\$4,090,000.00	\$2,250,000.00	\$6,340,000.00

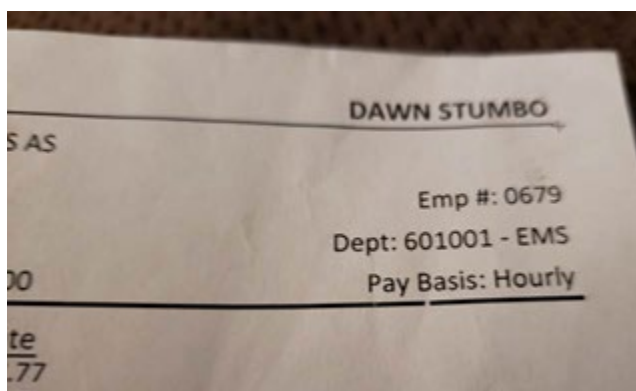
This example shows how each year's budget is split between the portion of expenses that will be funded by CCEMS and the portion of expenses that will be allocated to ESD11.²¹ The majority of expenses that are allocated each year to ESD11 are related to wages and employee benefits/insurance. Therefore, we requested detailed payroll and employee census data from CCEMS to assess the reasonableness of these allocations to ESD11.

We initially agreed to receive all payroll data redacted without any personal identifying information other than an employee ID and a unique ID that is derived from the employee's address. This was done to prevent the identification of specific individual employees or their residence but allowed for the work to be reperformed if someone was subsequently provided with the full, unredacted payroll census and payroll records. However, we had the opportunity to interview Dawn Stumbo, a former employee of CCEMS that represented she had recently resigned from CCEMS.

Ms. Stumbo was willing to provide her employee ID number from her pay stub. Her employee ID number in the image below is #0679. Ms. Stumbo represented that she did not consider her role as CCEMS scheduler to be in the EMS department and thought she was being coded to the administrative department since her job function was related to scheduling staff for Medic Units. Per Ms. Stumbo, she had raised this concern within CCEMS and was told it would be corrected. However, the pay stub detail below that was created after Mrs. Stumbo raised these concerns presents evidence that is contrary to her understanding. Note that Ms. Stumbo was coded to 601001-EMS, not administrative.

²¹ Note that CCEMS allocated health insurance, Communications Center wages, and EMS wages (composed of staff and supervisor wages) to ESD11 for all years. CCEMS allocated social security to ESD11 from 2016 to 2018 and education wages to ESD11 from 2018 to 2019. 100% of administration, maintenance, contract, and part-time wages were supposed to be paid by CCEMS according to the budgets provided to us.

Figure 4: Picture of Dawn Stumbo Pay Stub Selected Detail



This employee ID was traced to the CCEMS payroll reports from PayCom which validated that Ms. Stumbo was in fact being coded to 601001-EMS. For example, on January 2, 2020 this ID is listed on page 16 in the 601001-EMS Section, rather than the 603001- Administrative Section.²² This is important because the largest allocation of CCEMS budgeted expenses to ESD11 is for EMS wages. If EMS wages were being manipulated, it could potentially over allocate expenses to ESD11.

CCEMS provided PKF with a census that listed all of its employees and certain employment information such as the “location” of the employee, the employee’s title, the date of employment, etc. (the “Census”). After confirming Ms. Stumbo’s date of employment (October 26, 2001), PKF was able to use this information to match her employee ID (#0679) to an entry on the Census. The screen shot of Ms. Stumbo’s record on the Census shown in Figure 5 does, in fact, list her as an “Administrative Assistant” in title and as an “Administration” location. The rate listed as the hourly rate for the employee identified as Ms. Stumbo was then traced to the Census and matched to the rate on the payroll report.²³ This is important because wage allocations are based on the approved budgets, and no administrative wages were allocated to ESD11 for the budgets from 2016 through 2020.

Figure 5: Screen Shot of Dawn Stumbo on Employee Census

Employee_Code	Hire_Date	Exempt_Status	FT/PT	Employee Title	Reports To	Location
0966	11/20/2006	Non-Exempt	Full-Time	Paramedic	Supervisor	EMS
A00P	07/20/2020	Non-Exempt	Full-Time	EMTB	Supervisor	EMS
0679	10/26/2001	Non-Exempt	Full-Time	Administrative Assistant	Director	Administration
5925	08/05/2019	Non-Exempt	Full-Time	EMTB	Supervisor	EMS
5305	07/06/2015	Non-Exempt	Full-Time	Paramedic	Supervisor	EMS
5655	01/30/2017	Non-Exempt	Full-Time	EMTB	Supervisor	EMS
7581	11/30/2015	Non-Exempt	Full-Time	Paramedic	Supervisor	EMS
8801	12/04/2017	Non-Exempt	Full-Time	Dispatcher	Supervisor	Communication Center
0049	07/15/1992	Exempt	Full-Time	Supervisor	Manager	EMS

The total amount of 601001-EMS wages for the January 2, 2020 payroll example was then agreed to the total amount allocated to ESD11 in the financial statements noting that the full amount of those wages that included the pay to Ms. Stumbo was allocated to ESD11 in spite of the fact that CCEMS’ own Census classified her to Administration. The total per the payroll report is the final column in the following screen shot and totals \$441,436.36.

²² The following were the departments listed within the reports from PayCom: (1) 601001 - EMS, (2) 601228 - Maintenance, (3) 602001 – Supervisors, (4) 603001 – Administrative, (5) 604001 – Education, (6) 605001 – Part Time EMS, (7) 606001 – Communication Center, and (8) 999999 – Contract 1099.

²³ The rate is not being disclosed in the report due to privacy concerns.

Figure 6: Screen Shot of Total EMS Wages for 1/2/20 Payroll

Subtotals for Dept: 601001	Regular	13,227.50	336,552.34
	Overtime 3	1,019.25	42,610.34
	Overtime	1,651.00	61,506.78
	Miscellaneous		48.00
	Retro Pay		718.90

This same amount is presented in the general ledger of CCEMS as being allocated in full to the ESD11 class.

Figure 7: Screen Shot of 1/2/20 EMS Payroll Coding in General Ledger

Trans	Type	Entered/Last Modified	Last modified	Date	Account	Class	Debit
199149	General Journal	2/17/2020 15:10	Admin	1/2/2020	6222 - Wages-EMS	ESD 11	\$ 441,436.36

Therefore, we believed that there may be additional employees that could have been inappropriately mapped to the class of payroll that was primarily paid by ESD11.²⁴ We found at least 11 examples (inclusive of Ms. Stumbo) where Administration, IT, or Special Operations were listed as the department per the Census but were allocated to EMS wages in the January 2, 2020 payroll report. These examples are provided in the following table.

Figure 8: Selected Employee Census Coding Compared to 1/2/20 Payroll Report

Employee_Code	Exempt_Status	FT/PT	Employee Title	Reports To	Location per Census	1/20/20 Coding	1/20/20 Gross Wages
2031	Non-Exempt	Full-Time	Administrative Assistant	Manager	Administration	EMS	\$ 1,568.09
0270	Non-Exempt	Full-Time	Supply Coordinator	Manager	Administration	EMS	\$ 2,922.25
7324	Non-Exempt	Full-Time	Administrative Assistant	Manager	Administration	EMS	\$ 1,676.51
7330	Non-Exempt	Full-Time	Coordinator	Director	Administration	EMS	\$ 2,690.48
0679	Non-Exempt	Full-Time	Administrative Assistant	Director	Administration	EMS	\$ 3,001.99
0928	Exempt	Full-Time	Manager	Director	Administration	EMS	\$ 3,453.70
0086	Non-Exempt	Full-Time	Technician	Executive	IT	EMS	\$ 3,438.00
0785	Non-Exempt	Full-Time	Technician	Executive	IT	EMS	\$ 3,768.14
1043	Non-Exempt	Full-Time	Technician	Executive	IT	EMS	\$ 3,566.77
1061	Non-Exempt	Full-Time	Paramedic	Manager	Special Operations	EMS	\$ 2,956.50
0176	Non-Exempt	Full-Time	Paramedic	Manager	Special Operations	EMS	\$ 5,186.08

²⁴ It should be noted that there are separate sections in the payroll report that are specifically labeled as administrative that were also labeled as administration in the Census and appear to be correctly mapped to the administrative coding on the PayCom report.

We determined that the unredacted payroll information was necessary to further analyze CCEMS’s payroll allocations based on these examples and the information provided by Ms. Stumbo. CCEMS subsequently provided unredacted payroll information²⁵, and additional analysis was performed. This unredacted payroll information allowed us to quantify the effect of the employees that were identified as having been misclassified. The actual payroll data for each CCEMS employee is presented below:

Figure 9: Misclassified Employees

Misclassified Employees						
Code	Employee Title	Location Per Census	Coding	Historical	Current	Gross Net of Imputed Income
2031	Administrative Assistant	Administration	EMS	EMS	EMS	\$ 171,906.08
0270	Supply Coordinator	Administration	EMS	EMS	EMS	\$ 166,422.50
7324	Administrative Assistant	Administration	EMS	EMS	EMS	\$ 129,898.00
7330	Coordinator	Administration	EMS	EMS	EMS	\$ 411,767.25
0679	Administrative Assistant	Administration	EMS	EMS	EMS	\$ 319,362.54
0928	Manager	Administration	EMS	EMS	EMS	\$ 335,242.02
0086	Technician	IT	EMS	EMS	EMS	\$ 350,743.49
0785	Technician	IT	EMS	EMS	EMS	\$ 413,962.68
1043	Technician	IT	EMS	EMS	EMS	\$ 412,840.63
1061	Paramedic	Special Operations	EMS	EMS	EMS	\$ 405,384.73
0176	Paramedic	Special Operations	EMS	EMS	EMS	\$ 605,280.81
TOTAL						\$ 3,722,810.73
Estimated Annual Effect						\$ 812,249.61
<i>Note: The "Gross Net of Imputed Income" figures did not include longevity bonuses.</i>						

\$3,722,810.73 was misclassified as EMS wages from January 1, 2016 through August 31, 2020. This resulted in an approximate overstatement of EMS wages of \$812,249.61 for each period from 2016 through 2019. While we did find journal entries that attempted to reclassify overstated wages from ESD11 to CCEMS,²⁶ the full amount of overstated wages was not reclassified out of ESD11. In addition, the misclassification of CCEMS employees from departments that are not funded by ESD11 is misleading during the budgeting process. The table below shows this effect:

Figure 10: Effect of Misclassified Employees on Budgets

HCESD #11 - EMS Budgeted Wages Compared to Actual Wages Without Misclassified Employees							
	EMS Wages Full/Part Time	Budgeted EMS Wages	Actual Wages Over Budget	Misclassified Employees	Wages to Budget Without Misclassified	Additional HCESD Payrolls	Cumulative Effect
2016	\$ 7,665,724.39	\$ 7,561,727.00	\$ 103,997.39	\$ 623,663.79	\$ (519,666.40)	\$ -	\$ (519,666.40)
2017	\$ 8,310,991.51	\$ 7,950,000.00	\$ 360,991.51	\$ 750,644.65	\$ (389,653.14)	\$ -	\$ (389,653.14)
2018	\$ 9,348,590.63	\$ 8,199,862.00	\$ 1,148,728.63	\$ 803,029.20	\$ 345,699.43	\$ (568,604.11)	\$ (222,904.68)
2019	\$ 10,361,904.66	\$ 9,584,547.00	\$ 777,357.66	\$ 956,077.10	\$ (178,719.44)	\$ (403,975.59)	\$ (582,695.03)
Total	\$ 35,687,211.19	\$ 33,296,136.00	\$ 2,391,075.19	\$ 3,133,414.74	\$ (742,339.55)	\$ (972,579.70)	\$ (1,714,919.25)

This table shows that actual EMS wages for both full and part-time employees was higher than the total budgeted wages for EMS employees from 2016 through 2019. However, if the misclassified employees are removed from the EMS wages, the EMS wages paid by CCEMS are actually lower than the budget for 2016, 2017, and 2019. However, there were also additional payrolls paid by ESD11 in 2018 and in 2019. When those two additional payrolls are taken into consideration, wages paid by CCEMS for EMS employees would have been considerably less than budget for all four years:

²⁵ CCEMS provided the unredacted payroll information on May 7, 2021 through George Vie.

²⁶ One specific month-end reclassification entry in January of 2020 was to match the actual wages to the budget based on the support provided for this entry. See general journal transaction #200159.

Figure 11: Comparison of Budgeted EMS Wages to Actual EMS Wages

Comparison Between Budget and Actual EMS Wages		
	As Reported By CCEMS	Without Misclassified Employees
2016	Over Budget	Under Budget
2017	Over Budget	Under Budget
2018	Over Budget	Under Budget
2019	Over Budget	Under Budget

CCEMS' misclassification of employees to EMS wages would be material to any decision maker considering approval of CCEMS' budget. The total effect of the misclassified employees and the overpayment of ESD11 for the allocation is \$1,714,919.25²⁷ before taking into consideration the potential damages from excess budget allocations from the misleading practice of overstating wages.

CCEMS provided additional details about the classification of Special Operations employees on July 15, 2021. This information was not requested by PKF, and it was provided to us roughly five months after the meeting referenced by Mr. Vie:

"At the virtual meeting with Ms. Cheek in February, CCEMS Controller Rene Johnson mentioned an analysis of the journal entry credits in the GL details relating to allocation of SWB for special operations personnel. More specifically, that analysis would address the JE credits because employees who are Special Ops are coded to the EMS and that the majority of their time is in EMS.

Mr. Johnson was determining the percentages of time the special operations personnel spent on units, using the scheduling systems to identify whether these individuals were on units or in special operations."²⁸

CCEMS provided spreadsheets that listed several employees' wages for 2016 through 2020 with a summary of the percentage of time spent on EMS versus Non-EMS activities. Five of the employees that we identified as having been misclassified were not included in the CCEMS spreadsheets, and the spreadsheet showed that the three IT technicians that we identified as being misclassified were, in fact, Non-EMS for 100% of the time for all years. CCEMS' own documentation confirmed that none of these eight employees were EMS by explicitly stating that 3 employees did not perform EMS activities and by not including five employees in their spreadsheet.²⁹ Yet, they were classified as ESD11-funded employees in the payroll documentation. In other words, the supporting documentation provided by CCEMS showed that the three IT employees should not be classified as EMS because the CCEMS schedules show that 100% of each IT employee's time was for Non-EMS activity from 2016 through 2020. This is, in essence, an admission that these employees were misclassified by CCEMS.

The remaining three employees that were misclassified are presented below separated by EMS and Non-EMS wages from 2016 through 2019:³⁰

²⁷ We were only provided payroll data for the misclassified employees from 1/1/2016 through 7/31/2020. Therefore, we could not compare the budget for a full year that ended 12/31/2020 to only 7 months of payroll data from 1/1/2020 to 7/31/2020. If additional information is produced, misclassified employees would need to be updated for 2020 and all months in 2021 through the contract end.

²⁸ It appears that Mr. Vie is using shorthand for the following terms: GL for General Ledger, JE for Journal Entry, and SWB for Salaries, Wages, and Benefits.

²⁹ By not including five employees on the spreadsheet, CCEMS acknowledged that they did not perform any EMS activities.

³⁰ The percentages of each employees' wages presented in this table are taken directly from each spreadsheet provided by CCEMS titled "2016 IT and Tactical Non-EMS vs JE Credits - Amount due CCEMS.xlsm". Additional spreadsheets were produced for 2017 through 2020 with the same document title except that each respective year replaced 2016 in the title.

Figure 12: CCEMS Allocation of Wages Between EMS and Non-EMS

Summary of CCEMS Allocation of Wages Between EMS and Non EMS			
	Non EMS	EMS	Total
<u>Employee Code 1061</u>			
2016	\$ 18,772.05	\$ 56,316.14	\$ 75,088.19
2017	\$ 37,044.37	\$ 48,885.51	\$ 85,929.88
2018	\$ 60,735.83	\$ 27,620.05	\$ 88,355.88
2019	\$ 93,371.35	\$ 6,246.01	\$ 99,617.36
<u>Employee Code 0176</u>			
2016	\$ 20,095.40	\$ 94,083.00	\$ 114,178.40
2017	\$ 30,459.78	\$ 89,899.08	\$ 120,358.86
2018	\$ 92,351.09	\$ 32,548.95	\$ 124,900.04
2019	\$ 102,002.30	\$ 54,251.23	\$ 156,253.53
<u>Employee Code 7330</u>			
2016	\$ 1,096.16	\$ 67,413.73	\$ 68,509.89
2017	\$ 863.80	\$ 68,825.44	\$ 69,689.24
2018	\$ 11,828.97	\$ 80,512.73	\$ 92,341.70
2019	\$ 88,360.35	\$ 24,214.94	\$ 112,575.29
TOTAL	\$ 556,981.45	\$ 650,816.82	\$ 1,207,798.27

This additional information provided by CCEMS in July of 2021 would reduce the \$1,714,919.25 referenced earlier by \$556,981.45 if we were to accept the representations from CCEMS. However, CCEMS' spreadsheets also acknowledged that several employees that were 100% Non-EMS were classified as EMS in payroll information. This is another fact that calls into question the veracity and accuracy of the information being provided by CCEMS. This supporting documentation appears to be an attempt to deflect the fact that CCEMS was misclassifying employees as EMS employees for all periods that we included in our analysis. In fact, the EMS wages that were reported to the Board were neither true nor complete.

As a result, we are not relying on CCEMS' representations and believe the damages due to the misclassification of employees are \$1,714,919.25.

Either way, when CCEMS' supporting documentation is compared to our analysis of payroll allocations as described above, the resulting discrepancies support the conclusion that the budgets were being artificially inflated by CCEMS for EMS wages. The most important finding from this analysis is that the classification for employees that are funded by ESD11 is unreliable and has potentially been misrepresented in order to maximize the wages that can be charged to ESD11. Prior attempts at reconciling the allocation of ESD11 funds for wages should not be relied upon.

Further, this means that the "Agreed Upon Procedures"³¹ for the past "Reconciliation Reports" are no longer reliable without being reperformed. This is based on Mr. Eyring³² representing that he did not perform work related to allocations in the scope of his work. His procedures would not have detected this issue if his scope did not look at the allocations within payroll, and these are misclassifications of payroll.

³¹ An "Agreed-Upon Procedures" engagement is an attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. See AT-C Section 215.02.

³² Mr. Mark Eyring performed the "Agreed Upon Procedures" dated May 18, 2017 with Roth & Eyring, PLLC. He performed the "Agreed Upon Procedures" dated July 18, 2019 as Mark C. Eyring, CPA, PLLC.

Communication Center Wage Allocations

Another major concern is related to the findings for the Communication Center wages in the HSSK report that is discussed further in Appendix C to this report. We believe that ESD11 was paying more than its fair share of Communication Center wages and that information provided by CCEMS to the ESD11 Board regarding Communication Center wages was misleading and neither true nor complete.

Based on the information we received from ESD11 and CCEMS, PKF learned that CCEMS ran a Communication Center that provided 911 dispatch service to residents living in ESD11 territory. It contracted with other entities, such as fire departments, to service and route calls originating outside the ESD11 territory. As discussed below, CCEMS responded to calls from inside ESD11 only, and ESD11 taxpayers should not have been funding these services for other entities. In summary, CCEMS units only responded to approximately half of the calls received by the Communications Center.³³

We were provided an estimated CCEMS health insurance cost summary schedule based on employee counts on June 1, 2020 (Figure 17) that leads us to further question the health insurance allocations. This document is very interesting as it states that the CCEMS Portion of Comm Center wages is 48.07% which is similar to the approximate allocation of half the call volume we estimated earlier in this report. This matches a statement by Wren Nealy in an August 19, 2020 email that stated ESD11 is only supposed to fund 48% of dispatchers “based on the call volume of CCEMS”.

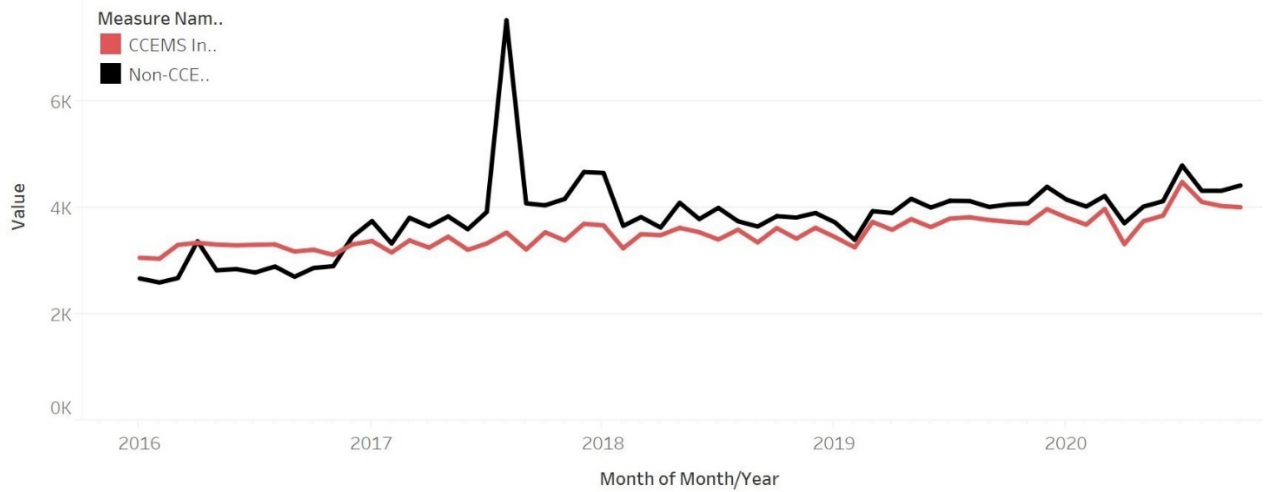
Figure 13 and Figure 14 depict the call volume for CCEMS compared to the payroll allocated to ESD11. The red lines on all the graphics are the items that are effectively related to ESD11. Figure 13 reflects the call count/frequency and payroll dollars where Figure 14 is based on a percentage of the total basis.

What is remarkable in these graphics is that the call volume is grouped around the halfway point of the graphic, showing the almost 50/50 split in calls for incidents for inside the ESD11 territory and those outside the ESD11 territory. However, the payroll allocation for Communication Center wages is significantly and disproportionately weighted toward ESD11 paying the majority of the wage allocation. This is further evidence that the allocations between ESD11 and CCEMS’ other operations may not be accurate and creates further questions as to the reliability of the past “Reconciliation Reports” due to the scope of the procedures in the “Agreed Upon Procedures”.

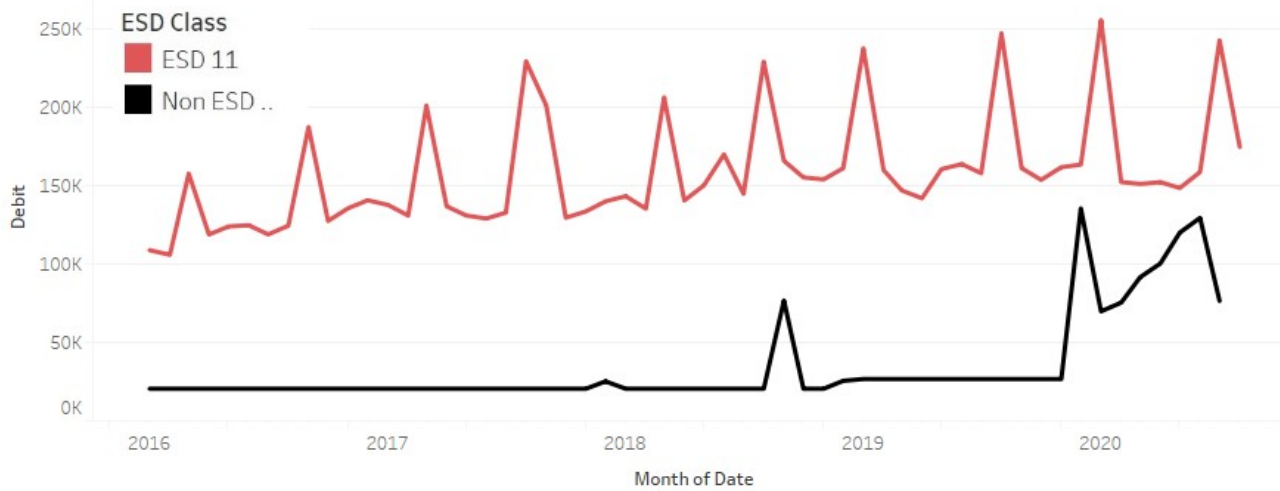
³³ It is noteworthy that not all CCEMS labeled incidents are in the geography of ESD11 since CCEMS responds to calls related to mutual aid. However, it appears that just over 98% of the incidents that CCEMS responded to were within the jurisdiction of ESD11 from the data sets provided over the period reviewed. Therefore, no correction was made for the 2% of incidents outside the jurisdiction since the vast majority of instances where ESD11 funded assets are being deployed were within its jurisdiction. This issue did not change the preliminary concerns related to the allocation of communication center wages.

Figure 13: Call Center Volume Compared (Frequency) to Call Center Payroll (\$)

Call Center Volume



Call Center Payroll Without 48% of Wages



Call Center Payroll

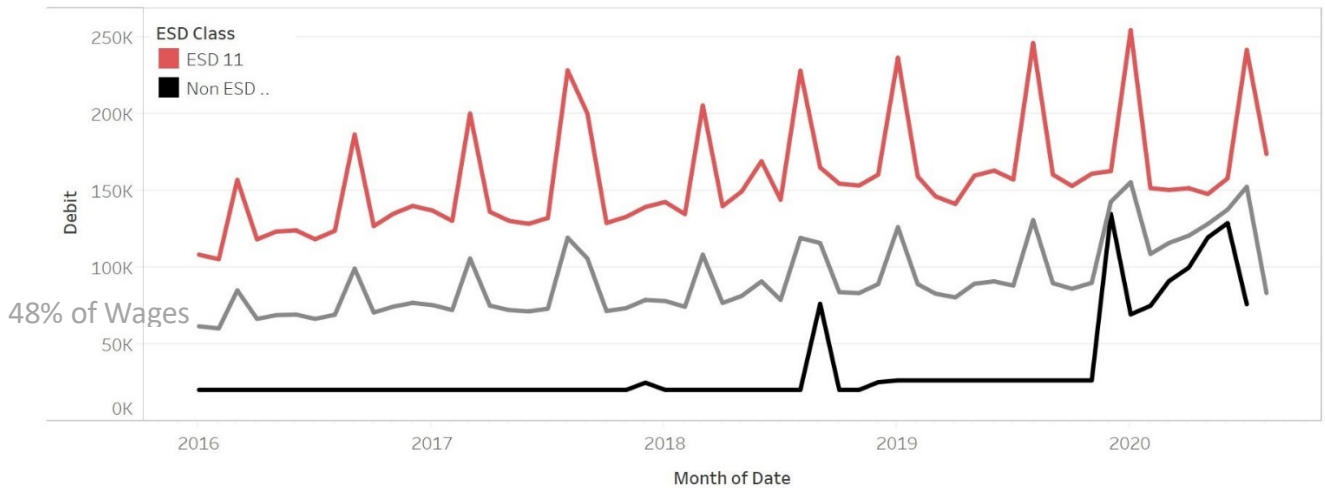
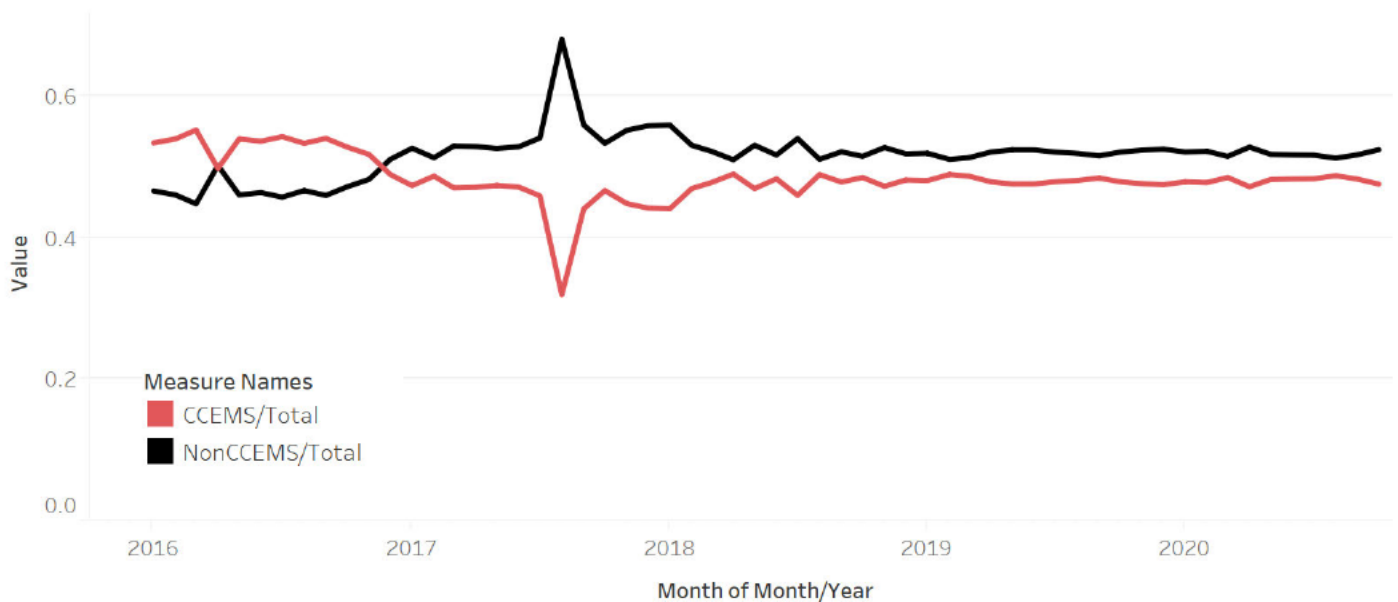
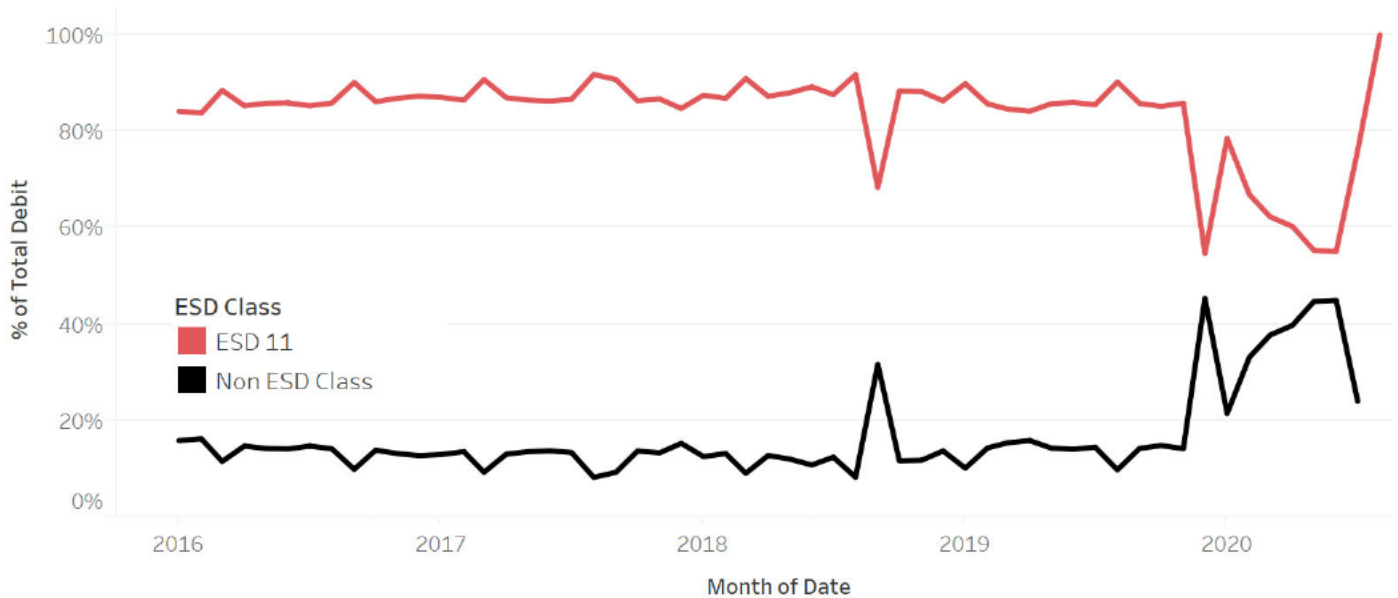


Figure 14: Call Center Volume Compared (%) to Call Center Payroll (%)

Call Center Volume %



Call Center Payroll %



Starting in December 2019, the Communication Center payroll percentage graphic starts to look erratic. In December 2019, there were bonuses classified to the non-ESD11 class. Starting in January 2020, it appears that CCEMS started to accrue wages at month end and prepared reversing entries at the start of the following month on the non-ESD11 class. This begins to skew the analysis and terminates with the August 2020 data set. It appears that CCEMS may be trying to engage in better bookkeeping practices in 2020. However, the fact remains that ESD11 was paying for a disproportionately large share of the Communication Center wages. This also means that the split between ESD11 and CCEMS funding for Communication Center wages in each year's budget were not true and complete.

The following table presents this information:³⁴

Figure 15: Communication Center Wage Allocation

Communication Center Wage Allocation									
	Wages -Comm Center *	Call Volume			Total	HCESD Allocation Based on %	HCESD		Overpayment
		CCEMS	Non-CCEMS				Budgeted Wages		
2016	\$ 1,571,788.02	47.40%	52.60%	100.00%	\$ 745,027.52	\$ 1,110,000.00	\$ 364,972.48		
2017	\$ 1,834,533.40	40.90%	59.10%	100.00%	\$ 750,324.16	\$ 1,298,000.00	\$ 547,675.84		
2018	\$ 2,009,552.51	43.30%	56.70%	100.00%	\$ 870,136.24	\$ 1,619,000.00	\$ 748,863.76		
2019	\$ 2,067,343.24	48.00%	52.00%	100.00%	\$ 992,324.76	\$ 1,676,993.00	\$ 684,668.24		
2020	\$ 2,042,071.38	50.00%	50.00%	100.00%	\$ 1,021,035.69	\$ 1,760,000.00	\$ 738,964.31		
Total	\$ 9,525,288.55				\$ 4,378,848.36	\$ 7,463,993.00	\$ 3,085,144.64		

***Note: Based on general ledger account activity for account #6223: Wages - Comm Center.
Call Volume taken from Ramey Report from 2016-2018. 2019 information taken from "Comm Center Total Call Volume 2016 - 2020.xlsx" provided by CCEMS. 2020 information was a conservative estimate based on other years.**

ESD11 overpaid \$3,085,144.64 in wages for the Communication Center from 2016 through 2020. This conclusion was based on allocating wages for all Communication Center employees pro-rata based on the percentage of calls that were CCEMS compared to Non-CCEMS. We did not have Communication Center volume data for 2020 so we estimated a 50% split between CCEMS and Non-CCEMS calls. This was a conservative estimate considering the lowest percentage of Non-CCEMS calls between 2016 and 2019 was 52%.

Health Insurance Allocations

Another area of concern was the allocation of CCEMS health insurance costs to ESD11 and the CCEMS change to self-insurance. Specifically, the misallocation of insurance costs resulted in ESD11 overpaying CCEMS at least \$4,994,815.40 from January 1, 2016 through December 31, 2020 for health insurance. Additionally, the change to self-insurance is significant because of CCEMS' lack of transparency regarding this change with the ESD11 Board and with readers of the financial statements. The failure to properly disclose the change to self-insurance is an example of CCEMS not providing true and complete financial information to the ESD11 Board, failing to record an estimate for incurred-but-not-reported ("IBNR") costs relating to the self-insurance are a violation of GAAP, and over-allocating insurance costs to ESD11 resulting in damages to ESD11. This section of the report will address the self-insurance concern and then the allocation of health care costs.

Type of Insurance Plan

During the period under review, CCEMS was operating under a self-insurance plan. This means that CCEMS pays for the claims for employees that visit the doctor or have other medical expenses that are to be paid under the plan instead of an insurance company, subject to various stop-losses. It appears that CCEMS was not recording IBNR for claims on their self-insurance plan in past periods based on inquiries with Rene Johnson, CCEMS's Controller, and the prior period errors outlined in the notes to the CCEMS 2019 Audited Financial Statements³⁵. IBNR should be estimated to account for employees that visit the doctor or have other medical expenses that are to be paid under the plan but where paperwork related to the claim has not been provided by the doctor's office or other provider.

³⁴ We were only able to calculate the overpayment from the allocation of Communication Center wages from 1/1/2016 through 12/31/2019. We used a conservative estimate of a 50/50 split between CCEMS and Non-CCEMS for 2020. If additional information is produced, Communication Center allocations would need to be adjusted for 1/1/2020 forward.

³⁵ See Note 9 of the Cypress Creek Emergency Medical Services Association Financial Statements and Supplemental Information for the Years Ended December 31, 2019 and 2018 with Independent Auditor's Report. The 12/31/2018 audited financial statements were restated to include "an accrual for insurance claims in the amount of \$901,810" that "required a restatement of the December 31, 2018 financial statements as reflected in the Statements of Financial Position, Activities, and Cash Flows".

This is extremely important to users of financial information because claims relating to self-insured businesses represent liabilities against the assets of that business. This means that the business is responsible for paying employees' claims as opposed to an insurance provider having responsibility for processing and paying claims. Further, the lack of timely change to an IBNR presentation makes it appear to a reader of the financial statements that CCEMS would still be on a traditional insurance plan, and the reader would have no indication of the change to this type of insurance plan, or the potential mounting liabilities related to employees' claims. The failure of CCEMS to record an estimate for IBNR was a violation of GAAP since IBNR is a liability that should be reflected on the face of the statement of financial position.³⁶

Further, the appropriate allocation of self-insurance claims between CCEMS and ESD11 is unclear because self-insurance was never contemplated. It was stated in various public ESD11 Board Meetings that the intent of ESD11 was to only cover the employee portion of the health insurance premiums at 100% and that the ESD11 Board was never informed of nor approved CCEMS's change to self-insurance. Further, in the 2016 to 2020 CCEMS budgets, there is a description for various revenues and expenses, and each year the following is presented with respect to health insurance:

Figure 16: Screen Shot of CCEMS Budget Definition of Health Insurance

Insurance (Health)	employee coverage (health, dental, disability, vision)
--------------------	--

Calculation of Overallocation of Health Insurance

ESD11 was funding roughly 90% of CCEMS's employee health insurance costs. There is no confidence that health insurance has been allocated appropriately since health insurance is an employee benefit that would be derived from the allocation of payroll and based on the above stated findings regarding payroll misallocations to date. Therefore, we calculated the potential overallocation of health insurance to ESD11.

We were provided an estimated CCEMS health insurance cost summary schedule based on employee counts on June 1, 2020 (Figure 17) that leads us to further question the health insurance allocations. This document is very interesting as it states that the CCEMS Portion of Communication Center wages is 48.07% which is similar to the approximate allocation of half of the call volume we estimated earlier in this report. In addition, we reviewed the payroll report for June 4, 2020, and found 173 employees coded to the EMS category. It is expected that the 150 employees for the EMS group per Figure 17 would be different than total employees since not all employees enroll in health insurance coverage. However, the similarity of the numbers alludes that all the potential misclassifications of employees to the EMS category previously discussed in this report exist within the health insurance allocations³⁷.

If the policy of ESD11 is to only fund the employee portion of health insurance, then the employee versus employer split is inconsistent with this policy. The employee portion should have been the amount in excess of \$236.22 or \$776.80 depending on if this policy was to be inclusive or exclusive of estimated claims expense based on Figure 17. We did not perform a formal benchmarking study to compare the price ranges of costs for the self-insurance estimates. However, we frequently review records related to health insurance premiums in the ordinary course of our work. If CCEMS were on a traditional plan, we typically see just under \$250 per employee premium for PPO Bronze Plans. However, when the

³⁶ See definition of liabilities in FASB Concept Statement No. 6.

³⁷ We found that a health insurance reclassification was included in a monthly reclassification journal entry example we reviewed. Further review of the general ledger showed that in our January 2020 example, \$53,337.70 of "Health Insurance – Claims Pymts" were reclassified from "ESD 11" to "Administrative". However, it only cites claim payments and not the potential excess premiums for administrative team members coded to EMS that are in turn allocated to ESD11.

estimates for claims are added, we see PPO Gold plans for less than the \$775 total costs per employee per month outlined in Figure 17. This informal data point is meaningful to employees based on the interview of Ms. Stumbo where she became emotional when speaking about the lack of what the CCEMS plan covered. Basic things that are typically covered in traditional PPOs (and even most HMOs) such as annual flu shots, etc. were denied, or if eventually covered, she would have paid out of pocket to be able to obtain medical care during what sounded like an appeals process while she waited for a subsequent approval and reimbursement.

If we assume that all the inputs in Figure 17 are correct, then the total maximum annual allocation to ESD11 should be \$471,525³⁸ excluding claim payments or \$1,550,590.37³⁹ including claim payments. This is less than the \$2,491,180 per the same document. We must also reiterate that we don't know if the inputs on this document are correct based on the misclassification of administrative employees to the EMS wage category.

Figure 17 also appears to have actuarial calculations to estimate the total claims expected based on the number of employees and plans. Yet, as previously mentioned in this section, it does not appear that CCEMS is consistently recording IBNR.

³⁸ \$236.22 per employee per month for 150 EMS category employees and 48.07% of that amount for 34 Comm Center category employees.

³⁹ \$776.80 per employee per month for 150 EMS category employees and 48.07% of that amount for 34 Comm Center category employees.

Figure 17: CCEMS Health Insurance Cost Summary

Cypress Creek EMS

Estimated ESD Health Insurance Costs Using ESD Employee Count on 6/1/20

	Enrollment	Premiums				Total Monthly Insurance & Admin Costs	Premium Split - ER vs EE			Claims - ER PEPM (a)	Total Costs	Monthly Employer Expense			CCEMS Portion of Comm Center	Annual Total Employer Expense
		PEPM (a)					PEPM (a)		Total			Premiums - Employer Expense	Claims - Employer Expense	Total Employer Expense		
		Admin Fee	Pharmacy Rebate Credit	Individual Stop Loss	Aggregate Stop Loss		Monthly Employee Share	Monthly Employer Share	Monthly Insurance & Admin Costs							
EMS																
Employee	81	50.88	(15.67)	177.14	23.87	236.22		236.22	540.58	776.80	19,134	43,787	62,921		755,050	
Emp + Spouse	11	110.93	(34.15)	386.17	52.03	514.98	117.13	397.85	1,178.47	1,693.45	4,376	12,963	17,340		208,074	
Emp + Children	27	95.18	(29.61)	334.79	45.11	446.47	117.13	329.34	1,021.70	1,468.17	8,892	27,586	36,478		437,737	
Emp + Family	31	157.74	(48.57)	549.14	73.99	732.30	117.13	615.17	1,675.81	2,408.11	19,070	51,950	71,020		852,245	
	150														2,253,105	
Comm Center																
Employee	22	50.88	(15.67)	177.14	23.87	236.22		236.22	540.58	776.80	5,197	11,893	17,090	48.07%	98,580	
Emp + Spouse	2	110.93	(34.15)	386.17	52.03	514.98	117.13	397.85	1,178.47	1,693.45	796	2,357	3,153	48.07%	18,186	
Emp + Children	2	95.18	(29.61)	334.79	45.11	446.47	117.13	329.34	1,021.70	1,468.17	659	2,043	2,702	48.07%	15,587	
Emp + Family	8	157.74	(48.57)	549.14	73.99	732.30	117.13	615.17	1,675.81	2,408.11	4,921	13,406	18,328	48.07%	105,722	
	34														238,074	
ESD total 6/1/20	184 (b)	ESD Estimate: ESD for the Policy Year 06/20-05/21 using ESD employees Enrolled as of 05/01/20 (excludes claims run out from prior year)													\$ 2,491,180	
		Prior Estimate: ESD (pro rata share) for the Policy Year 06/20-05/21 - As previously computed using budget ESD to total ratio of 68.85%. (excludes claims runout)													\$ 2,203,232	
		Prior Estimate: Per Budget 01/20-12/20 (note Insurance plan year is different than calendar year)													\$ 2,560,000	

(a) Note: PEPM (Per Employee Per Month)

(b) Note: Initial quote had a company wide total of 194 however this was before additional 21 employees were hired. Subsequent to initial quote, 21 additional employees hired and these are part of the ESD total of 184 but were not included in the company wide total of 194 contained in the original estimate.

We also used the information in Figure 17 as a basis to conduct additional analysis to compare the budgeted amounts for Health Insurance funded by ESD11 from 2016 through 2020. As previously stated, ESD11 believed it should have been funding employee only coverage. The following table presents the employee only amounts from Figure 17 applied to all EMS and Communication Center employees and compare those amounts to the funds provided by ESD11 for Health Insurance in each year’s respective budget:

Figure 18: Estimate of Health Insurance Costs for EMS and Comm Center Employees Compared to Budget (Premiums and Claims)

Estimate of Health Insurance Costs for EMS and Comm Center Employees Compared to Budget (Premiums and Claims)												
	Estimate for EMS Employee				Estimate for Comm Center Employee				Total Ins Cost	ESD11 Budget	Over (Under) Allocation	
	#	Cost Per	# Months	Annual Cost	#	Cost Per	# Months	CEEMS %				Annual Cost
2016	139	\$ 776.80	12	\$ 1,295,702.40	31	\$ 776.80	12	47.40%	\$ 136,971.59	\$ 1,432,673.99	\$ 2,250,000.00	\$ 817,326.01
2017	135	\$ 776.80	12	\$ 1,258,416.00	35	\$ 776.80	12	40.90%	\$ 133,438.70	\$ 1,391,854.70	\$ 2,510,000.00	\$ 1,118,145.30
2018	150	\$ 776.80	12	\$ 1,398,240.00	37	\$ 776.80	12	43.30%	\$ 149,341.35	\$ 1,547,581.35	\$ 2,695,000.00	\$ 1,147,418.65
2019	140	\$ 776.80	12	\$ 1,305,024.00	39	\$ 776.80	12	48.00%	\$ 174,500.35	\$ 1,479,524.35	\$ 2,388,157.00	\$ 908,632.65
2020	150	\$ 776.80	12	\$ 1,398,240.00	34	\$ 776.80	12	50.00%	\$ 158,467.20	\$ 1,556,707.20	\$ 2,560,000.00	\$ 1,003,292.80
TOTAL				\$ 6,655,622.40					\$ 752,719.20	\$ 7,408,341.60	\$ 12,403,157.00	\$ 4,994,815.40

Figure 18 shows an overallocation of Health Insurance costs to ESD11 of \$4,994,815.40 from January 1, 2016 through December 31, 2020. This table was prepared based on the following assumptions:

- Health insurance costs have been rising during the past five years. As a result, using the cost per employee from June of 2020 would be a conservative estimate for the premiums paid in prior years. We would expect that the actual premiums paid by CEEMS for each employee in prior periods would be less than our calculation so this assumption would be in favor of CEEMS.
- The totals reflected in the “ESD11 Budget” column were taken directly from the budget for each respective year for Health Insurance funded by ESD11. Budgeted funds provided by ESD11 were actually paid from 2016 to 2019, and none of those funds were ever refunded to ESD11 by CEEMS.
- We did not have access to data similar to Figure 17 for all years. However, we took the number of employees classified as EMS and Comm Center from the unredacted payroll data provided by CEEMS and added the total number of employees on payroll for each classification for the first payroll of June in each respective year. This allowed us to approximate the number of employees that were employed in each year within the EMS and Comm Center classifications. Note that the unredacted payroll data actually reflected more employees than Figure 17 for both EMS and Comm Center employees.
- The CEEMS % for Comm Center employees was taken from our work discussed in the prior section of this report.
- This table assumed that the costs for both premiums paid and claims paid were allocated to ESD11. We do not offer an opinion on whether this was the agreement actually reached between ESD11 and CEEMS. However, this assumption would also be in favor of CEEMS.

The following table considers the same assumptions as Figure 18 except that ESD11 only agreed to pay for premiums for employees; not claims:

Figure 19: Estimate of Health Insurance Costs for EMS and Comm Center Employees Compared to Budget (Premiums Only)

Estimate of Health Insurance Costs for EMS and Comm Center Employees Compared to Budget (Premiums Only)												
	Estimate for EMS Employee				Estimate for Comm Center Employee				Total Ins Cost	ESD11 Budget	Over (Under) Allocation	
	#	Cost Per	# Months	Annual Cost	#	Cost Per	# Months	CEEMS %				Annual Cost
2016	139	\$ 236.22	12	\$ 394,014.96	31	\$ 236.22	12	47.40%	\$ 41,652.20	\$ 435,667.16	\$ 2,250,000.00	\$ 1,814,332.84
2017	135	\$ 236.22	12	\$ 382,676.40	35	\$ 236.22	12	40.90%	\$ 40,577.87	\$ 423,254.27	\$ 2,510,000.00	\$ 2,086,745.73
2018	150	\$ 236.22	12	\$ 425,196.00	37	\$ 236.22	12	43.30%	\$ 45,413.77	\$ 470,609.77	\$ 2,695,000.00	\$ 2,224,390.23
2019	140	\$ 236.22	12	\$ 396,849.60	39	\$ 236.22	12	48.00%	\$ 53,064.46	\$ 449,914.06	\$ 2,388,157.00	\$ 1,938,242.94
2020	150	\$ 236.22	12	\$ 425,196.00	34	\$ 236.22	12	50.00%	\$ 48,188.88	\$ 473,384.88	\$ 2,560,000.00	\$ 2,086,615.12
TOTAL				\$ 2,023,932.96					\$ 228,897.18	\$ 2,252,830.14	\$ 12,403,157.00	\$ 10,150,326.86

The calculations in the table above significantly increase the over allocation of Health Insurance to ESD11. However, we have taken a more conservative approach to damages and conclude that at least \$4,994,815.40 was overpaid by ESD11 from January 1, 2016 through December 31, 2020 for health insurance. These damages would be greater if actual premiums paid in prior years was less than the premiums in 2020. Additionally, the failure to properly disclose what ESD11 was paying for health insurance (employee-only premiums, family premiums, claims, etc.) is another example of information reported to the Board that was neither true nor complete.

Overall Condition of CCEMS Bookkeeping and Budgeting Function

Condition of Bookkeeping

Modified Dates

As mentioned in previous sections, there are some bookkeeping irregularities within the CCEMS bookkeeping. Figure 20 displays the timing difference between the effective date of a transaction (“Transaction Date”) ⁴⁰ and the date the transaction was last modified (“Modify Date”). This graphic shows a significant amount of post-closing adjustment modifications. However, according to Rene Johnson, the past bookkeeper did a subpar job on bookkeeping, and the new controller had to do a fair amount of clean up.⁴¹ This is also reflected in the audit adjusting journal entries for prior periods that were needed for fairly obvious items such as the IBNR for self-insurance that was discussed in footnote 37 of this report. The fact that so many corrections had to be made to the general ledger after periods were closed is evidence that financial information was neither true nor complete at the time it was reported to the Board.

In fact, there were still a lot of transactions being modified many years later. Figure 20 shows this lag by identifying the time stamps between the Transaction Date compared to the last Modify Date of the transaction. The items along the 45-degree line are transactions that are modified near the period when they were originally booked and are indicative of timely bookkeeping. The items that are further away from the 45-degree line indicate an old transaction that was modified in a current period. The red overlay are the transactions related to ESD11.

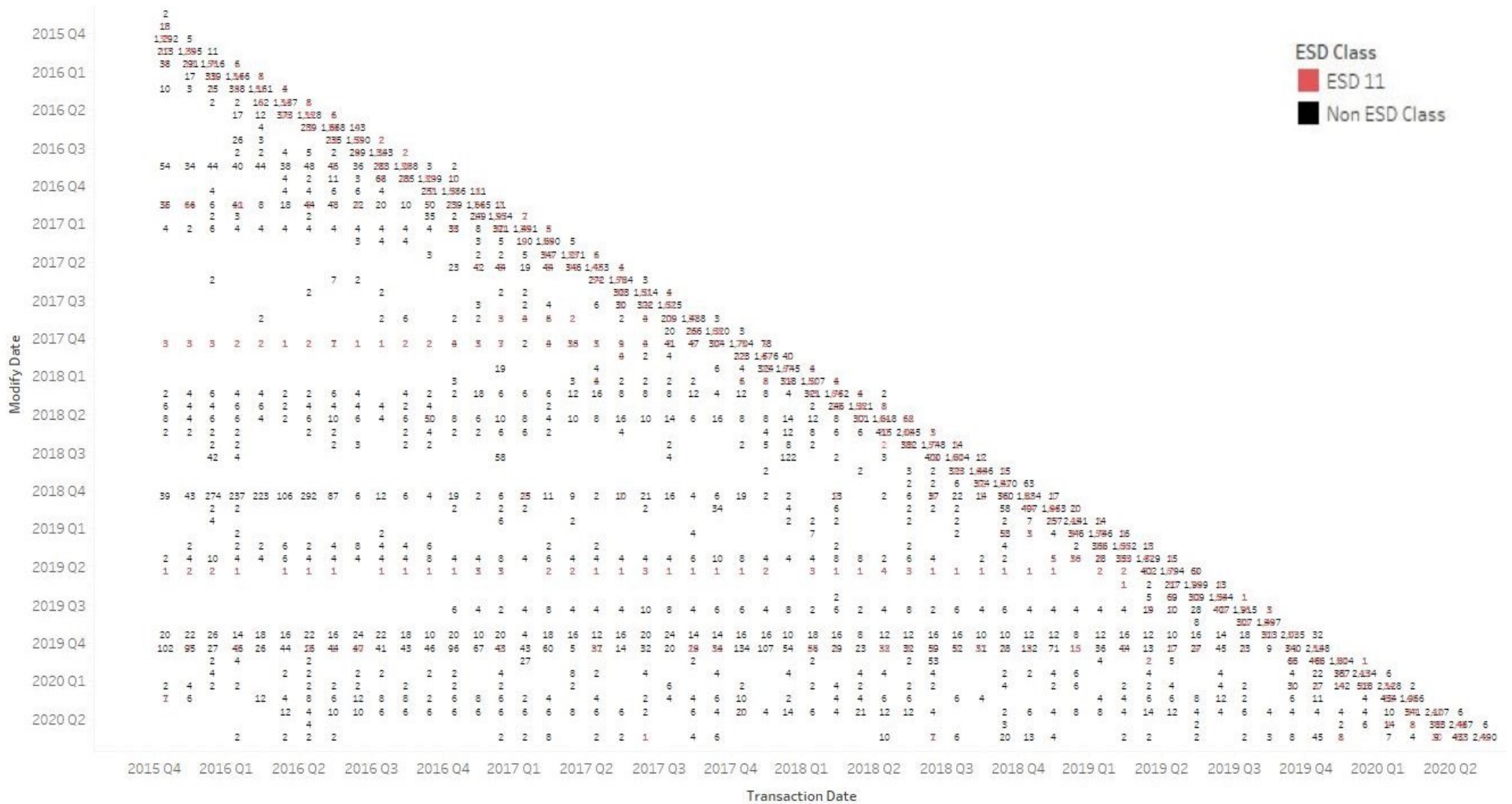
It would be typical to see some cleanup work at quarter-ends and year-ends that would lead to the cluster of transactions we see forming the thick 45-degree line in Figure 20, but modification dates should not go back much more than a quarter or a year. This means that CCEMS was opening and potentially making changes to historical transactions in subsequent periods beyond quarter and year ends. We would expect that the graph would have less noise to the left of the 45-degree line with better and more timely bookkeeping. This also calls into question the reliability of CCEMS’ records.⁴² A reasonable user of financial statements could not have relied on the information presented when so many corrections were being made after the information was provided to the Board.

⁴⁰ The effective date of a transaction is the period when the transaction was originally booked.

⁴¹ This understanding was based on an interview of Rene Johnson, Controller, on August 10, 2020.

⁴² If CCEMS was modifying historical transactions to “clean-up” or correct the general ledger, that would mean that the historical records of CCEMS were not “true and complete”.

Figure 20: Transaction Periods vs. Last Modified Analysis



Bank Reconciliations

After an August 10, 2020 interview with Rene Johnson, it was determined that the CCEMS bank reconciliations were unreliable since the prior bookkeeper performed daily reconciliations based on the time stamps for transactions that had cleared the bank as of the time the reconciliation was completed which was usually around 10:00 am. For example, if he was reconciling the November 19, 2020 transactions on November 20, 2020, he would mark the items that cleared on the 20th prior to 10:00 am as if they had cleared on the 19th instead of the 20th. Therefore, the bank reconciliations could not be reviewed in any meaningful manner due the nature of the bank records and this “moving time stamp”. Procedures were adapted since no reliance could be placed on bank reconciliations, and alternative procedures were outlined in the data completeness section earlier in this report. The inability to provide proper bank reconciliations is another example of the lack of completeness in financial information maintained by CCEMS.

Bank Accounts in the General Ledger

The problem with bank reconciliations was further compounded by the old bookkeeper’s lack of detailed presentation of the cash receipts from Koronis billing according to Mr. Johnson. The actual cash deposits from Koronis go into a separate “Depository” bank account and are swept into the main Operating bank account daily. The total amount swept was recorded in the aggregate directly to the main Operating Account rather than being shown as a transfer between the two accounts and instead of performing any tie-outs or maintaining detailed records for the individual cash inflows. This should ultimately have the same net impact to cash flow presentation with just a one-day lag.⁴³ This lack of precision in bookkeeping means that there were no controls over validating that all billing payments were received, and it is virtually impossible to trace whether there was a problem in CCEMS’s general ledger.

Form 990

A comparison of information in the audited financial statements with the Form 990 filed by CCEMS provided us with additional evidence that the financial information provided by CCEMS to the Board and to the IRS were neither true nor complete. A 990 is an informational tax filing that non-profit organizations must file and are available for public record. PKF Texas was able to obtain the CCEMS 2017 and 2018 990’s from public sources. While there can be differences between book reporting that is on a U.S. Generally Accepted Accounting Principles (U.S. “GAAP”) basis as promulgated by the Financial Accounting Standards Board (“FASB”) per the audited financial statements (“AFS”), both the 990 and the audit were prepared by the same CPA firm, Svadlenak, See, & Company, P.C. Therefore, differences should be fairly limited and based on differences between tax⁴⁴ and GAAP rules.

However, we were not able to reconcile the 2018 AFS to the 2018 990 in some material areas. For example, the total revenue on the 990 is \$33,817,819 but is only \$26,428,547 in the AFS for 2018. This difference is most likely due to the 990 reporting gross billings vs the AFS displaying net billings. In fact, almost \$7.1 million of the \$7.4 million difference noted above appears to be due to this presentation difference based on the line-item names. However, if you read further into the AFS in Note 1 on page 8 of the footnotes to the financial statements, it states:

“The gross fees for the various services rendered are difficult to collect due the discounts and limitations placed on claims by insurance companies and the patients’ inability to pay for the services. Uncollected claims totaling \$21,939,108 and insurance adjustments totaling \$24,015,747 are netted against insurance billings for the year ended December 31, 2018.”

The uncollected claims and insurance adjustments mentioned in this paragraph read as being added together for a total of \$45 million in adjustments from gross billings for what is presented as \$9,171,979 net billings on the statement of activities of the 2018 AFS. As a result, it does not make sense to have a \$7 million difference between the 990 and the

⁴³ See the Koronis Billing Data section where the Koronis cash payments are compared to the amount of cash that was deposited into the “Depository” bank account.

⁴⁴ The 2018 990 is marked as prepared on the accrual basis of accounting per Part XII, Line 1.

AFS due to a difference between gross vs. net billings based on the information in the audit⁴⁵. In our opinion, there is no plausible explanation for the difference between the audited financial statements and the Form 990.

The following table presents some of the differences between the audited financial statements and the Form 990 for the period ending 12/31/2018:

Figure 21: Comparison of Audited Financial Statements to Form 990 for Period Ended 12/31/2018

Comparison of Audited Financial Statements to Form 990 for Period Ended 12/31/2018				
	Audited Financial Statements	Form 990	Difference	
Gross Revenue (1)	\$ 55,286,589.00	N/A	N/A	
Less: Insurance Adjustments (1)	\$ (24,015,747.00)	N/A	N/A	
Less: Bad Debt (1)	\$ (21,939,108.00)	N/A	N/A	
Less: Administrative Adjustments (1)	\$ (159,755.00)	N/A	N/A	
Net Insurance Billings (2)	\$ 9,171,979.00	\$ 16,243,585.00	\$ (7,071,606.00)	
Other Accounts Balances:				
Total Revenue	\$ 26,428,547.00	\$ 33,817,819.00	\$ (7,389,272.00)	
Special Events - Fundraisers	\$ 106.00	\$ 115,386.00	\$ (115,280.00)	
Depreciation	\$ 1,567,183.00	\$ 2,520,664.00	\$ (953,481.00)	
Note 1: The account balances for Gross Revenue, Insurance Adjustments, Bad Debt, and Administrative Adjustments were taken from the CCEMS general ledger for 12/31/2018 and were tied to the audited financial statements.				
Note 2: Net Insurance Billings is titled "Program Service Revenue" on Form 990.				

⁴⁶ It is very common in the for-profit world that book depreciation does not match tax depreciation due to the various accelerated depreciation methodologies that businesses utilize to minimize their tax burden. In tax-exempt organizations, the differences in depreciation are usually not so striking as there is no incentive to pay for the extra professional services to maximize the deductions in early years for the purchase of an asset. However, for CCEMS, the 2018 990 listed depreciation as \$2,520,664, and the AFS only reflected \$1,567,183⁴⁷.

⁴⁵ The 2019 Audited Financial Statements restated the 2018 figures. All of the figures cited in this section remained the same between the original 2018 AFS and the numbers as revised and presented in the 2019 AFS.

⁴⁶ There are other differences between the audited financial statements and the Form 990. The information presented here is meant to serve as an example only. We did not list every difference between the two sources of information.

⁴⁷ Per the original 2018 AFS. This figure was restated to \$1,240,972 in the 2019 AFS

A fixed asset (book basis) detail for the calendar year 2018 was obtained as part of a reclassification entry in January 2019. The following is the list of all assets that were purchased in 2018:⁴⁸

Figure 22: 2018 Assets Purchased

Asset	Placed Into Service Date	Cost Basis	Useful Life
SO 17 2018 Expedition #A3751	5/29/18	35,389.30	5
SO 18 2018 Expedition #A3751	5/29/18	35,389.30	5
Medic #87	7/17/18	198,319.67	5
Medic #88	7/17/18	198,319.67	5
Medic #89	7/6/18	198,319.67	5
Medic #90	7/6/18	198,319.67	5
Sliding Chain Link Gate	1/11/18	9,275.00	15
Northwest Communicatio	3/20/18	21,360.30	5
CF-20 Tough Book	8/24/18	63,900.00	5
BWC Bundle Axon Enter	10/26/18	387,067.45	5
Gateway Printing	6/7/18	51,666.14	7
Stryker Power Pro Cots	5/29/18	57,854.16	7
Stryker Stair Pro	6/11/18	89,010.90	7
Northwest Communicatio (Network)	3/14/18	5,032.52	7
Tough Rugged Laptops (Network)	6/15/18	16,013.57	5
Purvis Fire Station Server	12/10/18	33,270.00	5
Total		\$1,598,507.32	

While 2018 was an intensive year for capital expenditures, approximately 60% of new assets would have needed to be subject to accelerated depreciation to account for the \$953,481 difference in depreciation expense between the 990 and the AFS for 2018.⁴⁹ The difference between what CCEMS reported for depreciation in the 990 and the audited financial statements is another indicator that the financial information provided to the Board was not true and complete.

Overall, these are a few examples of anomalies that do not make sense on the 990 upon a cursory review and is likely not an exhaustive list of all issues with the 990. Thus, the 990 preparation supports the conclusion that the financial information that was historically reported to the IRS and the Board were neither true nor complete.

Payroll Reclassification Entries

Another example of poor bookkeeping is that Public Sector, Inc.⁵⁰ was listed as the “Name” for journal entries (transactions) that were clearly not related to this vendor. The “Name” field in QuickBooks should reflect the name of a customer or vendor that is related to the specific journal entry. However, Public Sector was listed as a name for journal entries that clearly had nothing to do with this vendor such as wages and insurance expenses. For example: (1) an expected vendor for an insurance expense would be Blue Cross Blue Shield, Cigna, or AETNA; (2) Public Sector, Inc. was obviously not paying the wages for CCEMS employees; and (3) Public Sector, Inc. did not have anything to do with the recording of depreciation expense for fixed assets owned by CCEMS. Therefore, the information in the general ledger would be misleading to anyone attempting to conduct meaningful analysis on expenses and vendor payments. This is another example of the general ledger not being true and complete.

⁴⁸ This figure was not intended to determine ownership of these assets. The ownership of assets is addressed in another section of this report.

⁴⁹ Since the 990 does not appear to have been amended for 2018, it is more appropriate to compare to the original 2018 audit figure, rather than the revised figure in the 2019 audit.

⁵⁰ Public Sector, Inc. is a software company.

This clear miscoding was most likely due to the use of a journal entry template. This also means that the procedures to quantify the potential over-charging of wages to ESD11 is more complex and further supports that the previous "Reconciliation Reports" would be unreliable. Since a professional CPA did not catch this error during the reconciliation reports, an ordinary user of the financial information would have been incapable of detecting the error.

Figure 23: Support Provided for GJ 200159

Trans #	Type	Date	Num	Name	Memo	Account	Debit	Credit	Notes
200,159	General Journal	01/31/2020	28 months	Infor Public Sector, Inc.		6021 CommunicationsCenter Expenses	4,809.76		See Prepaid Schedule file
				Infor Public Sector, Inc.		1158 Prepaid Expense		4,809.76	See Prepaid Schedule file
				Priority Dispatch		6021 CommunicationsCenter Expenses	1,400.00		See Prepaid Schedule file
				Priority Dispatch		1158 Prepaid Expense		1,400.00	See Prepaid Schedule file
				ESRI, Inc.		6023 Communication Network Expense	180.00		See Prepaid Schedule file
				ESRI, Inc.		1158 Prepaid Expense		180.00	See Prepaid Schedule file
				Mobile Wireless, LLC		6023 Communication Network Expense	459.00		See Prepaid Schedule file
				Mobile Wireless, LLC		1158 Prepaid Expense		459.00	See Prepaid Schedule file
				Infor Public Sector, Inc.		6023 Communication Network Expense	732.00		See Prepaid Schedule file
				Infor Public Sector, Inc.		1158 Prepaid Expense		732.00	See Prepaid Schedule file
				Northwest Communications		6023 Communication Network Expense	1,458.00		See Prepaid Schedule file
				Northwest Communications		1158 Prepaid Expense		1,458.00	See Prepaid Schedule file
				Masimo Americas, Inc.		6120 Medical Equip Repair/Contract	115.00		See Prepaid Schedule file
				Masimo Americas, Inc.		1158 Prepaid Expense		115.00	See Prepaid Schedule file
				Stryker Sales Corporation		6120 Medical Equip Repair/Contract	2,000.00		See Prepaid Schedule file
				Stryker Sales Corporation		1158 Prepaid Expense		2,000.00	See Prepaid Schedule file
				EdgeWave, Inc.		6023 Communication Network Expense	166.00		See Prepaid Schedule file
				EdgeWave, Inc.		1158 Prepaid Expense		166.00	See Prepaid Schedule file
				Purvis Systems Incorporated		6021 CommunicationsCenter Expenses	1,260.82		See Prepaid Schedule file
				Purvis Systems Incorporated		1158 Prepaid Expense		1,260.82	See Prepaid Schedule file
				ZixCorp Systems, Inc.		6023 Communication Network Expense	1,719.00		See Prepaid Schedule file
				ZixCorp Systems, Inc.		1158 Prepaid Expense		1,719.00	See Prepaid Schedule file
				Eaton Corporation		6023 Communication Network Expense	300.00		See Prepaid Schedule file
				Eaton Corporation		1158 Prepaid Expense		300.00	See Prepaid Schedule file
				Eaton Corporation		6023 Communication Network Expense	593.00		See Prepaid Schedule file
				Eaton Corporation		1158 Prepaid Expense		593.00	See Prepaid Schedule file
				Know Be4, Inc.		6002 Administrative Expense	479.00		See Prepaid Schedule file
				Know Be4, Inc.		1158 Prepaid Expense		479.00	See Prepaid Schedule file
				ESO Solutions, Inc.		6023 Communication Network Expense	4,200.52		See Prepaid Schedule file
				ESO Solutions, Inc.		1158 Prepaid Expense		4,200.52	See Prepaid Schedule file
				VFS of Texas		6082 Insurance-General	37,454.00		See Prepaid Schedule file
				VFS of Texas		1159 Prepaid Insurance		37,454.00	See Prepaid Schedule file
				Infor Public Sector, Inc.		6082 Insurance-General	1,258.00		See Insurance General File
				Infor Public Sector, Inc.		1161 Crime Policy Prepaid Ins		1,258.00	See Insurance General File
				Infor Public Sector, Inc.		6082 Insurance-General	763.00		See Insurance General File
				Infor Public Sector, Inc.		1162 Fire Prepaid		763.00	See Insurance General File
				Infor Public Sector, Inc.		6082 Insurance-General	76.00		See Insurance General File
				Infor Public Sector, Inc.		1166 Pollution Liability Prepaid Ins		76.00	See Insurance General File
				Texas Mutual Insurance Co		6086 Insurance-Workers Comp	27,892.00		See Insurance General File
				Infor Public Sector, Inc.		1167 Work Comp Prepaid Ins		27,892.00	See Insurance General File
				Infor Public Sector, Inc.		6082 Insurance-General	64.00		See Insurance General File
				Infor Public Sector, Inc.		1169 Licence and Permit Bond		64.00	See Insurance General File
				Infor Public Sector, Inc.		6030 Depreciation Expense	140,000.00		See Insurance General File
				Infor Public Sector, Inc.		1290 Accumulated Depreciation		140,000.00	See Insurance General File
				Infor Public Sector, Inc.		2010 Prepaid Dispatch Fees	73,500.00		See Insurance General File
				Infor Public Sector, Inc.		4056 Dispatch Fees		73,500.00	See Insurance General File
				Infor Public Sector, Inc.		6082 Insurance-General	2,138.00		See Insurance General File
				Infor Public Sector, Inc.		1164 Directors/Officers prepaid Ins		2,138.00	See Insurance General File
				MP2 Energy Texas		6202 Utilities Expense	9,800.00		Accrual for Utilities used, but not paid
				MP2 Energy Texas		2202 Accruals		9,800.00	Accrual for Utilities used, but not paid
				Infor Public Sector, Inc.	Ajust salaries per budget	6222 Wages-EMS	135,846.00		Adjust salaries per budget
				Infor Public Sector, Inc.	Ajust salaries per budget	6222 Wages-EMS		135,846.00	Adjust salaries per budget
				Infor Public Sector, Inc.	Ajust salaries per budget	6223 Wages-Comm Center	36,863.00		Adjust salaries per budget
				Infor Public Sector, Inc.	Ajust salaries per budget	6223 Wages-Comm Center		36,863.00	Adjust salaries per budget
				Infor Public Sector, Inc.	Ajust health cost per budget	6083 Health Insurance - Claim Pymts	53,337.00		Adjust salaries per budget
				Infor Public Sector, Inc.	Ajust health cost per budget	6083 Health Insurance - Claim Pymts		53,337.00	Adjust salaries per budget
							538,263.10	538,263.10	

Operational Inefficiencies

FEMA Reimbursement

PKF Texas was provided documents from Greathouse related to a Hurricane Harvey assistance reimbursement from FEMA to CCEMS, and a related payment by CCEMS to ESD11.

In reviewing these documents and comparing them to CCEMS' records, PKF found irregularities in how CCEMS recorded the FEMA reimbursement and how CCEMS reported certain fringe benefit rates.

We were unable to determine if this payable to ESD11 was ever presented on the audited financial statements. We were only able to find transactions related to FEMA Disaster Recoupment in a series of transactions on August 25, 2020⁵¹ in the general ledger that appear to record the payable and issue a check to ESD11 for a portion of the FEMA Reimbursement funds. Ideally, the amount owed to ESD11 should have been recorded in the CCEMS books in 2017, which was the year of Hurricane Harvey.

However, if the specific FEMA program was not known or established or CCEMS was otherwise ineligible for the reimbursement, then the funds due to ESD11 should have been recorded at the point that they became probable and were able to be reasonably estimated.⁵² Some of the documents that were used to estimate the damages to ESD11 owned assets that were provided to us are signed and dated in February and March of 2019⁵³ so the liability should have been recorded no later than this date. The failure to record a liability to ESD11 when the payable could be estimated is a violation of GAAP and violated the requirement to provide true and complete financial information to the ESD11 Board.

The support that appears to accompany the August 25, 2020 check includes a report that appears to list and allocate the labor associated with the reimbursement although the version provided was unsigned by any representative.⁵⁴ We question the veracity of the report because it is unclear as to the policies CCEMS utilized for the allocation and associated labor burden to wage expense (ex. health benefits, retirement benefits, and payroll taxes). For example, a

⁵¹ See transactions #20580 and #205802.

⁵² CCEMS should have recorded a payable to ESD11 for ESD11's portion of FEMA proceeds when it was probable that the funds would be collected and when CCEMS could reasonably estimate the amount owed to ESD11.

GAAP requirements for contingent liabilities would apply to the funds owed to ESD11 resulting from the FEMA proceeds received for Hurricane Harvey. GAAP requires the recording of a liability if "information available before the financial statements are issued or are available to be issued indicates that it is probable that ... a liability had been incurred at the date of the financial statements and the amount of loss can be reasonably estimated." (See ASC-450-20-25-2)

Another way to look at the application for FEMA proceeds would be to consider the funds as a loss recovery if CCEMS had recognized losses/expenses in their general ledger at the time of the event (Hurricane Harvey). Loss recoveries are addressed in ASC 410-30-35-8, which states that "an asset relating to the recovery shall be recognized only when realization of the claim for recovery is deemed probable." Although ASC 410 is meant as guidance for environmental remediation, the loss recovery for environmental remediation is similar to the recovery offered by insurance or FEMA proceeds. Note that both ASC-450 and ASC-410 apply a threshold of probable for the likelihood that an event will occur for a liability. In this case, the event would be the collection of proceeds from FEMA. Whether CCEMS viewed their payment of a part of the FEMA proceeds to ESD11 as a loss recovery (reimbursement) or as a contingent loss, the requirements are similar.

Even if the amount that would have been owed to ESD11 could not have been reasonably estimated, disclosure of the liability would have been preferable to accruing it under GAAP. (See ASC-450-20-50) At the very least, CCEMS should have made a disclosure for the liability to ESD11 in the accompanying notes to the audited financial statements.

⁵³ See "2020-08-26 CCEMS ltr for August payment backup docs.pdf", "Project 43501 - DR4332TX- FA Equipment Cost Summary Highlighted.pdf", and "Signed Final FA Material Project.pdf".

⁵⁴ See "Redacted Project 43051 - DR4332TX - Excel File FA Labor Cost Summary 2.pdf". This report shows that CCEMS was able to reasonably estimate the liability to ESD11 for labor.

fringe benefit rate of 47.22% was used for regular time and 7.25% was used for overtime. The regular rate seems excessively high while the overtime rate seems excessively low.⁵⁵

Federal payroll taxes are 7.65% of gross wages assuming an employee has not maxed out one component of the calculation that is maxed out over \$127,200 in 2017, the year of Hurricane Harvey. Also, the Texas State taxes should be added to that figure. Each company has a different rate in Texas based on the amount of past unemployment claims; yet the overtime labor burden rate is less than the statutory federal rate even before the Texas add-on. Most of the employees listed are in the \$12 to \$30 an hour range which means they would need a very large amount of overtime to get from a \$25,000 to \$75,000 regular annual wage range to an annual salary of \$127,200 which is where phase-outs start.

Equally odd is the regular rate of 47.22%. A very rough rule of thumb for back-of-envelope planning is 33% of labor burden before actual calculations are performed. It is unclear if there were set rates by FEMA for this calculation. However, it would be surprising if there was a set rate this high since there are usually Federal labor burden maximum rates in various agencies. For example, the maximum rate by the Department of Defense (DOD) for civilian personnel billed to various DOD entities is 43.4%⁵⁶ and is actually inclusive of 6.9% for "unfunded retirement, postretirement health benefits, and postretirement life insurance costs". These items are related to traditional pension plans (defined benefit plans), and there is no indication that CCEMS provided these benefits, so the comparable maximum DOD rate is likely to be 36.5% which is relatively close to the 33% rule of thumb.

The unusually high and unusually low rates reported to FEMA by CCEMS serve as further evidence for the questionable nature of the CCEMS' procedures related to payroll allocation; specifically, precision and reasonableness. Additionally, this offers further evidence that the information being provided to the Board are neither true nor complete, and the failure to record a liability to ESD11 when the payable could be estimated is a violation of GAAP.

Meals and Entertainment

Another area of concern was meals and entertainment. Two specific restaurants were of particular concern for the Board initially: (1) Wolfie's and (2) Perry's Steakhouse and Grille. The following table shows the frequency and dollar amounts for expenses relating to both restaurants from January 1, 2016 through December 31, 2020:

Figure 24: Expenses for Wolfie's and Perry's By Expense Account

Debits for Meals by Expense Account				
Expense Account	Wolfie's		Perry's Steakhouse	
	Dollar Value	Count	Dollar Value	Count
6002 · Administrative Expense	\$ 9,240.03	69	\$ 15,679.38	90
6016 · Special Operations	\$ 7,312.01	28	\$ 180.00	1
6019 · Community Relation	\$ 2,999.00	25	\$ 1,842.43	9
6182 · Special Events Expense	\$ 4,580.62	29	\$ 700.00	6
6187 · St. Patrick Parade	\$ 190.00	1	\$ -	0
6213 · Volunteer Expense	\$ 5,706.61	46	\$ 5,918.16	23
Total	\$ 30,028.27	198	\$ 24,319.97	129
Average Cost Per Visit	\$ 151.66		\$ 188.53	

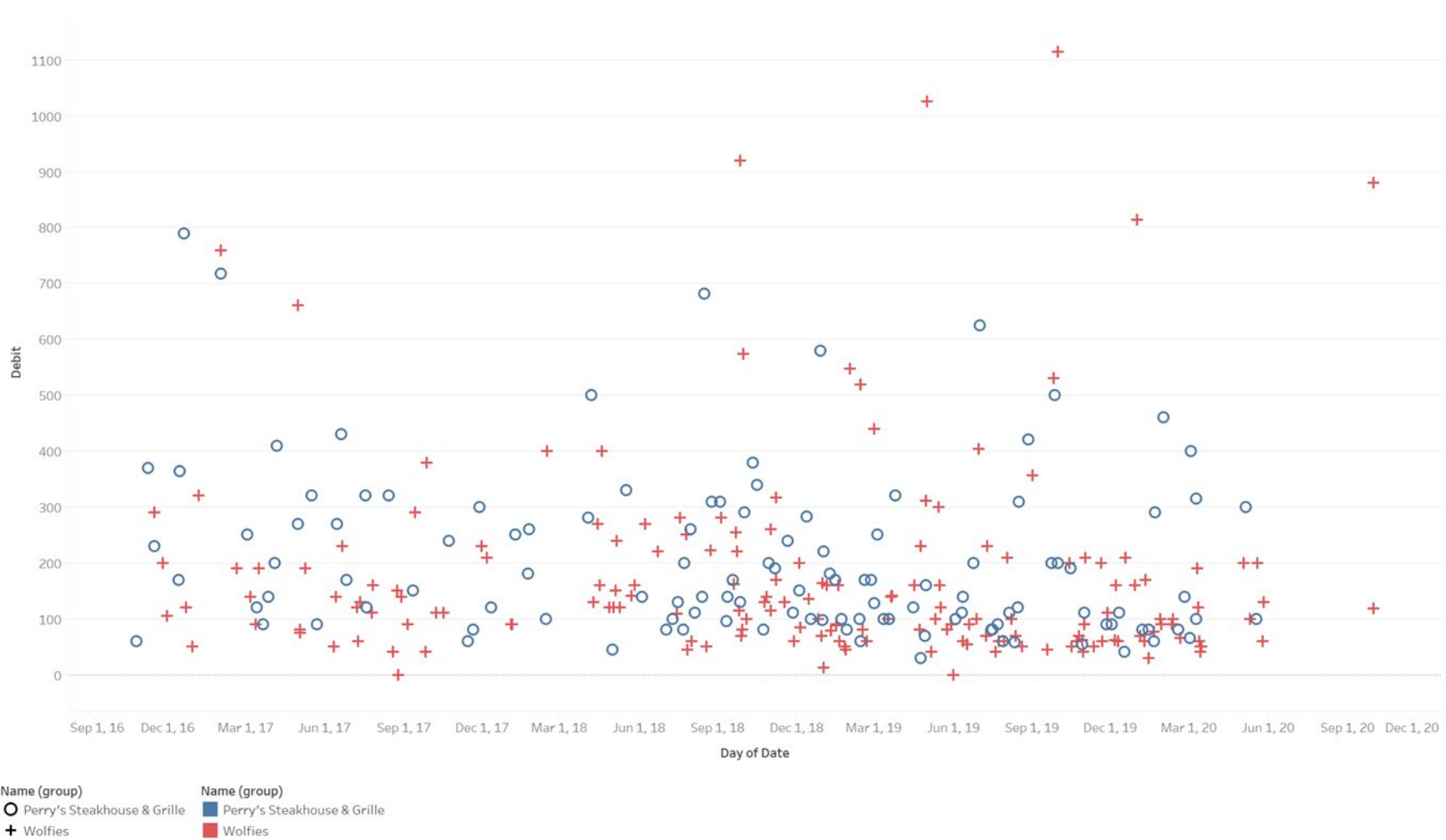
⁵⁵ The audited financial statements of CCEMS for the period ended 12/31/2017 reflected total salaries of \$13,035,644, employee health benefits of \$3,379,895, pension expense of \$643,866, and payroll taxes of \$964,975. Salaries, pension expense, and payroll taxes combined were only 38.27% of total salaries for the entire year in 2017.

⁵⁶ https://comptroller.defense.gov/Portals/45/documents/rates/fy2020/2020_d.pdf

The table shows the total dollar amount expensed through each of the respective general ledger expense accounts and the number of times each restaurant was frequented. We also calculated an average cost per visit by dividing the total dollar amount by the total number of expenses entered into the general ledger.

The following graphic shows the amount paid per visit for each restaurant over time. The red plus represents each visit to Wolfie's while the blue circle represents each visit to Perry's Restaurants. The left edge of the chart shows the dollar amount of each visit.

Figure 25: Charges for Each Visit to Wolfie's and Perry's Over Time



We also reviewed several of the American Express and VISA credit card statements specifically looking for the charges reflected on the chart above to validate that the frequency we were seeing in the data was accurate. All of the charges to these two restaurants were either on the credit card issued to Brad England or Wren Nealy. Each was routinely visiting these two restaurants and sometimes would dine there several times a week while expensing each visit through the statement of activities of CCEMS. While the total charges over time might appear immaterial, they present further evidence for the inappropriate use of CCEMS funds and the behavior of two different CEOs of CCEMS during the periods discussed. The classification of meals as administrative expenses or anything other than meals and entertainment would be misleading to a reader of the financial information and is another example of information that is not true and complete.

Benchmarking of CCEMS Operations to MedStar Operations

PKF compared the audited financial statements of CCEMS to the audited financial statements of Metropolitan Area EMS Authority (“MedStar”) as a way of benchmarking the two Companies against one another. MedStar provides advanced life support ambulance services to four-hundred and thirty-six square miles and more than one million residents in Fort Worth and fourteen surrounding cities with a fleet of sixty-five ambulances.⁵⁷ MedStar and its service area were considered as a reasonable comparison to CCEMS and ESD11 for the audited financial information and for the source of funding for their operations.⁵⁸ The financial statements for both CCEMS and MedStar were common-sized⁵⁹ and attached as Exhibits 4 and 5 at the end of this report.⁶⁰ A few of the key areas will be discussed further in this section of the report.

Funding Sources

The first area that should be addressed is the sources of revenue for each organization. The table below shows this comparison from 2016 to 2019.

⁵⁷ This information was taken directly from the website for MedStar at <http://medstar911.org/service-area>.

⁵⁸ MedStar is a governmental administrative agency established through the adoption of a uniform EMS ordinance and interlocal cooperative agreement between municipalities under the provisions of Section 773.051 of the Texas Health and Safety Code and the provisions of Chapter 791.001 of the Texas Government Code (the “Interlocal Cooperation Act”), which provides that combinations of governmental units may contract for the provision of governmental services. MedStar is also self-insured, but it provides the majority of funding from insurance billings.

⁵⁹ Common-sized financial statements are a common accounting term that means information is presented as a percentage of a denominator that is common between companies that are being compared. For instance, all items on the income statement were shown as a percentage of total revenue and items on the balance sheet were shown as a percentage of total assets. CCEMS and MedStar were also analyzed as a percentage of 24-hour units. This means all the figures that were reflected in the chart were divided by the number of 24-hour units for each period to arrive at a figure per unit.

⁶⁰ MedStar financial information is on a fiscal year ending on September 30th of each year where CCEMS is on a calendar year end ending on December 31st of each year. This was deemed an immaterial difference for the purpose of the initial comparison between the two Organizations. One full fiscal year was compared to another full fiscal year. The differences between the results of this analysis based on adjusting MedStar’s year end to a calendar year end would have been trivial and would not have affected the conclusions of this analysis.

Figure 26: Comparison for Sources of Funding/Revenue Between CCEMS and MedStar

Comparison for Sources of Funding/Revenue Between CCEMS and MedStar				
	2016		2017	
	CCEMS	Med Star	CCEMS	Med Star
Insurance Billings - Net	\$ 11,192,619.00	\$ 48,129,477.00	\$ 12,180,917.00	\$ 46,203,166.00
Total Net Operating Revenue	\$ 25,447,782.00	\$ 49,257,948.00	\$ 27,600,974.00	\$ 47,164,119.00
Insurance Billings as a % of Total Revenue	43.98%	97.71%	44.13%	97.96%
	2018		2019	
	CCEMS	Med Star	CCEMS	Med Star
Insurance Billings - Net	\$ 9,171,979.00	\$ 47,806,964.00	\$ 7,257,961.95	\$ 47,605,670.00
Total Net Operating Revenue	\$ 25,580,777.00	\$ 48,859,520.00	\$ 18,899,714.16	\$ 48,685,440.00
Insurance Billings as a % of Total Revenue	35.85%	97.85%	38.40%	97.78%
Note that "Total Support" was used as Total Net Operating Revenue for CCEMS for a more normalized comparison between the two organizations.				

MedStar consistently derived 98% of its revenue from insurance billings where CCEMS only derived between 36% to 44% of its revenue from insurance billings. Note that MedStar does not receive any taxpayer subsidies at all.

The second area that must be considered is whether there is a difference between the percentage of total gross insurance billings that is represented by allowances for bad debt and adjustments. The table below shows this comparison between CCEMS and MedStar.

Figure 27: Comparison of All Adjustments and Allowances for Bad Debt as a % of Gross Insurance Billings Between CCEMS and MedStar

Comparison of All Adjustments and Allowances for Bad Debt as a % of Gross Insurance Billings Between CCEMS and MedStar				
	2016		2017	
	CCEMS	Med Star	CCEMS	Med Star
Insurance Billing - Gross	\$ 37,785,037.00	\$ 157,566,288.00	\$ 46,868,634.00	\$ 163,660,546.00
Allowance for Bad Debt & Adjustments	\$ (26,623,710.00)	\$ (109,436,811.00)	\$ (34,732,670.00)	\$ (117,457,380.00)
Insurance Billings - Net	\$ 11,161,327.00	\$ 48,129,477.00	\$ 12,135,964.00	\$ 46,203,166.00
Bad Debt as a % of Gross Billings	70.46%	69.45%	74.11%	71.77%
Net Billings as a % of Gross Billings	29.54%	30.55%	25.89%	28.23%
	2018		2019	
	CCEMS	Med Star	CCEMS	Med Star
Insurance Billing - Gross	\$ 55,286,589.00	\$ 168,280,118.00	\$ 58,544,665.00	\$ 176,329,036.00
Allowance for Bad Debt & Adjustments	\$ (46,114,611.00)	\$ (120,473,154.00)	\$ (48,522,462.00)	\$ (128,723,366.00)
Insurance Billings - Net	\$ 9,171,978.00	\$ 47,806,964.00	\$ 10,022,203.00	\$ 47,605,670.00
Bad Debt as a % of Gross Billings	83.41%	71.59%	82.88%	73.00%
Net Billings as a % of Gross Billings	16.59%	28.41%	17.12%	27.00%
Note that the Net Insurance Billings for CCEMS are slightly different from the audited financial statements due to EMT Class Tuition being removed in 2016/2017 and GIS Mapping Service revenue being removed in 2019 for a true comparison of Insurance Billings only. All adjustments and allowances were included in the Allowance for Bad Debt & Adjustments line item.				

Adjustments and the allowance for bad debt was comparable between CCEMS and MedStar for 2016 but the gap widened with each successive year. The table above clearly shows that adjustments and the allowance for bad debt represented 83% for CCEMS and only 73% for MedStar in 2019 while the Net Billings as a percentage of Gross Billings was 17% for CCEMS and 27% for MedStar in 2019. A simple way to compare these two Organizations would be to create common sized financial statements as a component on the number of Units that are in service.

Common Sized by One 24-Hour Truck/Unit

PKF prepared common sized financial statements based on the number of common units in Exhibits 6 and 7 at the end of this report. The number of units for MedStar was derived by dividing the total Unit Hours⁶¹ in each fiscal year by 8,760 (the number of hours in a year) to reach an approximate number of units for each period. CCEMS operational information for responses during their fiscal year was also used to derive a similar figure⁶² for the number of units in operation for each period. This created a more accurate comparison of the revenue and expenses that were common sized per unit (i.e. one 24-hour truck equivalent). The table below summarizes the insurance billings per unit from 2017 through 2019 for both CCEMS and MedStar.

Figure 28: Comparison of Net Insurance Billings Common Sized by Number of Units Between CCEMS and MedStar

Comparison of Net Insurance Billings Common Sized by Number of Units Between CCEMS and MedStar						
	2017		2018		2019	
	CCEMS	Med Star	CCEMS	Med Star	CCEMS	Med Star
Insurance Billings - Net	\$ 12,135,964.00	\$ 46,203,166.00	\$ 9,171,978.00	\$ 47,806,964.00	\$ 10,022,203.00	\$ 47,605,670.00
Number of Units	16	31	16	35	16	36
Insurance Billings - Net (Per Unit)	\$ 758,497.75	\$ 1,490,424.71	\$ 573,248.63	\$ 1,365,913.26	\$ 626,387.69	\$ 1,322,379.72
Insurance Billings - Net (MedStar Multiple)	1.00	1.96	1.00	2.38	1.00	2.11
Note that the Net Insurance Billings for CCEMS are slightly different from the audited financial statements due to EMT Class Tuition being removed in 2016/2017 and GIS Mapping Service revenue being removed in 2019 for a true comparison of Insurance Billings only.						

MedStar operated roughly twice the number of units that CCEMS operated for the same period, but each MedStar unit on the street generated approximately twice the insurance billings that CCEMS units generated for each period. This same approach was used to compare the total expenses per unit in the table below.

Figure 29: Comparison of Total Expenses Common Sized by Number of Units Between CCEMS and MedStar

Comparison of Total Expenses Common Sized by Number of Units Between CCEMS and MedStar						
	2017		2018		2019	
	CCEMS	Med Star	CCEMS	Med Star	CCEMS	Med Star
Total Expenses	\$ (24,962,459.00)	\$ (43,498,824.00)	\$ (27,292,090.00)	\$ (46,695,303.00)	\$ (29,166,939.00)	\$ (50,775,157.00)
Number of Units	16	31	16	35	16	36
Total Expenses (Per Unit)	\$ (1,560,153.69)	\$ (1,403,187.87)	\$ (1,705,755.63)	\$ (1,334,151.51)	\$ (1,822,933.69)	\$ (1,410,421.03)
Insurance Billings - Net (MedStar Multiple)	1.00	0.90	1.00	0.78	1.00	0.77
Note that Total Expenses includes Total Operating Expenses and Interest Expense for MedStar.						

This table shows that MedStar operated at 90% of the total expenses of CCEMS per unit for 2017, 78% of CCEMS total expenses per unit for 2018, and 77% of CCEMS total expenses per unit for 2019. These two tables clearly demonstrate that Medstar is generating more revenue for less expense than CCEMS for each unit on the street. Some of the reasons that CCEMS has already posed for explaining away these trends are “a fluctuating payer mix” and “changes to service area demographics.”⁶³ However, neither of these reasons individually or in combination can reasonably justify such a gross disparity in the revenue generated per unit. They could explain the difference in bad debt allowances or contractual allowances (which would impact net insurance), but they do not explain the difference between the two Organizations for Gross Insurance Billings per unit.

⁶¹ MedStar tracks the number of unit-hours instead of the number of ambulances. One unit-hour represents one ambulance that is staffed for one hour. The number of MedStar ambulances was estimated by dividing total unit-hours for each year by 8,760 (the number of hours in a year).

⁶² CCEMS Response and Incident data was analyzed by month to assess the hours during a 24-hour day when each unit was in use to assess which units were 24-hour trucks and which units were 12-hour trucks. Each 24-hour truck used during a year was given a value of 1 and each 12-hour truck was given a value of 0.5. The number of units in each period were rounded and used as the basis for the common sized analysis by unit for CCEMS.

⁶³ See the report titled “Analysis of HSSK’s Cypress Creek Emergency Medical Services Report” issued by Houston Financial Forensics (“HFF”) on August 16, 2020 signed by Dan Ramey, page 9. This report is addressed in its entirety in a subsequent section to this report.

There were several other interesting comparisons between the two Organizations. MedStar collects significantly more per 24-hour Unit than CCEMS while spending less in operating costs per 24-hour Unit than CCEMS. MedStar also appears to charge its patients less than CCEMS. The gross billings for MedStar were compared to total response and transports to determine gross billings per response and gross billings per transport. The average fees charged for CCEMS call identification numbers in the billing set were used to create an average charge per call number. This was calculated with and without including blood products since it was represented that blood products are a special service offered by CCEMS that others may not carry⁶⁴. These metrics were then compared between CCEMS and MedStar.

Two metrics were selected that would give CCEMS the most favorable outcome out of prudence; specifically, the higher MedStar figure and the lower CCEMS figure was used. CCEMS has, on average, billed its patents 24% more gross fees than MedStar billed its patients during the past three years. Yet, MedStar collects significantly more per one 24-hour medic unit and spends less money to do so than CCEMS. It is worth noting that this comparison compares the fiscal year ending September 30th data for MedStar to calendar year data for CCEMS. However, both cutoffs were made at August 31, 2020. This is a timing difference, is immaterial since 2018-2020 are all approximately 24%.

Figure 30: Comparison of Gross Billings per Patient Between CCEMS and MedStar

	MedStar (FY ending 9/30)		CCEMS (Calendar Years)		Most Favorable for CCEMS Comparison	
	Gross Billing Per Response	Gross Billings per Transport	Average Gross Charges per Call #	Average Gross Charges per Call # (excluding blood products)	CCEMS Higher by %	Medstar Lower By%
2020 (as of Aug)	\$ 1,093.92	\$ 1,599.91	\$ 2,005.00	\$ 1,989.00	24.3%	-19.6%
2019	\$ 1,129.70	\$ 1,599.20	\$ 1,989.00	\$ 1,978.00	23.7%	-19.2%
2018	\$ 1,118.65	\$ 1,567.55	\$ 1,953.00	\$ 1,942.00	23.9%	-19.3%
2017	\$ 1,131.37	\$ 1,574.43	\$ 1,743.00	\$ 1,739.00	10.5%	-9.5%
2016			\$ 1,521.00	\$ 1,520.00		

Summary

In summary, Medstar, as a comparable Benchmark Organization, outperforms CCEMS on all financial metrics reviewed above as summarized below.

Figure 31: Benchmark Organization Summary

Metric	Metric Ranges for periods reviewed	
	Medstar	CCEMS
Medical Billings as a % of total Funding Sources	97.71-97.96%	35.85-44.13%
Net Insurance Billings per one-24-hour truck (as a multiple of CCEMS) (high numbers are favorable)	1.96 – 2.38 times	1.0
Total Expense per one-24 -our truck (as a % of CCEMS) (lower numbers are favorable)	77%-90%	100%
Gross billings to patient per transport (as a % of CCEMS) (lower numbers are favorable)	80.4%-90.5%	100%

⁶⁴ Blood products were by far the most expense items that were billed to calls by CCEMS.

Insurance billings provided roughly 98% of funding for MedStar between 2016 and 2019 compared to between 36% and 44% for CCEMS for the same period. MedStar realized between 1.96 and 2.38 times the Net Insurance Billings per one 24-hour truck as CCEMS at only 77% - 90% of the total costs from 2017 to 2019 while billing their constituents approximately 10-20% less than CCEMS in gross billings.

Koronis Billing Data

Koronis's role of billing customers and collecting payments for CCEMS was initially identified as an area for high risk due to the nature of its role and the relationship between the two organizations⁶⁵. The first step in evaluating this risk was to determine whether all payments recorded in the records of Koronis could be materially reconciled to the bank statements for CCEMS.

George Vie provided Excel spreadsheets for Koronis billing activity from January 1, 2016 through August 31, 2020 to PKF on September 10, 2020.⁶⁶ The Koronis billing activity included charges, credits, write-offs and payments that were sorted by the call date. The imported data was validated for completeness, and various key figures within this information were recalculated to validate the integrity of the data.

Ultimately, the Billing Data provided by Koronis was reconciled materially to the activity within the general ledger of CCEMS. However, the subsequent work that we did to determine this led us to question whether the billing information being kept by Koronis and the journal entries being entered into the CCEMS general ledger related to Koronis collections were true and complete. At the very least, we determined that refunds for overpayments were not being properly tracked or processed for customers and carriers that paid too much for claims.

Collections/Payments

CCEMS initially represented that all collections by Koronis were deposited into the CCEMS "Depository" bank account⁶⁷ so we compared all the Koronis Payments Reported to the deposits into the Depository account. The Koronis Billing Data showed the "charges" that were billed to each patient and the "credits" reported for each bill. The "credits" in the Excel spreadsheet reflected payments, write-offs, adjustments, and other non-cash activity applied against the bill for each patient. We filtered all the "credits" in the Billing Data for descriptions that had the word "payment" in it. Adjustments, write-offs, and other non-cash descriptions were filtered out of the Billing Data in order to isolate the "credits" that were actual payments made by a patient or insurance provider.⁶⁸ The primary purpose of the initial comparison was to assess the completeness of the different sources of data produced by CCEMS and Koronis.

⁶⁵ Wren Nealy was COO, then CEO of CCEMS, and his wife, Susan Nealy, was Vice President of Operations for Koronis Revenue Solutions.

⁶⁶ These spreadsheets will be collectively referred to as "Billing Data" throughout the report.

⁶⁷ In an interview with Rene Johnson, CCEMS controller, on August 10, 2020, he explained that the Depository Account was used for the deposit of insurance proceeds and that it was swept into the Operating Account the following day. Furthermore, he explained how CCEMS did not record the activity in a separate depository account in QuickBooks, but rather recorded the activity of the Depository Account as activity of the Operating Account upon the following day's sweep.

⁶⁸ The filtered "credits" are "Koronis Payments Reported (Net of Refunds)" in Figure 43 or "Koronis Payments Reported" referenced in other sections of the report. The use of the term "Koronis Payments Reported" refers specifically to all of the individual "credits" that were reflected as payments in the Excel spreadsheets provided to us from Koronis through George Vie.

Figure 32: Comparison of Koronis Payments Reported to Deposits

Comparison of Koronis Payments Reported to Deposits January 2016 to August 2020	
Cash Deposits into CCEMS Depository Account	\$ 41,268,918.93
Koronis Payments Reported (Net of Refunds)	\$ 52,442,252.51
Koronis Payments Reported in Excess of Deposits	\$ (11,173,333.58)

The Koronis data labeled as “Koronis Payments Reported (Net of Refunds)” was unable to be reconciled to the cash inflows or to the cash receipts for insurance billings reflected as deposits into the Depository bank account. The resulting \$11.1 million Koronis Variance between Cash Deposits into the CCEMS Depository Account and the Koronis Payments Reported was reported to the ESD11 Board during the Interim Update in December of 2020, and we recommended that the Koronis Variance be further investigated in subsequent procedures.

Koronis Variance Between Reported Payments and Deposits

We offered several potential explanations for the \$11,173,333.58 Koronis Variance between the Koronis Payments Reported and the Cash Deposits into the CCEMS Depository Account during the Interim Update. Therefore, we requested supporting documentation from Koronis on February 6, 2021 for the payments and adjustments to fifty call-numbers (transports) to serve as a sample during subsequent procedures to investigate the possible reasons for the Koronis Variance.

One of the possibilities was that certain payments were being deposited into the CCEMS Operating Account directly contrary to the initial representations by Rene Johnson. The subsequent supporting documentation provided by Koronis in 2021 provided evidence that checks from auto insurance carriers and private payers were being deposited into a lockbox for the CCEMS Operating Account. This subsequent evidence was in direct contradiction to the initial representations of CCEMS that all Koronis collections were deposited into the Depository Account. Therefore, we directly asked Koronis which accounts were used to deposit which type of payments in an email to Mrs. Nealy of Koronis on April 21, 2021 and then CCEMS through Mr. Vie on April 29, 2021.⁶⁹

Mrs. Nealy sent several emails in 2021 offering her assistance with this process⁷⁰, but never responded to simple questions posed to her directly. Our questions should not have required any research on her part as many of our questions were about the common practices and procedure for Koronis and did not require Koronis to provide any supporting documentation. The questions were as simple as “Where do you deposit payments from private payors”. It is troubling that neither CCEMS nor Koronis could answer simple questions about their internal standard policies in a timely manner. This is another red flag that management and the accounting department of these two companies do not understand their own internal processes and are not keeping accounting records that were true and complete.

⁶⁹ Requests for answers to our initial questions for Koronis were sent on all of the following dates in 2021: April 21st, April 29th, May 5th, May 7th, May 11th, May 13th, May 19th, June 1st, June 7th, June 10th, June 15th, June 23rd, June 25th, July 1st, and July 14th. It should be noted that we added emphasis that we would be finalizing our analysis on July 15th and even reminded Mr. Vie that CCEMS had not answered any of our direct questions on July 14th. The following was added to the last two emails to emphasize the importance of receiving an official answer from Koronis or CCEMS: “The red/bold questions are the most important items to address. We are attempting to give you an opportunity to explain each of these areas. We are not asking for additional documentation. We are asking for explanations for the operating policies and historical practices of CCEMS. We need your responses by July 15th in order for us to consider them in our analysis. If we do not receive your responses to these questions, we will use the evidence already provided and your failure to provide additional clarifications as the basis for our conclusions absent explanations from CCEMS.”

⁷⁰ See email from Jenny Sterling on January 6, 2021, Letter from Susan Nealy dated January 6, 2021, email from Susan Nealy dated March 31, 2021, and email from Susan Nealy on April 19, 2021. No other correspondence was received from Susan Nealy despite her offers to assist in answering any questions we had.

Jeff Taylor of ESD11 held a Zoom meeting with us on May 20, 2021 and stated that Eric Seymour of CCEMS called him earlier that same morning. Mr. Taylor told us that during the call, Mr. Seymour stated that the approximate \$10 million Koronis Variance between Koronis billings and deposits into CCEMS bank accounts is actually approximately \$11 million, easily explainable, and that PKF already had all the documents it needed to reconcile the Koronis Variance. Mr. Taylor further stated that Mr. Seymour had told him that the money is all in another bank account. As a result, we asked CCEMS for an official response on May 21, 2021 for the Koronis Variance if it was “easily explainable”.

CCEMS ultimately responded to our questions relating to the “easily explainable” Koronis Variance and the direct questions about the deposits for payments made to Koronis. These responses are discussed in the following sections of the report in detail.

CCEMS “Statement of Position”

CCEMS provided a document titled “2021-06-18 CCEMS Statement of Position” on June 18, 2021 that contained a “reconciliation” of cash deposited into CCEMS controlled accounts and the payments reported by Koronis each month. However, this document was mainly a narrative characterizing the events over the past twelve months and took twelve pages to provide their explanation of the “easily explainable” Koronis Variance. The “reconciliation” itself had several faulty assumptions that rendered it virtually useless in explaining the Koronis Variance we initially provided to the Board. See “APPENDIX D: Additional Koronis Information” for a detailed analysis of the CCEMS “reconciliation”. In summary, CCEMS still had not answered our simple direct questions as of June 18, 2021.

CCEMS “Second Statement of Position”

Koronis and CCEMS finally responded to the questions about deposits from April 21, 2021 on July 15, 2021 in a document labeled “2021-07-15 CCEMS Second Statement of Position”⁷¹. It took Koronis and CCEMS almost three full months to answer simple questions about where each type of payment to CCEMS was deposited.

CCEMS represented the following for the deposit of payments received from medical insurance providers, auto insurance providers, and private payers:

“This depends upon the payment method. An ACH or wire would be transferred into the Depository account. A payment via a check would usually be made by mailing to the lockbox, which is maintained by the bank and would deposited directly into the Operating Account. While mailed deposits usually are mailed to the lockbox, it is possible on occasion a payment could have been mailed directly to CCEMS; if so, it would have been manually deposited into the Operating account from CCEMS.”

For the first time, CCEMS represented that wire transfers and ACH deposits were deposited into the “Depository Account” and that credit card payments were deposited into the “Operating Account”. Payments by cash and check were represented as being deposited into the “Operating Account usually via Lockbox into the Operation account but on occasion could have been mailed directly to CCEMS and if that occurred it would have been deposited manually by CCEMS into the Operating Account.” This was directly contrary to what Rene Johnson told us in August of 2020.

Refunds

As part of our review of the accuracy of Koronis Billing Data, we judgmentally selected fifty transactions to test further by examining supporting documentation to include invoices, account reports, claim forms, remittances, etc. Eleven of the fifty samples that were selected for testing from the spreadsheets of Koronis billing activity reflected overpayments to CCEMS for services provided to customers. The failure for Koronis to properly track and issue refunds to customers and insurance carriers for overpayments is a clear example of records that are neither true nor complete.

There were examples of insurance carriers paying 100% of the total charges and then an auto policy paying 100% of the same charges. There was one example of a private payer writing a check for 100% of the total charges and then writing a

⁷¹ This document will be referred to as the “Second Statement of Position”.

second check for the same amount which double paid the charges⁷². In each of these eleven samples, CCEMS was paid double what they were owed. The dates of these eleven call numbers ranged from early 2016 through May of 2020. There was no evidence that Koronis was monitoring whether these overpayments were ever refunded to private payors or insurance providers, and the Koronis billing data was left with a negative balance roughly equal to the original total for all charges related to the call.

We asked Koronis and CCEMS for an explanation about how records are maintained for overpayments and whether these overpayments were ever refunded back to the insurance carriers or the private payers. The initial response from Mr. Vie⁷³ was that each of these eleven instances of overpayments were being processed as a result of our inquiry. Mr. Vie further stated that proof of the refunds that we requested would be provided once they were processed. We have not been provided any supporting documentation to prove that these eleven overpayments were ever refunded despite Mr. Vie telling us that he would provide it. This means that CCEMS (or Koronis on CCEMS' behalf) is not accurately keeping track of when customers, insurance carriers, or auto policy carriers are overpaying bills from CCEMS. Koronis simply records the overpayment in their system and then does nothing.

Interestingly, Mr. Vie sent a subsequent email on May 21, 2021 that outlined the policies and procedures followed by CCEMS for the accurate processing of overpayments. This is directly contradictory to his first email on the topic. If there were policies and procedures in place for overpayments, then the eleven examples dating as far back as 2016 would have been already processed by CCEMS. The fact is that none of the sample selection for overpayments had been processed until our requests challenged CCEMS on their internal process for ensuring that customers are not being overbilled.

If none of the eleven samples was refunded by CCEMS, it is doubtful that any other overpayments in the data set were processed either. The total amount of overpayments in the Koronis billing activity from January 1, 2016 through August 31, 2020 provided to us was \$603,835.93, and 1,150 of the overpayments were at least \$20.00⁷⁴ or greater. There were an additional \$74,051.37 of overpayments in the activity provided for 2015, and 216 of the overpayments were at least \$20.00 or greater.⁷⁵ This is a clear example of how CCEMS represents that they have controls in place, but detailed testing provides evidence that their controls are not working effectively. In short, they say one thing and do another.

⁷²The following question was presented to CCEMS via their counsel to see if this was a plausible explanation.

"When a patient has a secondary insurance/payor, how does the billing system handle the additional charges and contractual allowances (if applicable)?"

The following response was provided by CCEMS on November 13, 2020 via their counsel:

"There are no additional charges billed to secondary payors. Any contractual allowances are posted to the account at the same time payment is posted/booked. So we do not book contractual allowances until reported to us by the payor. Once all valid credits are posted to the account, we bill the secondary payor with the same claim information we billed to the primary, but we also provide the secondary payer with the Explanation of Payment (EOP/EOP) from the primary. The EOB/EOP provides details regarding how the primary payor adjudicated the claim. This document lists all the pertinent claim data received by the payer along with their payment to the provider, allowances, and patient responsibility amounts."

This means that the estimate for contractual allowances would never be an artificially negative balance from an overestimation of a contractual allowance since such allowances are not credits until they are received from the payor.

⁷³ George Vie sent an email on May 19, 2021 at 5:16 PM with an initial explanation for whether these eleven overpayments were refunded.

⁷⁴ The total frequency of overpayments in the data from January 1, 2016 through August 31, 2020 was 1,330 records. 180 of these call numbers had an overpayment of less than \$20.00.

⁷⁵ The total frequency of overpayments in the data from January 1, 2015 through December 31, 2015 was 276 records. 60 of these call numbers had an overpayment of less than \$20.00.

This is also a clear example of a departure from GAAP⁷⁶ and the requirement for the CCEMS books and records to be true and complete. In fact, overpayments for services should not be recorded as revenue for CCEMS. An overpayment by a customer or insurance carrier creates a liability that should be reflected on the face of the statement of financial position because the overpayment of funds is actually due back to the customer or insurance carrier. Had CCEMS or Koronis accurately tracked these overpayments, there should have been a payable due to customers/insurance carriers on the statement of financial position at each period's end.

The examples of overpayments we identified were when the total payments exceeded the total charges. Theoretically, there could be examples where patients paid more than they should have or where an insurance carrier paid more than the contracted amount that did not exceed the total charges. It would be impossible to assess this scenario given the information we have as of the date of the report. We also cannot quantify or estimate the frequency or dollar amount for any such overpayments.

We directly asked CCEMS to explain the clear contradiction between claiming they have a policy in place for identifying overpayments on patient accounts and the fact that 100% of our sample had not been refunded. CCEMS responded in their Second Statement of Position by stating that "There are some overpayments that had been missed and are now being resolved".⁷⁷ With this explanation, we can reasonably assume that the entire \$603,835.93 of overpayments identified from the Koronis Payments Reported have never been refunded. This is yet another example of how sloppy the bookkeeping has been for both CCEMS and Koronis and their flippant response whenever they are confronted with a challenge to their current policies and procedures.

Recall that Koronis is paid 7% for all collections. Therefore, the overpayments to CCEMS have resulted in Koronis receiving an overpayment by \$42,268.52 in fees charged to CCEMS.⁷⁸ The effect of the improper recording of overpayments is that CCEMS had overstated revenue in each year and had understated their liabilities. Likewise, Koronis's revenue was overstated, and they collected fees they were not due. The failure to process refunds is a clear example of a breakdown in CCEMS internal controls. It is also a clear example that the records of CCEMS are not in conformity with GAAP and are neither true nor complete.

Other Errors in the Koronis Payments Reported

Another example of errors within the Koronis Payments Reported are call numbers where there were more refunds than payments for the patient account. Specifically, records indicated that a payment was received, but then refunds for the full amount of the payment was posted twice. This resulted in a payment, refund, and a second refund being posted which increased the account balance by the amount of the full payment in effect doubling the outstanding balance.

The Second Statement of Position stated that this was due to refunds being manually posted prior to being reported electronically by the insurance carrier. Koronis represented that electronic remittances automatically post to the patient's account, and reversing entries were booked subsequent to the spreadsheets being provided to us. The total for this scenario was \$14,720.48 and clearly immaterial, but this serves as another example where the information being reported is neither true nor complete.

Many of the other sample calls judgmentally selected were difficult to reconcile to supporting documentation and entries into the Koronis billing data did not seem to accurately reflect the cash inflows, cash outflows, and adjustments reflected in the supporting documentation. It does not appear that the data set was corrupted. It appears more likely

⁷⁶ See definition of liabilities and revenues in FASB Concept Statement No. 6.

⁷⁷ The explanation provided by CCEMS for the prior process and current process for overpayments was provided to us in a PDF document titled, "34-02a Patient Refunds in the General Ledger 2 v2.pdf" on May 19, 2021. The document was written as a response to our questions and did not appear to be an excerpt from an existing policies manual.

⁷⁸ Koronis is paid 7% of all collections per the November 1, 2010 and subsequent addendums to extend the contract between Koronis and CCEMS through October 31, 2020 with an automatic three-year additional renewal. The overpayments of \$603,835.93 multiplied by 7% is \$42,268.52.

that the actual bookkeeping was poorly maintained. This leads to concerns over the truth and completeness of billing records maintained by Koronis.

Fixed Assets

The purpose of the initial fixed asset work was to determine the scope of work that would be needed to assess the complexity of separating the assets that are owned by ESD11 from CCEMS and to observe the existence and condition of fixed assets in the custody of CCEMS.

CCEMS first provided an excel spreadsheet on August 27, 2020 labeled “ESD Asset Listing with locations as of 0822120” hereafter referenced as the “ESD11 Fixed Asset Listing”. This listing was for the period ending December 31, 2019, reflected roughly \$9.3 million of assets owned by ESD11, and provided support for a general ledger transaction which contained additional depreciation schedules for the years ending December 31, 2019 and December 31, 2018.⁷⁹ A screen shot from a section of that report is presented below to show all fields provided:

Figure 33: Excerpt from ESD11 Fixed Asset Listing

Asset Category I	Asset Category II	ESD Item Description	CCEMS Description	Completion Date	Acquisition Cost	Location Description	License Plate #/Tag #	Vendor	VIN / Serial #	Address/Street	Address City	Address ZIP
Mobile equipment	Auto	Ambulance with accessories	TRK 78 VIN C72718	9/15/2016	165,066.67	T-78	1212865	ESD	Shelving Mfg	15504 Green Rd	Houston	77060
Mobile equipment	Auto	Ambulance with accessories	TRK 79 VIN C72719	9/15/2016	165,066.67	T-79	1212871	ESD	Shelving Mfg	22105 Springwood Valley Pkwy	Spring	77388
Mobile equipment	Auto	Ambulance with accessories	TRK 80 VIN C72720	9/15/2016	165,066.67	T-80	1212870	ESD	Shelving Mfg	16650 Ash Meadow	Houston	77060
Mobile equipment	Auto	Ambulance with accessories	TRK 81 VIN C72721	9/15/2016	165,066.67	T-81	1212869	ESD	Shelving Mfg	16650 Ash Meadow	Houston	77060
Mobile equipment	Auto	Ambulance with accessories	TRK 82 VIN C72722	9/15/2016	165,066.67	T-82	1212867	ESD	Shelving Mfg	36722 Kuykendall Rd	Tomball	77375
Mobile equipment	Auto	Ambulance with accessories	TRK 83 VIN C72723	9/15/2016	165,066.67	T-83	1212868	ESD	Shelving Mfg	12216 N Eldridge Pkwy	Tomball	77377

The following image is just a zoomed in section of the report shown above for a clearer reference:

Figure 34: Excerpt from ESD11 Fixed Asset Listing (Zoomed In)

Asset Category I	Asset Category II	ESD Item Description	CCEMS Description	Completion Date	Acquisition Cost	Location Description
Mobile equipment	Auto	Ambulance with accessories	TRK 78 VIN C72718	9/15/2016	165,066.67	T-78
Mobile equipment	Auto	Ambulance with accessories	TRK 79 VIN C72719	9/15/2016	165,066.67	T-79
Mobile equipment	Auto	Ambulance with accessories	TRK 80 VIN C72720	9/15/2016	165,066.67	T-80
Mobile equipment	Auto	Ambulance with accessories	TRK 81 VIN C72721	9/15/2016	165,066.67	T-81
Mobile equipment	Auto	Ambulance with accessories	TRK 82 VIN C72722	9/15/2016	165,066.67	T-82
Mobile equipment	Auto	Ambulance with accessories	TRK 83 VIN C72723	9/15/2016	165,066.67	T-83

We were next provided lists of specific fixed assets on September 15, 2020 located at the Main Supply⁸⁰ and that were on each vehicle during field work. However, the lists of fixed assets only listed the quantity, asset description, asset tag number, serial number, category, subcategory, and supplier. A screenshot from one of these reports is provided below as a reference:

Figure 35: Sample of Fixed Asset Lists Used for Observation

Quantity	Asset Description	Asset Tag Number	Serial Number
1	King Vision Video Laryngoscope 12-5863	5010107	C11202A025863
1	LUCAS™ 3 120v A/C Power Supply Cable - 3762	5010798	23762
1	LUCAS™ 3 Backboard - 0810	5010810	5010810
1	LUCAS™ 3 Battery - 3220	5010806	34180313220

There was no information pertaining to the value of each asset such as book/historical cost, depreciation, or net book value. This means that there was no way to ensure that we had a complete fixed asset listing because we could not tie the value of the individual fixed assets into the general ledger. This also means that we could not determine if the fixed assets reflected in the general ledger were true and complete. This list will be referred to as the “CCEMS Fixed Asset List

⁷⁹ This support was provided in reference to transaction #200159, specifically to support the depreciation expense reflected in this journal entry.

⁸⁰ “Main Supply” is the common reference used by CCEMS employees for the location at 16650 Sugar Pine Lane, Houston, TX 77090.

by Location”. This is the list that was used as a basis for our fixed asset observation, and these lists were used to record the work performed in the field for these assets.

Another document provided by CCEMS on September 15, 2020 was a PDF document labeled “CCEMS Revised 2019 Depreciation Schedule” hereafter referred to as the “Book Asset Detail”. It reflected fixed assets from January 1, 2019 through December 31, 2019. An excerpt from this report is shown below:

Figure 36: Sample of Book Asset Detail Provided by CCEMS

1270 CYPRESS CREEK EMERGENCY MEDICAL										06/11/2020 12:48 PM		
74-1912510 Book Asset Detail 1/01/19 - 12/31/19										Page 1		
FYE: 12/31/2019												
Asset	d	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: 1200 AMBULANCES												
931		#SO2 CROWN VIC #199179	7/05/00	20,800.00	0.00	0.00	20,800.00	0.00	20,800.00	0.00	S/L	5.00
1056		#SO5 FORD # 163133	5/24/05	20,675.00	0.00	0.00	20,675.00	0.00	20,675.00	0.00	S/L	5.00
1057		#SO6 FORD # 163134	5/25/05	20,675.00	0.00	0.00	20,675.00	0.00	20,675.00	0.00	S/L	5.00
1078		#SO7 CROWN VIC #144653	4/20/06	19,890.00	0.00	0.00	19,890.00	0.00	19,890.00	0.00	S/L	5.00
1079		#SO8 CROWN VIC #144654	4/24/06	19,780.00	0.00	0.00	19,780.00	0.00	19,780.00	0.00	S/L	5.00
1106		#SO9 CROWN VIC #143363	7/18/07	20,755.32	0.00	0.00	20,755.32	0.00	20,755.32	0.00	S/L	5.00
1127		AMBULANCE #60	5/02/08	132,400.00	0.00	0.00	132,400.00	0.00	132,400.00	0.00	S/L	5.00
1128		AMBULANCE #61	5/02/08	132,400.00	0.00	0.00	132,400.00	0.00	132,400.00	0.00	S/L	5.00
1129		SO10 VIN A00371	10/16/08	21,835.50	0.00	0.00	21,835.50	0.00	21,835.50	0.00	S/L	5.00
1152		SO 11 VIN A96880	5/25/09	21,702.50	0.00	0.00	21,702.50	0.00	21,702.50	0.00	S/L	5.00
1153		SO 12 VIN A96881	6/12/09	21,702.50	0.00	0.00	21,702.50	0.00	21,702.50	0.00	S/L	5.00
1154		SO 13 VIN B94233	6/17/09	30,450.05	0.00	0.00	30,450.05	0.00	30,450.05	0.00	S/L	5.00
1155		SO 14 VIN C14609	6/30/09	30,450.05	0.00	0.00	30,450.05	0.00	30,450.05	0.00	S/L	5.00
1156		SO 15 VIN C67758	10/01/09	29,803.42	0.00	0.00	29,803.42	0.00	29,803.42	0.00	S/L	5.00
1184		TRK 67 VIN A80100	12/01/09	29,803.42	0.00	0.00	29,803.42	0.00	29,803.42	0.00	S/L	5.00

This PDF document combined many of the fixed assets into groups that did not have information such as the serial numbers, asset tag numbers, or any other way to uniquely trace fixed assets that were observed into the Book Asset Detail. The Book Asset Detail’s “Book Net Book Value” did tie to the CCEMS Audited Financial Statements for the year ended 12/31/2019, but there was not enough granular detail to be able to trace fixed assets from the schedules used in the fixed asset observation.⁸¹ Note that in this image that units SO14 and SO15 are included. Yet, the ESD11 Fixed Asset Listing also reflects these same two units as being owned by ESD11. All other vehicles that are owned by ESD11 were removed from the CCEMS Book Asset Detail between the years ended December 31, 2018 and December 31, 2019. This is another example of information provided by CCEMS that is not true and complete.

The lack of a similar level of detail and identifying information such as serial numbers or asset tags between the three schedules that have already been discussed makes reconciling the work performed in the fixed asset observation to the CCEMS general ledger or CCEMS financial statements extremely difficult. However, we performed subsequent work after the Interim Update to the Board to assess the completeness of the fixed assets reflected as being owned by ESD11. Those procedures will be discussed throughout the remainder of this section of the report.

We used the ESD11 Fixed Asset Listing as the basis for a fixed asset listing that was ultimately provided to the Board on June 25, 2021. We compared the information in the listing provided by CCEMS to the schedule of fixed assets provided by ESD11 titled “GASB 34 Depreciation jd 03.11.20” (hereafter referred to as the “GASB Schedule”). The following image shows one of the tabs in this workbook for additions to fixed assets in 2019:

⁸¹ Note that some of the larger fixed assets such as vehicles were individually listed on the Book Asset Details, but the majority of the other categories of fixed assets could not be traced.

Figure 37: Sample of GASB Schedule

HARRIS COUNTY ESD No 11 INFRASTRUCTURE ASSET DEPRECIATION SCHEDULE							
ASSETS ACQUIRED FYE 12/31/19							
	DESCRIPTION		Total	Equipment	Building	Vehicles	Land
2 Supervisor Vehicles	Ford Explorer - 1FM5K8AR2GGC14609	CA-2019-1	26,262 90			26,262 90	
	Ford Explorer - 1FM5K8AR9GGC67758	CA-2019-1	26,262 90			26,262 90	
Ambulance	(6) Ambulances w/ Accessories	CA-2019-1	990,400 00			990,400 00	
Ambulance	Ford F450 - 1FDUF4GTJEC64219	CA-2019-2	188,900 00			188,900 00	
	Ford F450 - 1FDUF4GTJEC64220	CA-2019-2	188,900 00			188,900 00	
Supervisor Vehicles	Ford Expedition - 1FMJU1FT1JEA37509	CA-2019-3	43,622 52			43,622 52	
Supervisor Vehicles	Ford Expedition - 1FMJU1FT1JEA37510	CA-2019-3	43,622 52			43,622 52	
	Various Equipment	CA-2019-4	226,242 00	226,242 00			

This workbook contained similar tabs for additions to fixed assets from 2009 through 2019. We compared every one of these tabs to the ESD11 Fixed Asset Listing noting that all assets reflected in the GASB Schedule additions were reflected in the roughly \$9.3 million of assets owned by ESD11.

We also noted that there were no ESD11 funds budgeted to pay for fixed asset additions from 2016 through 2019. There was \$780,000 of ESD11 funds budgeted for fixed asset additions in 2020, but CCEMS stated that no such assets were purchased.⁸²

As one last test for the completeness of the ESD11 Fixed Asset Listing, we compared all of the assets to a record of all funds paid to CCEMS from ESD11⁸³. All of the payments that were noted as having been for fixed assets were traced to the ESD11 Fixed Asset Listing except the following items:

Figure 38: ESD11 Funds to CCEMS for Fixed Assets Not Traced to ESD11 Fixed Asset Listing

ESD11 Funds to CCEMS for Fixed Assets Not Traced to ESD11 Fixed Asset Listing						
Fund #	Acct #	Ck #	Amount	Payee	Period	
1	1120	1938	12,437.03	Cypress Creek EMS; Reimburse S	12/31/16	
1	1120	1943	3,709.25	Cypress Creek EMS; Reimburse S	12/31/16	
1	1120	1956	6,534.31	Cypress Creek EMS; reimburse f	12/31/16	
1	1110	1335	12,929.12	Cypress Creek EMS; stryker con	12/31/19	
1	1110	1365	75,184.20	Cypress Creek EMS; reimburse f	12/31/19	

The three items from 2016 are all immaterial. The CCEMS general ledger reflected that the \$12K from 2019 was for Stryker stretcher modifications, and the \$75K from 2019 was for Stryker Lucas devices (3 years). Most likely the \$75K was for a service agreement or contract over a three-year period. We did not inquire further about these items as they were immaterial to our analysis.

The past work that was performed to reconcile the ESD11 fixed assets is discussed in other sections to this report, but it should be noted again that this work is insufficient to properly trace the ownership of ESD11 assets. Additionally, ESD11 represented that they have funded some of the assets reflected in Figure 22 and that Texas state law says that any asset purchased by ESD11 funds is owned by ESD11. Some of the assets listed on Figure 22 are also included in the fixed asset listing of ESD11 and may be included in the details of the reclassification entry in 2019 made as part of the audit process

⁸² CCEMS represented the following in their “37-02 Response to Email 042321-02 a complete listing of ESD assets.pdf” produced on June 23, 2021: “Am not aware of any revised ESD asset listing since I believe the ESD ceased funding assets during 2020 so you should have the most recent version.”

⁸³ Chris Linn of Myrtle Cruz, Inc., ESD11’s previous contract bookkeeper, provided a schedule of all payments made to CCEMS from January of 2016 through September of 2020 during the completeness testing in the Initial Procedures.

for CCEMS incorrectly recording ESD11 assets on their books.⁸⁴ It is noteworthy that Figure 22 was derived from data provided to us in support of a January 2020 journal entry.

Responses from CCEMS and Koronis

As noted throughout this report, CCEMS was consistently slow to respond to data requests, selectively responded to those data requests, provided data in a piecemeal fashion that was produced over the course of several weeks or months routinely after work hours and late at night prior to a weekend or Board meeting, and routinely did not respond to detailed questions in a timely manner. The sporadic responses and resistance to providing information prevented us from performing an efficient review of data.

It is a standard for competent, objective accountants to pose questions of clients when performing any accounting, bookkeeping, or consulting services. The common steps of completing any engagement are to ask initial questions and request initial documents from a client. After a review of the initial request list, additional supporting documentation is requested and there will most often be follow-up or clarifying questions posed to a client. As more documentation is received from a client, additional questions are posed, and the process for completing any accounting services is a dynamic exchange between the client or subject and the accountant. Following these standard procedures, we consistently asked direct questions in our emails to Mr. Vie. However, we saw no reason to continue asking questions of CCEMS when they waited months to respond or filtered all correspondence through George Vie.

Comparison of CCEMS Budgets to the Actual Results

CCEMS provided budgets for 2016, 2017, 2018, 2019, and 2020.⁸⁵ These budgets were compared to the actual results reflected in the audited financial statements, trial balances, and general ledgers provided by CCEMS for each respective period.⁸⁶ The initial concern from this work was that ESD11 funds appear to be arbitrarily assigned to specific expense classifications. This analysis of poor budgeting is another indicator that CCEMS' bookkeeping and financial reporting is lacking and likely cannot be relied upon. This is especially problematic for ESD11 as the funding they have provided has been based on the budgeting process. The budgets prepared by CCEMS that were provided to the Board are additional documents that we do not believe have been true and complete from 2016 through 2020.

The CCEMS budgets allocate the funds provided by ESD11 to health insurance, wages⁸⁷, vehicle fuel, medical supplies, social security, and capital equipment⁸⁸. Several things should be noted in reference to the budgets provided by CCEMS. The first observation is that no funds that were provided by ESD11 were allocated for the purchase of capital equipment or fixed assets until 2020. All funds from ESD11 were allocated to expenses for all the periods between 2016 and 2019. This means that any additions to fixed assets were shown as being funded by sources other than ESD11 in budgets prior to 2020. We do not believe this is accurate based on the work discussed in the fixed asset section of this report.⁸⁹

The second observation from the budgets was that the allocation of ESD11 funds to specific general ledger accounts for wages were arbitrary and changed from period to period. Education wages were funded by CCEMS for 2016, 2017, and 2020 and funded by ESD11 in 2018 and 2019. Social security was allocated to ESD11 for 2016, 2017, and 2018 and was

⁸⁴ During the 2019 audit, a prior period error was disclosed related to ESD11 owned assets being included in the fixed assets of CCEMS in the amount of \$1,275,919 through 2018. (See 2019 AFS Footnote 9) CCEMS also provided a response to an inquiry related to ESD Donated Equipment line items in the books and records as cited with our analysis of Figure 1.

⁸⁵ The budgets provided by CCEMS are attached as EXHIBIT 1: CCEMS Budgets.

⁸⁶ These comparisons are attached as EXHIBIT 2: Comparison of CCEMS Budgets to Actual.

⁸⁷ The allocation of ESD11 funds to wages include the communication center, education, supervisors, and staff.

⁸⁸ The allocation of ESD11 funds to capital equipment are to communication and information upgrades, education equipment, medical equipment, first-out equipment, and vehicles for 2020. No ESD11 funds were allocated to capital equipment from 2016 to 2019.

⁸⁹ The \$9.3 million listing of ESD11 owned assets referenced in the fixed asset section of the report includes assets that were purchased and placed into service in 2016, 2017, and 2018.

not accounted for in the 2019 and 2020 budgets. Supervisor wages were allocated to ESD11 in 2017 but were allocated to CCEMS funds in all other periods. This same observation also applies to vehicle fuel. Fuel was funded by CCEMS in 2016 and 2020 but funded from ESD11 in all other periods reflected.

The major difference in the source of funding between the CCEMS budget and the actual results were for the funds provided by ESD11 and the funds provided from Koronis revenue. The actual funds provided by ESD11 were higher than the budget by \$1.3M, \$512K, \$710K, and \$576K for each respective year between 2016 and 2019. The actual funds provided from Koronis were higher than the budget by \$1.8M and \$2.7M in 2016 and 2017, but the actual funds were less than the budget by \$539K and \$1.3M in 2018 and 2019.⁹⁰

There were also major variances between the budget and the actual expenses represented in the general ledgers for each respective period. The general ledger accounts for expenses are not separated by ESD11 and CCEMS funding as they are on the budget so only the totals for each expense classification/grouping can be compared to the total expense classification/grouping for both ESD11 and CCEMS in the budgets. These variances will be discussed in more detail by year.

In 2016, actual expenses were higher than the budget by \$292K for health insurance, \$174K for legal expense, \$217K for communication center wages, \$108K for medical supplies, \$165K for the 401K, \$114K for social security, and \$90K for staff wages. Actual expenses were less by \$170K for vehicle fuel, \$112K for vehicle maintenance, \$264K for all capital equipment, and \$425K for Frost Bank debt reduction. Only accounts with variances over \$90K were specifically mentioned. Overall, the actual results showed a \$3.1M favorable⁹¹ variance between the budget and actual results for 2016.

In 2017, actual expenses were higher than the budget by \$390K for health insurance, \$235K for communication center wages, \$223K for medical supplies, \$415K for staff wages, and \$133K for all capital equipment. Actual expenses were less by \$260K for legal expenses, \$111K for education expense supplies, \$133K for vehicle maintenance, \$96K for supervisor wages, and \$425K for Frost Bank debt reduction. Only accounts with variances over \$90K were specifically mentioned. Overall, the actual results showed a \$2.8M favorable variance between the budget and actual results for 2017.

In 2018, actual expenses were higher than the budget by \$1M for health insurance, \$171K for Koronis expenses, \$220K for administration wages, \$89K for communication center wages, \$112K for social security, \$1.5M for staff wages, and \$121K for all capital equipment. Actual expenses were less by \$82K for workers compensation, \$94K for education expense supplies, \$174K for vehicle maintenance, \$495K for longevity retirement, \$168K for supervisor wages, and \$425K for Frost Bank debt reduction. Only accounts with variances over \$80K were specifically mentioned. Overall, the actual results showed a \$1.4M unfavorable variance between the budget and actual results for 2018. The main reasons for the unfavorable variance for 2018 were that less revenue/funds were provided by Koronis, and there were higher expenses for health insurance and staff wages.

In 2019, actual expenses were higher than the budget by \$1.3M for health insurance, \$104K for Koronis expenses, \$172K for social security, \$858K for staff wages, and \$88K for part-time wages. Actual expenses were less by \$96K for education expense supplies, \$135K for education wages, \$103K for vehicle fuel, \$190K for vehicle maintenance, \$87K for event expenses, \$365K for supervisor wages, and \$371K for all capital equipment. Only accounts with variances over \$80K were specifically mentioned. Overall, the actual results showed a \$2.1M unfavorable variance between the budget and actual results for 2019. The main reasons for the unfavorable variance for 2019 were the same as they were for

⁹⁰ See EXHIBIT 2: Comparison of CCEMS Budgets to Actual for the detailed variances for revenue and the funding provided for each period.

⁹¹ A favorable variance means that the actual expenses were less than the budgeted expenses. An unfavorable variance means that actual expenses were more than budgeted expenses.

2018: revenue/funds from Koronis were less than expected while health insurance and staff wages were higher than expected.

PKF also attempted to compare the budget for fixed asset or "Capital Equipment" expenditures for each period to the increases to all land, equipment, and buildings. There were more increases to these fixed asset accounts than the total funds budgeted for capital equipment for each period except for 2019. This means that the general ledger reflected a greater increase in land, equipment, and buildings than were budgeted for all years except 2019. This variance was approximately \$2M for 2016, \$195K for 2017, \$568K for 2018, and a negative \$594K for 2019. It is difficult to determine the meaning of these variances due to reclassification entries in later periods and the difficulty of identifying the ownership of the individual assets.

As a specific example, in 2016 there was \$400,000 budgeted for vehicles. Yet, the general ledger reflected \$1.6M in increases to the "1200 – Ambulance" general ledger account. There was one transaction of \$990,400 on August 26, 2020 that shows a payable being created for "Sterling McCall Ford". This single transaction was double the amount budgeted for vehicles for 2016.

The primary concern from this work is that the actual expenses appear to be arbitrarily assigned to the ESD11 class in order to maximize expense classifications funded by ESD11. The actual expenses for health insurance, communication center wages⁹², and staff wages (EMS wages) were higher than the budget for every year. This is another indicator or red flag that these areas deserved the closer scrutiny that we gave them. In the end, each of these areas were tied to the damages that are reflected in this report.

Conclusions

While the body of this report outlines many findings and considerations the most substantial findings are:

- 1) Overbilling of Payroll and Health Insurance:
 - a. All CCEMS payroll allocations to ESD11 appeared to be arbitrary and were routinely trued-up at period ends seemingly in order to allocate as much payroll expense to ESD11 as possible, regardless of title/position.
 - b. We believe that Non-EMS employees of CCEMS were being improperly classified as EMS employees for all examined years. The total effect of this misclassification was an overstatement of EMS wages by \$1,714,919.25 from January 1, 2016 through December 31, 2019 before considering the impact of the classification to future budget allocations. We believe that employees were still being misclassified through the end of the contract, but we do not have detailed payroll records for the end of 2020 that would allow us to quantify damages for 2020 or any subsequent periods. The damages relating to these misclassifications would most likely increase for both 2020 and 2021 based on the historical practices of CCEMS.
 - c. ESD11 overpaid \$3,085,144.64 in wages for the Communication Center from 2016 through 2020.
 - d. ESD11 overfunded \$4,994,815.40 in health insurance premiums and claims for CCEMS employees.
- 2) CCEMS Violations of GAAP:
 - a. CCEMS failed to record Incurred-But-Not-Reported ("IBNR") costs associated with self-insurance.
 - b. CCEMS failed to record a liability for the portion of FEMA proceeds from Hurricane Harvey that was owed to ESD11.
 - c. CCEMS failed to properly record the liability created by overpayments from customers and insurance carriers.
- 3) Instances where CCEMS information was not true and complete:

⁹² Communications Center wages were \$71,000 higher than the budget in 2019.

- a. Non-related general ledger accounts were grouped with ESD11 funding in the audited financial statements.
 - b. Non-EMS Employees were improperly included with EMS wages for all years.
 - c. The annual budgets of CCEMS did not properly reflect the correct allocation of Communication Center wages to ESD11.
 - d. We have seen no evidence that CCEMS properly informed the Board of the change to self-insurance and that ESD11 was paying for more than the employee-only premiums for coverage.
 - e. There was a high frequency of modifications to journal entries in the general ledger of CCEMS that spanned many prior periods. CCEMS was making changes to journal entries years after the transaction was initially recorded in the general ledger.
 - f. There were large discrepancies between amounts reported in the audited financial statements of CCEMS and the Form 990s reported to the IRS.
 - g. CCEMS recorded information in the general ledger that was incorrect such as recording the wrong vendor's name.
 - h. The support provided to ESD11 for its portion of the FEMA proceeds relating to Hurricane Harvey were questionable.
 - i. CCEMS classified meals and entertainment to general ledger accounts that would be misleading to a user of the financial statements.
 - j. CCEMS failed to properly track and process overpayments from customers and insurance carriers.
- 4) Koronis billing data:
- a. Subsequent documentation provided by Koronis and CCEMS assisted in comparing the Koronis Payments Reported to the deposits into CCEMS controlled bank accounts and assisted in explaining the "Koronis Variance"⁹³ discussed during the Interim Update. However, we did not perform detailed testing of supporting documentation such as check images, wire advices, lockbox details, etc.
 - b. There were \$603,835.93 of refunds that had not been processed by Koronis or CCEMS from January of 2016 through August of 2020. There were an additional \$74,051.37 of overpayments in the activity provided for 2015. This serves as another piece of evidence for weaknesses in internal controls for each organization and for poor bookkeeping.
- 5) Efficiency of operations concerns as compared to a Benchmark Organization⁹⁴
- a. Insurance Billings provided roughly 98% of funding for MedStar between 2016 and 2019 compared to between 36% and 44% for CCEMS for the same period.
 - b. MedStar realized between 1.96 and 2.38 times the Net Insurance Billings per one 24-hour truck as CCEMS at only 77% - 90% of the total costs from 2017 to 2019 while billing their constituents approximately 10-20% less than CCEMS in gross billings.
- 6) Report of Dan T. Ramey issued August 16, 2020
- a. The Ramey Report does little to fully address the concerns presented in the HSSK Report, sidesteps many of the direct findings in the HSSK Report, and reaches conclusions that are not supported by the evidence. Our discussion of the Ramey Report is attached as Appendix C.

Overall, we question the allocations by CCEMS to ESD11 for Communication Center wages, EMS wages, and health insurance. We also question the competency of the accounting function for Koronis and CCEMS, question the veracity of accounting information the CCEMS reported to the Board, and find that CCEMS was operating significantly less efficiently than a Benchmark Organization.

⁹³ The term "Koronis Variance" will be used in this report as a reference for the \$11,173,333.58 Koronis Payments Received in Excess of Deposits from the slide deck used in the December 17, 2020 Board meeting.

⁹⁴ PKF compared the audited financial statements of CCEMS to the audited financial statements of Metropolitan Area EMS Authority ("MedStar") as a way of benchmarking the two Companies against one another.

We also found an overall lack of clarity in the bookkeeping records and many indicators of imprecise bookkeeping and reporting functions that would cause financial information provided to the Board to be neither true nor complete. This means that the previous "Reconciliation Reports"⁹⁵ are unreliable.

Damages for the overfunding by ESD11 for Communication Center Wages, misclassified EMS employees, and improper allocations for Health Insurance are presented in the following table:

Figure 39: Summary of Overfunding by ESD11

Summary of Overfunding by ESD11		
Description	Period	Amount
Misclassified Employees	1/1/2016 - 12/31/2019	\$ 1,714,919.25
Communication Center Wage Allocation	1/1/2016 - 12/31/2020	\$ 3,085,144.64
Health Insurance Allocations	1/1/2016 - 12/31/2020	\$ 4,994,815.40
Subtotal - Overfunding by ESD11		\$ 9,794,879.29
Less: Funds Withheld By ESD11		\$ (2,960,578.82)
Total - Overfunding by ESD11		\$ 6,834,300.47

The information and conclusions presented in this report were based on the information available to us as of the date the report was issued. Subsequent information and documents produced may affect our understanding of the facts and the conclusions reached. We reserve the right to amend or update our opinions based on any subsequent information provided.



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⁹⁵ Mark C. Eyring, CPA, was engaged by the ESD11 Board of Commissioners to "review the amounts provided to CCEMS by the District for certain expenditures and to verify the funds provided were used for their intended purpose". These reports were commonly referred to as "Reconciliation Reports". We were provided such reports dated May 18, 2017 and July 18, 2019.

EXHIBIT 1: CCEMS Budgets

CCEMS Budgets							
Description	Type	Source	2016	2017	2018	2019	2020
Education Courses	Revenue	CCEMS	\$ 100,000.00	\$ 140,000.00	\$ 160,000.00	\$ 120,000.00	\$ 120,000.00
ESD 11	Revenue	ESD11	\$ 12,046,727.00	\$ 13,955,100.00	\$ 14,562,700.00	\$ 15,012,700.00	\$ 15,900,000.00
Fire Department Contract Fee	Revenue	CCEMS	\$ 480,000.00	\$ 580,000.00	\$ 650,000.00	\$ 900,000.00	\$ 950,000.00
Koronis Collections	Revenue	CCEMS	\$ 250,000.00	\$ 300,000.00	\$ 350,000.00	\$ 350,000.00	\$ 400,000.00
Koronis Revenues	Revenue	CCEMS	\$ 9,100,000.00	\$ 9,200,000.00	\$ 9,400,000.00	\$ 11,000,000.00	\$ 12,200,000.00
Special Events	Revenue	CCEMS	\$ 180,000.00	\$ 150,000.00	\$ 140,000.00	\$ 135,000.00	\$ 135,000.00
Special Operations	Revenue	CCEMS	\$ 150,000.00	\$ 200,000.00	\$ 180,000.00	\$ 180,000.00	\$ 180,000.00
Total Other Misc.	Revenue	CCEMS	\$ 25,000.00	\$ 30,000.00	\$ 30,000.00	\$ 45,000.00	\$ 65,000.00
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)	\$ (15,000.00)
Administration Expense	Administration	CCEMS	\$ (110,000.00)	\$ (120,000.00)	\$ (140,000.00)	\$ (150,000.00)	\$ (175,000.00)
Community Relations	Administration	CCEMS	\$ (50,000.00)	\$ (50,000.00)	\$ (50,000.00)	\$ (50,000.00)	\$ (40,000.00)
Insurance (General)	Administration	CCEMS	\$ (400,000.00)	\$ (400,000.00)	\$ (425,000.00)	\$ (425,000.00)	\$ (470,000.00)
Insurance (Health)	Administration	CCEMS	\$ (360,000.00)	\$ (480,000.00)	\$ (480,000.00)	\$ (454,888.00)	\$ (640,000.00)
Insurance (Health)	Administration	ESD11	\$ (2,250,000.00)	\$ (2,510,000.00)	\$ (2,695,000.00)	\$ (2,388,157.00)	\$ (2,560,000.00)
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (330,000.00)	\$ (300,000.00)	\$ (320,000.00)	\$ (300,000.00)	\$ (350,000.00)
Interest Expense on Loan	Administration	CCEMS	\$ (257,000.00)	\$ (260,000.00)	\$ (260,000.00)	\$ (250,000.00)	\$ (200,000.00)
Legal Expense	Administration	CCEMS	\$ (250,000.00)	\$ (500,000.00)	\$ (300,000.00)	\$ (300,000.00)	\$ (300,000.00)
Office Supplies	Administration	CCEMS	\$ (10,000.00)	\$ (10,000.00)	\$ (12,000.00)	\$ (15,000.00)	\$ (10,000.00)
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (6,000.00)	\$ (6,000.00)	\$ (6,000.00)	\$ (6,000.00)
Printing	Administration	CCEMS	\$ (10,000.00)	\$ (25,000.00)	\$ (30,000.00)	\$ (50,000.00)	\$ (40,000.00)
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ (5,000.00)	\$ (5,000.00)	\$ (5,000.00)	\$ (5,000.00)
Rent (Station 7 - 512)	Administration	CCEMS	\$ (35,000.00)	\$ (35,000.00)	\$ (35,000.00)	\$ (60,000.00)	\$ (50,000.00)
Station Maintenance/Repair	Administration	CCEMS	\$ (140,000.00)	\$ (150,000.00)	\$ (150,000.00)	\$ (200,000.00)	\$ (200,000.00)
Station Supplies	Administration	CCEMS	\$ (32,000.00)	\$ (30,000.00)	\$ (35,000.00)	\$ (35,000.00)	\$ (50,000.00)
Special Operations	Administration	CCEMS	\$ (125,000.00)	\$ (135,000.00)	\$ (155,000.00)	\$ (160,000.00)	\$ (150,000.00)
Telephones	Administration	CCEMS	\$ (205,000.00)	\$ (210,000.00)	\$ (210,000.00)	\$ (225,000.00)	\$ (225,000.00)
Koronis	Administration	CCEMS	\$ (650,000.00)	\$ (670,000.00)	\$ (685,000.00)	\$ (795,500.00)	\$ (930,000.00)
Utilities	Administration	CCEMS	\$ (180,000.00)	\$ (190,000.00)	\$ (170,000.00)	\$ (175,000.00)	\$ (150,000.00)
Wages (Administration)	Administration	CCEMS	\$ (920,000.00)	\$ (960,000.00)	\$ (960,000.00)	\$ (1,047,840.00)	\$ (1,108,680.00)
Comm/Center	Comm/Center	CCEMS	\$ (160,000.00)	\$ (180,000.00)	\$ (225,000.00)	\$ (225,000.00)	\$ (250,000.00)
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (5,000.00)	\$ (5,000.00)	\$ (20,000.00)	\$ (20,000.00)	\$ (25,000.00)
Comm-Information System	Comm/Center	CCEMS	\$ (100,000.00)	\$ (100,000.00)	\$ (329,838.00)	\$ (300,000.00)	\$ (200,000.00)
Comm/Center Wages	Comm/Center	CCEMS	\$ (245,000.00)	\$ (302,000.00)	\$ (302,000.00)	\$ (319,428.00)	\$ (440,000.00)
Comm/Center Wages	Comm/Center	ESD11	\$ (1,110,000.00)	\$ (1,298,000.00)	\$ (1,619,000.00)	\$ (1,676,993.00)	\$ (1,760,000.00)
Dues	Education	CCEMS	\$ (8,000.00)	\$ (10,000.00)	\$ (16,000.00)	\$ (16,000.00)	\$ (20,000.00)
Education Expense Supplies	Education	CCEMS	\$ (60,000.00)	\$ (160,000.00)	\$ (160,000.00)	\$ (160,000.00)	\$ (75,000.00)
Education Wages	Education	CCEMS	\$ (307,000.00)	\$ (400,000.00)	\$ -	\$ -	\$ (380,000.00)
Education Wages	Education	ESD11	\$ -	\$ -	\$ (420,000.00)	\$ (420,000.00)	\$ -
Vehicle Fuel	Maintenance	CCEMS	\$ (475,000.00)	\$ -	\$ -	\$ -	\$ (400,000.00)
Vehicle Fuel	Maintenance	ESD11	\$ -	\$ (350,000.00)	\$ (350,000.00)	\$ (450,000.00)	\$ -
Vehicle Maintenance	Maintenance	CCEMS	\$ (345,000.00)	\$ (350,000.00)	\$ (450,000.00)	\$ (450,000.00)	\$ (250,000.00)
Maintenance Wages	Maintenance	CCEMS	\$ (392,000.00)	\$ (410,000.00)	\$ (410,000.00)	\$ (420,000.00)	\$ (320,000.00)
Equipment Repair	Medical	CCEMS	\$ (20,000.00)	\$ (60,000.00)	\$ (50,000.00)	\$ (50,000.00)	\$ (50,000.00)
Medical Supplies	Medical	ESD11	\$ (890,000.00)	\$ (950,000.00)	\$ (1,100,000.00)	\$ (1,200,000.00)	\$ (1,398,000.00)
401-K	Membership	CCEMS	\$ (400,000.00)	\$ (600,000.00)	\$ (600,000.00)	\$ (700,000.00)	\$ (860,000.00)
Event Expense	Membership	CCEMS	\$ -	\$ -	\$ (75,000.00)	\$ (90,000.00)	\$ (90,000.00)
Longevity Retirement	Membership	CCEMS	\$ (365,000.00)	\$ (465,000.00)	\$ (495,000.00)	\$ (675,000.00)	\$ (687,000.00)
Social Security	Membership	CCEMS	\$ (178,000.00)	\$ (193,200.00)	\$ (193,200.00)	\$ (980,000.00)	\$ (1,130,000.00)
Social Security	Membership	ESD11	\$ (595,000.00)	\$ (726,800.00)	\$ (748,800.00)	\$ -	\$ -
Uniforms	Membership	CCEMS	\$ (60,000.00)	\$ (65,000.00)	\$ (65,000.00)	\$ (70,000.00)	\$ (70,000.00)
Volunteer Expense Programs	Membership	CCEMS	\$ (115,000.00)	\$ (125,000.00)	\$ (125,000.00)	\$ (125,000.00)	\$ (125,000.00)
Contract Wages	Membership	CCEMS	\$ (75,000.00)	\$ (80,000.00)	\$ (80,000.00)	\$ (85,000.00)	\$ (80,000.00)
Staff Wages	Membership	CCEMS	\$ (360,000.00)	\$ (537,700.00)	\$ (569,962.00)	\$ (1,126,997.00)	\$ (1,627,763.00)
Staff Wages	Membership	ESD11	\$ (7,201,727.00)	\$ (7,412,300.00)	\$ (7,629,900.00)	\$ (8,457,550.00)	\$ (10,182,000.00)
Part-Time Wages	Membership	CCEMS	\$ (45,000.00)	\$ (48,000.00)	\$ (48,000.00)	\$ (50,000.00)	\$ (160,000.00)
Supervisors Wages	Membership	CCEMS	\$ (685,000.00)	\$ -	\$ (708,000.00)	\$ (850,000.00)	\$ (600,000.00)
Supervisors Wages	Membership	ESD11	\$ -	\$ (708,000.00)	\$ -	\$ -	\$ -
Construction (Upgrades)	Capital Equipment	CCEMS	\$ (185,000.00)	\$ (200,000.00)	\$ (250,000.00)	\$ (300,000.00)	\$ (130,000.00)
Comm/Information Upgrades	Capital Equipment	CCEMS	\$ (280,000.00)	\$ (50,000.00)	\$ (125,000.00)	\$ (280,000.00)	\$ (100,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)
Education Equipment	Capital Equipment	CCEMS	\$ (100,000.00)	\$ (50,000.00)	\$ (50,000.00)	\$ -	\$ -
Education Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -	\$ -	\$ (100,000.00)
Equipment Medical	Capital Equipment	CCEMS	\$ (25,000.00)	\$ (50,000.00)	\$ (50,000.00)	\$ -	\$ -
Equipment Medical	Capital Equipment	ESD11	\$ -	\$ -	\$ -	\$ -	\$ (230,000.00)
First Out Equipment	Capital Equipment	CCEMS	\$ -	\$ (25,000.00)	\$ (50,000.00)	\$ -	\$ -
First Out Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)
Maintenance Equipment	Capital Equipment	CCEMS	\$ (80,000.00)	\$ (80,000.00)	\$ (145,000.00)	\$ (200,000.00)	\$ (43,298.00)
Special Operations	Capital Equipment	CCEMS	\$ (80,000.00)	\$ (45,000.00)	\$ (50,000.00)	\$ (138,347.00)	\$ (100,000.00)
Vehicle	Capital Equipment	CCEMS	\$ (500,000.00)	\$ (700,000.00)	\$ (400,000.00)	\$ (800,000.00)	\$ (772,259.00)
Vehicle	Capital Equipment	ESD11	\$ -	\$ -	\$ -	\$ -	\$ (150,000.00)
Toughbooks (IT Equipment)	Capital Equipment	CCEMS	\$ (120,000.00)	\$ -	\$ -	\$ -	\$ -
Frost Bank Debt Reduction	Debt Reduction	CCEMS	\$ (425,000.00)	\$ (425,000.00)	\$ (425,000.00)	\$ -	\$ -
Surplus for CCEMS	Surplus	CCEMS	\$ -	\$ (333,100.00)	\$ -	\$ -	\$ -

EXHIBIT 2: Comparison of CCEMS Budgets to Actual

Comparison of CCEMS Budget to Actual from General Ledger					
Description	Type	Source	2016		
			Budget	Actual (G/L)	Difference
Education Courses	Revenue	CCEMS	\$ 100,000.00	\$ 94,839.54	\$ 5,160.46
ESD 11	Revenue	ESD11	\$ 12,046,727.00	\$ 13,383,485.99	\$ (1,336,758.99)
Fire Department Contract Fee	Revenue	CCEMS	\$ 480,000.00	\$ 567,348.90	\$ (87,348.90)
Koronis Collections	Revenue	CCEMS	\$ 250,000.00	\$ -	\$ 250,000.00
Koronis Revenues	Revenue	CCEMS	\$ 9,100,000.00	\$ 11,192,618.95	\$ (2,092,618.95)
Special Events	Revenue	CCEMS	\$ 180,000.00	\$ 57,072.91	\$ 122,927.09
Special Operations	Revenue	CCEMS	\$ 150,000.00	\$ 152,414.60	\$ (2,414.60)
Total Other Misc.	Revenue	CCEMS	\$ 25,000.00	\$ 218,038.45	\$ (193,038.45)
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (13,343.37)	\$ (1,656.63)
Administration Expense	Administration	CCEMS	\$ (110,000.00)	\$ (89,761.12)	\$ (20,238.88)
Community Relations	Administration	CCEMS	\$ (50,000.00)	\$ (43,866.20)	\$ (6,133.80)
Insurance (General)	Administration	CCEMS	\$ (400,000.00)	\$ (379,776.02)	\$ (20,223.98)
Insurance (Health)	Administration	CCEMS	\$ (360,000.00)	\$ -	\$ (360,000.00)
Insurance (Health)	Administration	ESD11	\$ (2,250,000.00)	\$ (2,901,732.11)	\$ 651,732.11
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (330,000.00)	\$ (264,973.33)	\$ (65,026.67)
Interest Expense on Loan	Administration	CCEMS	\$ (257,000.00)	\$ (257,107.70)	\$ 107.70
Legal Expense	Administration	CCEMS	\$ (250,000.00)	\$ (424,203.28)	\$ 174,203.28
Office Supplies	Administration	CCEMS	\$ (10,000.00)	\$ (9,776.39)	\$ (223.61)
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (6,708.20)	\$ 708.20
Printing	Administration	CCEMS	\$ (10,000.00)	\$ (26,899.80)	\$ 16,899.80
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ -	\$ (5,000.00)
Rent (Station 7 - 512)	Administration	CCEMS	\$ (35,000.00)	\$ (39,226.39)	\$ 4,226.39
Station Maintenance/Repair	Administration	CCEMS	\$ (140,000.00)	\$ (183,257.91)	\$ 43,257.91
Station Supplies	Administration	CCEMS	\$ (32,000.00)	\$ (24,700.55)	\$ (7,299.45)
Special Operations	Administration	CCEMS	\$ (125,000.00)	\$ (127,354.51)	\$ 2,354.51
Telephones	Administration	CCEMS	\$ (205,000.00)	\$ (202,601.55)	\$ (2,398.45)
Koronis	Administration	CCEMS	\$ (650,000.00)	\$ (670,671.29)	\$ 20,671.29
Utilities	Administration	CCEMS	\$ (180,000.00)	\$ (182,848.98)	\$ 2,848.98
Wages (Administration)	Administration	CCEMS	\$ (920,000.00)	\$ (871,823.14)	\$ (48,176.86)
Comm/Center	Comm/Center	CCEMS	\$ (160,000.00)	\$ (129,881.13)	\$ (30,118.87)
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (5,000.00)	\$ (19,629.81)	\$ 14,629.81
Comm-Information System	Comm/Center	CCEMS	\$ (100,000.00)	\$ (126,642.39)	\$ 26,642.39
Comm/Center Wages	Comm/Center	CCEMS	\$ (245,000.00)	\$ -	\$ (245,000.00)
Comm/Center Wages	Comm/Center	ESD11	\$ (1,110,000.00)	\$ (1,571,788.02)	\$ 461,788.02
Dues	Education	CCEMS	\$ (8,000.00)	\$ (7,195.00)	\$ (805.00)
Education Expense Supplies	Education	CCEMS	\$ (60,000.00)	\$ (57,607.04)	\$ (2,392.96)
Education Wages	Education	CCEMS	\$ (307,000.00)	\$ (372,973.80)	\$ 65,973.80
Education Wages	Education	ESD11	\$ -	\$ -	\$ -
Vehicle Fuel	Maintenance	CCEMS	\$ (475,000.00)	\$ (305,190.52)	\$ (169,809.48)
Vehicle Fuel	Maintenance	ESD11	\$ -	\$ -	\$ -
Vehicle Maintenance	Maintenance	CCEMS	\$ (345,000.00)	\$ (232,644.48)	\$ (112,355.52)

Description	Type	Source	2016		
			Budget	Actual (G/L)	Difference
Maintenance Wages	Maintenance	CCEMS	\$ (392,000.00)	\$ (383,710.53)	\$ (8,289.47)
Equipment Repair	Medical	CCEMS	\$ (20,000.00)	\$ (78,431.93)	\$ 58,431.93
Medical Supplies	Medical	ESD11	\$ (890,000.00)	\$ (998,219.12)	\$ 108,219.12
401-K	Membership	CCEMS	\$ (400,000.00)	\$ (565,170.43)	\$ 165,170.43
Event Expense	Membership	CCEMS	\$ -	\$ (64,346.70)	\$ 64,346.70
Longevity Retirement	Membership	CCEMS	\$ (365,000.00)	\$ (423,456.24)	\$ 58,456.24
Social Security	Membership	CCEMS	\$ (178,000.00)	\$ -	\$ (178,000.00)
Social Security	Membership	ESD11	\$ (595,000.00)	\$ (886,795.13)	\$ 291,795.13
Uniforms	Membership	CCEMS	\$ (60,000.00)	\$ (53,641.65)	\$ (6,358.35)
Volunteer Expense Programs	Membership	CCEMS	\$ (115,000.00)	\$ (66,755.43)	\$ (48,244.57)
Contract Wages	Membership	CCEMS	\$ (75,000.00)	\$ (73,124.56)	\$ (1,875.44)
Staff Wages	Membership	CCEMS	\$ (360,000.00)	\$ -	\$ (360,000.00)
Staff Wages	Membership	ESD11	\$ (7,201,727.00)	\$ (7,651,859.68)	\$ 450,132.68
Part-Time Wages	Membership	CCEMS	\$ (45,000.00)	\$ (42,050.12)	\$ (2,949.88)
Supervisors Wages	Membership	CCEMS	\$ (685,000.00)	\$ (636,635.92)	\$ (48,364.08)
Supervisors Wages	Membership	ESD11	\$ -	\$ -	\$ -
Construction (Upgrades)	Capital Equipment	CCEMS	\$ (185,000.00)	\$ (1,106,294.47)	\$ 921,294.47
Comm/Information Upgrades	Capital Equipment	CCEMS	\$ (280,000.00)	\$ -	\$ (280,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	CCEMS	\$ (100,000.00)	\$ -	\$ (100,000.00)
Education Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	CCEMS	\$ (25,000.00)	\$ -	\$ (25,000.00)
Equipment Medical	Capital Equipment	ESD11	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Maintenance Equipment	Capital Equipment	CCEMS	\$ (80,000.00)	\$ -	\$ (80,000.00)
Special Operations	Capital Equipment	CCEMS	\$ (80,000.00)	\$ -	\$ (80,000.00)
Vehicle	Capital Equipment	CCEMS	\$ (500,000.00)	\$ -	\$ (500,000.00)
Vehicle	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Toughbooks (IT Equipment)	Capital Equipment	CCEMS	\$ (120,000.00)	\$ -	\$ (120,000.00)
Frost Bank Debt Reduction	Debt Reduction	CCEMS	\$ (425,000.00)	\$ -	\$ (425,000.00)
Surplus for CCEMS	Surplus	CCEMS	\$ -	\$ -	\$ -
TOTAL			\$ -	\$ 3,091,143.40	\$ (3,091,143.40)

	2016
	General Ledger
Total Revenue	\$ 25,665,819.34
Total Matched Expenses	\$ (22,574,675.94)
Unmatched CCEMS General Ledger Accounts	\$ (153,944.62)
Total Expenses	\$ (22,728,620.56)
Net Income (Loss)	\$ 2,937,198.78

Comparison of CCEMS Budget to Actual from General Ledger						
Description	Type	Source	2017			
			Budget	Actual (G/L)	Difference	
Education Courses	Revenue	CCEMS	\$ 140,000.00	\$ 96,705.75	\$ 43,294.25	
ESD 11	Revenue	ESD11	\$ 13,955,100.00	\$ 14,466,725.81	\$ (511,625.81)	
Fire Department Contract Fee	Revenue	CCEMS	\$ 580,000.00	\$ 682,699.80	\$ (102,699.80)	
Koronis Collections	Revenue	CCEMS	\$ 300,000.00	\$ -	\$ 300,000.00	
Koronis Revenues	Revenue	CCEMS	\$ 9,200,000.00	\$ 12,180,917.00	\$ (2,980,917.00)	
Special Events	Revenue	CCEMS	\$ 150,000.00	\$ 35,307.00	\$ 114,693.00	
Special Operations	Revenue	CCEMS	\$ 200,000.00	\$ 138,618.24	\$ 61,381.76	
Total Other Misc.	Revenue	CCEMS	\$ 30,000.00	\$ 32,564.24	\$ (2,564.24)	
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (13,820.00)	\$ (1,180.00)	
Administration Expense	Administration	CCEMS	\$ (120,000.00)	\$ (118,547.33)	\$ (1,452.67)	
Community Relations	Administration	CCEMS	\$ (50,000.00)	\$ (44,991.13)	\$ (5,008.87)	
Insurance (General)	Administration	CCEMS	\$ (400,000.00)	\$ (427,277.37)	\$ 27,277.37	
Insurance (Health)	Administration	CCEMS	\$ (480,000.00)	\$ -	\$ (480,000.00)	
Insurance (Health)	Administration	ESD11	\$ (2,510,000.00)	\$ (3,379,895.97)	\$ 869,895.97	
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (300,000.00)	\$ (315,151.59)	\$ 15,151.59	
Interest Expense on Loan	Administration	CCEMS	\$ (260,000.00)	\$ (330,632.62)	\$ 70,632.62	
Legal Expense	Administration	CCEMS	\$ (500,000.00)	\$ (240,368.03)	\$ (259,631.97)	
Office Supplies	Administration	CCEMS	\$ (10,000.00)	\$ (12,464.66)	\$ 2,464.66	
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (5,634.77)	\$ (365.23)	
Printing	Administration	CCEMS	\$ (25,000.00)	\$ (35,328.50)	\$ 10,328.50	
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ -	\$ (5,000.00)	
Rent (Station 7 - 512)	Administration	CCEMS	\$ (35,000.00)	\$ (40,616.46)	\$ 5,616.46	
Station Maintenance/Repair	Administration	CCEMS	\$ (150,000.00)	\$ (169,966.79)	\$ 19,966.79	
Station Supplies	Administration	CCEMS	\$ (30,000.00)	\$ (34,159.35)	\$ 4,159.35	
Special Operations	Administration	CCEMS	\$ (135,000.00)	\$ (101,422.13)	\$ (33,577.87)	
Telephones	Administration	CCEMS	\$ (210,000.00)	\$ (213,903.45)	\$ 3,903.45	
Koronis	Administration	CCEMS	\$ (670,000.00)	\$ (739,708.02)	\$ 69,708.02	
Utilities	Administration	CCEMS	\$ (190,000.00)	\$ (170,864.07)	\$ (19,135.93)	
Wages (Administration)	Administration	CCEMS	\$ (960,000.00)	\$ (911,499.88)	\$ (48,500.12)	
Comm/Center	Comm/Center	CCEMS	\$ (180,000.00)	\$ (200,339.25)	\$ 20,339.25	
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (5,000.00)	\$ (37,313.90)	\$ 32,313.90	
Comm-Information System	Comm/Center	CCEMS	\$ (100,000.00)	\$ (101,656.19)	\$ 1,656.19	
Comm/Center Wages	Comm/Center	CCEMS	\$ (302,000.00)	\$ -	\$ (302,000.00)	
Comm/Center Wages	Comm/Center	ESD11	\$ (1,298,000.00)	\$ (1,834,533.40)	\$ 536,533.40	
Dues	Education	CCEMS	\$ (10,000.00)	\$ (13,066.60)	\$ 3,066.60	
Education Expense Supplies	Education	CCEMS	\$ (160,000.00)	\$ (49,341.80)	\$ (110,658.20)	
Education Wages	Education	CCEMS	\$ (400,000.00)	\$ (400,872.71)	\$ 872.71	
Education Wages	Education	ESD11	\$ -	\$ -	\$ -	
Vehicle Fuel	Maintenance	CCEMS	\$ -	\$ -	\$ -	
Vehicle Fuel	Maintenance	ESD11	\$ (350,000.00)	\$ (334,894.55)	\$ (15,105.45)	
Vehicle Maintenance	Maintenance	CCEMS	\$ (350,000.00)	\$ (216,662.79)	\$ (133,337.21)	

Description	Type	Source	2017		
			Budget	Actual (G/L)	Difference
Maintenance Wages	Maintenance	CCEMS	\$ (410,000.00)	\$ (393,584.63)	\$ (16,415.37)
Equipment Repair	Medical	CCEMS	\$ (60,000.00)	\$ (110,792.22)	\$ 50,792.22
Medical Supplies	Medical	ESD11	\$ (950,000.00)	\$ (1,172,864.50)	\$ 222,864.50
401-K	Membership	CCEMS	\$ (600,000.00)	\$ (643,865.97)	\$ 43,865.97
Event Expense	Membership	CCEMS	\$ -	\$ (43,723.03)	\$ 43,723.03
Longevity Retirement	Membership	CCEMS	\$ (465,000.00)	\$ (471,842.96)	\$ 6,842.96
Social Security	Membership	CCEMS	\$ (193,200.00)	\$ -	\$ (193,200.00)
Social Security	Membership	ESD11	\$ (726,800.00)	\$ (964,975.17)	\$ 238,175.17
Uniforms	Membership	CCEMS	\$ (65,000.00)	\$ (66,521.31)	\$ 1,521.31
Volunteer Expense Programs	Membership	CCEMS	\$ (125,000.00)	\$ (85,050.65)	\$ (39,949.35)
Contract Wages	Membership	CCEMS	\$ (80,000.00)	\$ (68,448.00)	\$ (11,552.00)
Staff Wages	Membership	CCEMS	\$ (537,700.00)	\$ -	\$ (537,700.00)
Staff Wages	Membership	ESD11	\$ (7,412,300.00)	\$ (8,365,163.65)	\$ 952,863.65
Part-Time Wages	Membership	CCEMS	\$ (48,000.00)	\$ (44,457.98)	\$ (3,542.02)
Supervisors Wages	Membership	CCEMS	\$ -	\$ -	\$ -
Supervisors Wages	Membership	ESD11	\$ (708,000.00)	\$ (611,740.67)	\$ (96,259.33)
Construction (Upgrades)	Capital Equipment	CCEMS	\$ (200,000.00)	\$ (1,332,943.15)	\$ 1,132,943.15
Comm/Information Upgrades	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Education Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Equipment Medical	Capital Equipment	ESD11	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	CCEMS	\$ (25,000.00)	\$ -	\$ (25,000.00)
First Out Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Maintenance Equipment	Capital Equipment	CCEMS	\$ (80,000.00)	\$ -	\$ (80,000.00)
Special Operations	Capital Equipment	CCEMS	\$ (45,000.00)	\$ -	\$ (45,000.00)
Vehicle	Capital Equipment	CCEMS	\$ (700,000.00)	\$ -	\$ (700,000.00)
Vehicle	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Toughbooks (IT Equipment)	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
Frost Bank Debt Reduction	Debt Reduction	CCEMS	\$ (425,000.00)	\$ -	\$ (425,000.00)
Surplus for CCEMS	Surplus	CCEMS	\$ (333,100.00)	\$ -	\$ (333,100.00)
TOTAL			\$ -	\$ 2,762,630.64	\$ (2,762,630.64)
			2017		
			General Ledger		
Total Revenue			\$ 27,633,537.84		
Total Matched Expenses			\$ (24,870,907.20)		
Unmatched CCEMS General Ledger Accounts			\$ (91,552.42)		
Total Expenses			\$ (24,962,459.62)		
Net Income (Loss)			\$ 2,671,078.22		

Comparison of CCEMS Budget to Actual from General Ledger						
Description	Type	Source	2018			
			Budget	Actual (G/L)	Difference	
Education Courses	Revenue	CCEMS	\$ 160,000.00	\$ 135,374.07	\$ 24,625.93	
ESD 11	Revenue	ESD11	\$ 14,562,700.00	\$ 15,273,170.12	\$ (710,470.12)	
Fire Department Contract Fee	Revenue	CCEMS	\$ 650,000.00	\$ 845,791.25	\$ (195,791.25)	
Koronis Collections	Revenue	CCEMS	\$ 350,000.00	\$ -	\$ 350,000.00	
Koronis Revenues	Revenue	CCEMS	\$ 9,400,000.00	\$ 9,211,053.96	\$ 188,946.04	
Special Events	Revenue	CCEMS	\$ 140,000.00	\$ 105.72	\$ 139,894.28	
Special Operations	Revenue	CCEMS	\$ 180,000.00	\$ 115,280.00	\$ 64,720.00	
Total Other Misc.	Revenue	CCEMS	\$ 30,000.00	\$ 32,028.59	\$ (2,028.59)	
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (15,000.00)	\$ -	
Administration Expense	Administration	CCEMS	\$ (140,000.00)	\$ (118,289.26)	\$ (21,710.74)	
Community Relations	Administration	CCEMS	\$ (50,000.00)	\$ (22,905.19)	\$ (27,094.81)	
Insurance (General)	Administration	CCEMS	\$ (425,000.00)	\$ (421,674.40)	\$ (3,325.60)	
Insurance (Health)	Administration	CCEMS	\$ (480,000.00)	\$ -	\$ (480,000.00)	
Insurance (Health)	Administration	ESD11	\$ (2,695,000.00)	\$ (4,177,069.60)	\$ 1,482,069.60	
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (320,000.00)	\$ (237,961.53)	\$ (82,038.47)	
Interest Expense on Loan	Administration	CCEMS	\$ (260,000.00)	\$ (236,975.62)	\$ (23,024.38)	
Legal Expense	Administration	CCEMS	\$ (300,000.00)	\$ (333,439.00)	\$ 33,439.00	
Office Supplies	Administration	CCEMS	\$ (12,000.00)	\$ (13,081.48)	\$ 1,081.48	
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (5,414.40)	\$ (585.60)	
Printing	Administration	CCEMS	\$ (30,000.00)	\$ (44,460.87)	\$ 14,460.87	
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ -	\$ (5,000.00)	
Rent (Station 7 - 512)	Administration	CCEMS	\$ (35,000.00)	\$ (35,813.81)	\$ 813.81	
Station Maintenance/Repair	Administration	CCEMS	\$ (150,000.00)	\$ (178,966.93)	\$ 28,966.93	
Station Supplies	Administration	CCEMS	\$ (35,000.00)	\$ (39,174.76)	\$ 4,174.76	
Special Operations	Administration	CCEMS	\$ (155,000.00)	\$ (116,514.90)	\$ (38,485.10)	
Telephones	Administration	CCEMS	\$ (210,000.00)	\$ (219,256.90)	\$ 9,256.90	
Koronis	Administration	CCEMS	\$ (685,000.00)	\$ (856,340.80)	\$ 171,340.80	
Utilities	Administration	CCEMS	\$ (170,000.00)	\$ (170,909.08)	\$ 909.08	
Wages (Administration)	Administration	CCEMS	\$ (960,000.00)	\$ (1,179,836.51)	\$ 219,836.51	
Comm/Center	Comm/Center	CCEMS	\$ (225,000.00)	\$ (164,053.40)	\$ (60,946.60)	
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (20,000.00)	\$ (58,289.43)	\$ 38,289.43	
Comm-Information System	Comm/Center	CCEMS	\$ (329,838.00)	\$ (257,813.87)	\$ (72,024.13)	
Comm/Center Wages	Comm/Center	CCEMS	\$ (302,000.00)	\$ -	\$ (302,000.00)	
Comm/Center Wages	Comm/Center	ESD11	\$ (1,619,000.00)	\$ (2,009,552.51)	\$ 390,552.51	
Dues	Education	CCEMS	\$ (16,000.00)	\$ (9,482.15)	\$ (6,517.85)	
Education Expense Supplies	Education	CCEMS	\$ (160,000.00)	\$ (66,388.19)	\$ (93,611.81)	
Education Wages	Education	CCEMS	\$ -	\$ -	\$ -	
Education Wages	Education	ESD11	\$ (420,000.00)	\$ (351,221.15)	\$ (68,778.85)	
Vehicle Fuel	Maintenance	CCEMS	\$ -	\$ -	\$ -	
Vehicle Fuel	Maintenance	ESD11	\$ (350,000.00)	\$ (404,811.37)	\$ 54,811.37	
Vehicle Maintenance	Maintenance	CCEMS	\$ (450,000.00)	\$ (275,547.65)	\$ (174,452.35)	

Description	Type	Source	2018		
			Budget	Actual (G/L)	Difference
Maintenance Wages	Maintenance	CCEMS	\$ (410,000.00)	\$ (407,942.05)	\$ (2,057.95)
Equipment Repair	Medical	CCEMS	\$ (50,000.00)	\$ (80,935.04)	\$ 30,935.04
Medical Supplies	Medical	ESD11	\$ (1,100,000.00)	\$ (1,110,410.30)	\$ 10,410.30
401-K	Membership	CCEMS	\$ (600,000.00)	\$ (617,946.71)	\$ 17,946.71
Event Expense	Membership	CCEMS	\$ (75,000.00)	\$ (1,531.72)	\$ (73,468.28)
Longevity Retirement	Membership	CCEMS	\$ (495,000.00)	\$ -	\$ (495,000.00)
Social Security	Membership	CCEMS	\$ (193,200.00)	\$ -	\$ (193,200.00)
Social Security	Membership	ESD11	\$ (748,800.00)	\$ (1,054,052.32)	\$ 305,252.32
Uniforms	Membership	CCEMS	\$ (65,000.00)	\$ (57,558.23)	\$ (7,441.77)
Volunteer Expense Programs	Membership	CCEMS	\$ (125,000.00)	\$ (84,600.51)	\$ (40,399.49)
Contract Wages	Membership	CCEMS	\$ (80,000.00)	\$ (68,445.00)	\$ (11,555.00)
Staff Wages	Membership	CCEMS	\$ (569,962.00)	\$ -	\$ (569,962.00)
Staff Wages	Membership	ESD11	\$ (7,629,900.00)	\$ (9,703,712.42)	\$ 2,073,812.42
Part-Time Wages	Membership	CCEMS	\$ (48,000.00)	\$ (49,265.66)	\$ 1,265.66
Supervisors Wages	Membership	CCEMS	\$ (708,000.00)	\$ (539,874.79)	\$ (168,125.21)
Supervisors Wages	Membership	ESD11	\$ -	\$ -	\$ -
Construction (Upgrades)	Capital Equipment	CCEMS	\$ (250,000.00)	\$ (1,240,974.41)	\$ 990,974.41
Comm/Information Upgrades	Capital Equipment	CCEMS	\$ (125,000.00)	\$ -	\$ (125,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Education Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Equipment Medical	Capital Equipment	ESD11	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
First Out Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Maintenance Equipment	Capital Equipment	CCEMS	\$ (145,000.00)	\$ -	\$ (145,000.00)
Special Operations	Capital Equipment	CCEMS	\$ (50,000.00)	\$ -	\$ (50,000.00)
Vehicle	Capital Equipment	CCEMS	\$ (400,000.00)	\$ -	\$ (400,000.00)
Vehicle	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Toughbooks (IT Equipment)	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
Frost Bank Debt Reduction	Debt Reduction	CCEMS	\$ (425,000.00)	\$ -	\$ (425,000.00)
Surplus for CCEMS	Surplus	CCEMS	\$ -	\$ -	\$ -
TOTAL			\$ -	\$ (1,424,690.21)	\$ 1,424,690.21

	2018	
	General Ledger	
Total Revenue	\$ 25,612,803.71	
Total Matched Expenses	\$ (27,037,493.92)	
Unmatched CCEMS General Ledger Accounts	\$ (254,595.89)	
Total Expenses	\$ (27,292,089.81)	
Net Income (Loss)	\$ (1,679,286.10)	

Comparison of CCEMS Budget to Actual from General Ledger					
Description	Type	Source	2019		
			Budget	Actual (G/L)	Difference
Education Courses	Revenue	CCEMS	\$ 120,000.00	\$ 49,899.50	\$ 70,100.50
ESD 11	Revenue	ESD11	\$ 15,012,700.00	\$ 15,588,670.09	\$ (575,970.09)
Fire Department Contract Fee	Revenue	CCEMS	\$ 900,000.00	\$ 881,675.00	\$ 18,325.00
Koronis Collections	Revenue	CCEMS	\$ 350,000.00	\$ -	\$ 350,000.00
Koronis Revenues	Revenue	CCEMS	\$ 11,000,000.00	\$ 10,077,769.14	\$ 922,230.86
Special Events	Revenue	CCEMS	\$ 135,000.00	\$ 9,130.00	\$ 125,870.00
Special Operations	Revenue	CCEMS	\$ 180,000.00	\$ 181,422.50	\$ (1,422.50)
Total Other Misc.	Revenue	CCEMS	\$ 45,000.00	\$ 30,001.13	\$ 14,998.87
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (21,950.00)	\$ 6,950.00
Administration Expense	Administration	CCEMS	\$ (150,000.00)	\$ (168,859.68)	\$ 18,859.68
Community Relations	Administration	CCEMS	\$ (50,000.00)	\$ (21,147.62)	\$ (28,852.38)
Insurance (General)	Administration	CCEMS	\$ (425,000.00)	\$ (473,779.71)	\$ 48,779.71
Insurance (Health)	Administration	CCEMS	\$ (454,888.00)	\$ -	\$ (454,888.00)
Insurance (Health)	Administration	ESD11	\$ (2,388,157.00)	\$ (4,174,214.57)	\$ 1,786,057.57
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (300,000.00)	\$ (346,230.55)	\$ 46,230.55
Interest Expense on Loan	Administration	CCEMS	\$ (250,000.00)	\$ (211,050.17)	\$ (38,949.83)
Legal Expense	Administration	CCEMS	\$ (300,000.00)	\$ (282,235.51)	\$ (17,764.49)
Office Supplies	Administration	CCEMS	\$ (15,000.00)	\$ (7,549.29)	\$ (7,450.71)
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (5,420.24)	\$ (579.76)
Printing	Administration	CCEMS	\$ (50,000.00)	\$ (34,181.19)	\$ (15,818.81)
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ -	\$ (5,000.00)
Rent (Station 7 - 512)	Administration	CCEMS	\$ (60,000.00)	\$ (35,614.94)	\$ (24,385.06)
Station Maintenance/Repair	Administration	CCEMS	\$ (200,000.00)	\$ (242,250.36)	\$ 42,250.36
Station Supplies	Administration	CCEMS	\$ (35,000.00)	\$ (44,186.38)	\$ 9,186.38
Special Operations	Administration	CCEMS	\$ (160,000.00)	\$ (147,019.51)	\$ (12,980.49)
Telephones	Administration	CCEMS	\$ (225,000.00)	\$ (250,969.02)	\$ 25,969.02
Koronis	Administration	CCEMS	\$ (795,500.00)	\$ (899,028.70)	\$ 103,528.70
Utilities	Administration	CCEMS	\$ (175,000.00)	\$ (167,333.39)	\$ (7,666.61)
Wages (Administration)	Administration	CCEMS	\$ (1,047,840.00)	\$ (1,065,228.61)	\$ 17,388.61
Comm/Center	Comm/Center	CCEMS	\$ (225,000.00)	\$ (253,474.24)	\$ 28,474.24
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (20,000.00)	\$ (15,115.54)	\$ (4,884.46)
Comm-Information System	Comm/Center	CCEMS	\$ (300,000.00)	\$ (298,825.52)	\$ (1,174.48)
Comm/Center Wages	Comm/Center	CCEMS	\$ (319,428.00)	\$ -	\$ (319,428.00)
Comm/Center Wages	Comm/Center	ESD11	\$ (1,676,993.00)	\$ (2,067,343.24)	\$ 390,350.24
Dues	Education	CCEMS	\$ (16,000.00)	\$ (14,817.53)	\$ (1,182.47)
Education Expense Supplies	Education	CCEMS	\$ (160,000.00)	\$ (64,166.72)	\$ (95,833.28)
Education Wages	Education	CCEMS	\$ -	\$ -	\$ -
Education Wages	Education	ESD11	\$ (420,000.00)	\$ (285,238.30)	\$ (134,761.70)
Vehicle Fuel	Maintenance	CCEMS	\$ -	\$ -	\$ -
Vehicle Fuel	Maintenance	ESD11	\$ (450,000.00)	\$ (346,638.89)	\$ (103,361.11)
Vehicle Maintenance	Maintenance	CCEMS	\$ (450,000.00)	\$ (259,579.03)	\$ (190,420.97)

Description	Type	Source	2019		
			Budget	Actual (G/L)	Difference
Maintenance Wages	Maintenance	CCEMS	\$ (420,000.00)	\$ (341,400.50)	\$ (78,599.50)
Equipment Repair	Medical	CCEMS	\$ (50,000.00)	\$ (41,107.58)	\$ (8,892.42)
Medical Supplies	Medical	ESD11	\$ (1,200,000.00)	\$ (1,190,058.58)	\$ (9,941.42)
401-K	Membership	CCEMS	\$ (700,000.00)	\$ (769,255.61)	\$ 69,255.61
Event Expense	Membership	CCEMS	\$ (90,000.00)	\$ (3,035.20)	\$ (86,964.80)
Longevity Retirement	Membership	CCEMS	\$ (675,000.00)	\$ (615,043.49)	\$ (59,956.51)
Social Security	Membership	CCEMS	\$ (980,000.00)	\$ (1,152,022.79)	\$ 172,022.79
Social Security	Membership	ESD11	\$ -	\$ -	\$ -
Uniforms	Membership	CCEMS	\$ (70,000.00)	\$ (75,938.55)	\$ 5,938.55
Volunteer Expense Programs	Membership	CCEMS	\$ (125,000.00)	\$ (78,505.72)	\$ (46,494.28)
Contract Wages	Membership	CCEMS	\$ (85,000.00)	\$ (68,445.00)	\$ (16,555.00)
Staff Wages	Membership	CCEMS	\$ (1,126,997.00)	\$ -	\$ (1,126,997.00)
Staff Wages	Membership	ESD11	\$ (8,457,550.00)	\$ (10,442,783.88)	\$ 1,985,233.88
Part-Time Wages	Membership	CCEMS	\$ (50,000.00)	\$ (137,661.56)	\$ 87,661.56
Supervisors Wages	Membership	CCEMS	\$ (850,000.00)	\$ (485,366.34)	\$ (364,633.66)
Supervisors Wages	Membership	ESD11	\$ -	\$ -	\$ -
Construction (Upgrades)	Capital Equipment	CCEMS	\$ (300,000.00)	\$ (1,347,750.17)	\$ 1,047,750.17
Comm/Information Upgrades	Capital Equipment	CCEMS	\$ (280,000.00)	\$ -	\$ (280,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	ESD11	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Maintenance Equipment	Capital Equipment	CCEMS	\$ (200,000.00)	\$ -	\$ (200,000.00)
Special Operations	Capital Equipment	CCEMS	\$ (138,347.00)	\$ -	\$ (138,347.00)
Vehicle	Capital Equipment	CCEMS	\$ (800,000.00)	\$ -	\$ (800,000.00)
Vehicle	Capital Equipment	ESD11	\$ -	\$ -	\$ -
Toughbooks (IT Equipment)	Capital Equipment	CCEMS	\$ -	\$ -	\$ -
Frost Bank Debt Reduction	Debt Reduction	CCEMS	\$ -	\$ -	\$ -
Surplus for CCEMS	Surplus	CCEMS	\$ -	\$ -	\$ -
TOTAL			\$ -	\$ (2,133,256.06)	\$ 2,133,256.06
			2019		
			General Ledger		
Total Revenue			\$ 26,818,567.36		
Total Matched Expenses			\$ (28,951,823.42)		
Unmatched CCEMS General Ledger Accounts			\$ (215,114.91)		
Total Expenses			\$ (29,166,938.33)		
Net Income (Loss)			\$ (2,348,370.97)		

Comparison of CCEMS Budget to Actual from General Ledger						
Description	Type	Source	2020			
			Budget	Actual (G/L)	Difference	
Education Courses	Revenue	CCEMS	\$ 120,000.00	\$ 105,348.00	\$ 14,652.00	
ESD 11	Revenue	ESD11	\$ 15,900,000.00	\$ 10,660,904.27	\$ 5,239,095.73	
Fire Department Contract Fee	Revenue	CCEMS	\$ 950,000.00	\$ 514,500.00	\$ 435,500.00	
Koronis Collections	Revenue	CCEMS	\$ 400,000.00	\$ -	\$ 400,000.00	
Koronis Revenues	Revenue	CCEMS	\$ 12,200,000.00	\$ 7,257,961.95	\$ 4,942,038.05	
Special Events	Revenue	CCEMS	\$ 135,000.00	\$ -	\$ 135,000.00	
Special Operations	Revenue	CCEMS	\$ 180,000.00	\$ 42,700.00	\$ 137,300.00	
Total Other Misc.	Revenue	CCEMS	\$ 65,000.00	\$ 331,788.27	\$ (266,788.27)	
Accounting	Administration	CCEMS	\$ (15,000.00)	\$ (18,750.00)	\$ 3,750.00	
Administration Expense	Administration	CCEMS	\$ (175,000.00)	\$ (77,174.75)	\$ (97,825.25)	
Community Relations	Administration	CCEMS	\$ (40,000.00)	\$ (10,087.74)	\$ (29,912.26)	
Insurance (General)	Administration	CCEMS	\$ (470,000.00)	\$ (294,766.05)	\$ (175,233.95)	
Insurance (Health)	Administration	CCEMS	\$ (640,000.00)	\$ -	\$ (640,000.00)	
Insurance (Health)	Administration	ESD11	\$ (2,560,000.00)	\$ (2,028,833.85)	\$ (531,166.15)	
Insurance (Workmen's Comp)	Administration	CCEMS	\$ (350,000.00)	\$ (151,836.64)	\$ (198,163.36)	
Interest Expense on Loan	Administration	CCEMS	\$ (200,000.00)	\$ (114,724.78)	\$ (85,275.22)	
Legal Expense	Administration	CCEMS	\$ (250,000.00)	\$ (272,957.42)	\$ 22,957.42	
Office Supplies	Administration	CCEMS	\$ (10,000.00)	\$ (6,508.04)	\$ (3,491.96)	
Postage	Administration	CCEMS	\$ (6,000.00)	\$ (3,082.16)	\$ (2,917.84)	
Printing	Administration	CCEMS	\$ (40,000.00)	\$ (15,208.22)	\$ (24,791.78)	
Promotional Items	Administration	CCEMS	\$ (5,000.00)	\$ -	\$ (5,000.00)	
Rent (Station 7 - 512)	Administration	CCEMS	\$ (50,000.00)	\$ (32,891.79)	\$ (17,108.21)	
Station Maintenance/Repair	Administration	CCEMS	\$ (200,000.00)	\$ (171,589.39)	\$ (28,410.61)	
Station Supplies	Administration	CCEMS	\$ (50,000.00)	\$ (50,827.99)	\$ 827.99	
Special Operations	Administration	CCEMS	\$ (150,000.00)	\$ (21,321.81)	\$ (128,678.19)	
Telephones	Administration	CCEMS	\$ (225,000.00)	\$ (162,743.01)	\$ (62,256.99)	
Koronis	Administration	CCEMS	\$ (930,000.00)	\$ (552,127.98)	\$ (377,872.02)	
Utilities	Administration	CCEMS	\$ (150,000.00)	\$ (114,899.70)	\$ (35,100.30)	
Wages (Administration)	Administration	CCEMS	\$ (1,108,680.00)	\$ (1,170,526.89)	\$ 61,846.89	
Comm/Center	Comm/Center	CCEMS	\$ (250,000.00)	\$ (72,836.80)	\$ (177,163.20)	
Comm/Center Equip/Repair	Comm/Center	CCEMS	\$ (25,000.00)	\$ (1,453.64)	\$ (23,546.36)	
Comm-Information System	Comm/Center	CCEMS	\$ (200,000.00)	\$ (111,174.98)	\$ (88,825.02)	
Comm/Center Wages	Comm/Center	CCEMS	\$ (440,000.00)	\$ -	\$ (440,000.00)	
Comm/Center Wages	Comm/Center	ESD11	\$ (1,760,000.00)	\$ (1,328,938.05)	\$ (431,061.95)	
Dues	Education	CCEMS	\$ (20,000.00)	\$ (14,252.93)	\$ (5,747.07)	
Education Expense Supplies	Education	CCEMS	\$ (75,000.00)	\$ (23,383.80)	\$ (51,616.20)	
Education Wages	Education	CCEMS	\$ (380,000.00)	\$ (283,051.07)	\$ (96,948.93)	
Education Wages	Education	ESD11	\$ -	\$ -	\$ -	
Vehicle Fuel	Maintenance	CCEMS	\$ (400,000.00)	\$ (192,414.88)	\$ (207,585.12)	
Vehicle Fuel	Maintenance	ESD11	\$ -	\$ -	\$ -	
Vehicle Maintenance	Maintenance	CCEMS	\$ (250,000.00)	\$ (163,687.74)	\$ (86,312.26)	

Description	Type	Source	2020		
			Budget	Actual (G/L)	Difference
Maintenance Wages	Maintenance	CEEMS	\$ (320,000.00)	\$ (231,414.79)	\$ (88,585.21)
Equipment Repair	Medical	CEEMS	\$ (50,000.00)	\$ (27,744.92)	\$ (22,255.08)
Medical Supplies	Medical	ESD11	\$ (1,398,000.00)	\$ (757,955.68)	\$ (640,044.32)
401-K	Membership	CEEMS	\$ (860,000.00)	\$ (469,810.70)	\$ (390,189.30)
Event Expense	Membership	CEEMS	\$ (90,000.00)	\$ (3,256.67)	\$ (86,743.33)
Longevity Retirement	Membership	CEEMS	\$ (687,000.00)	\$ (400,750.00)	\$ (286,250.00)
Social Security	Membership	CEEMS	\$ (1,130,000.00)	\$ (788,202.89)	\$ (341,797.11)
Social Security	Membership	ESD11	\$ -	\$ -	\$ -
Uniforms	Membership	CEEMS	\$ (70,000.00)	\$ (40,053.08)	\$ (29,946.92)
Volunteer Expense Programs	Membership	CEEMS	\$ (125,000.00)	\$ (11,435.02)	\$ (113,564.98)
Contract Wages	Membership	CEEMS	\$ (80,000.00)	\$ (47,385.00)	\$ (32,615.00)
Staff Wages	Membership	CEEMS	\$ (1,627,763.00)	\$ -	\$ (1,627,763.00)
Staff Wages	Membership	ESD11	\$ (10,182,000.00)	\$ (7,527,862.12)	\$ (2,654,137.88)
Part-Time Wages	Membership	CEEMS	\$ (160,000.00)	\$ (76,226.71)	\$ (83,773.29)
Supervisors Wages	Membership	CEEMS	\$ (600,000.00)	\$ (303,587.74)	\$ (296,412.26)
Supervisors Wages	Membership	ESD11	\$ -	\$ -	\$ -
Construction (Upgrades)	Capital Equipment	CEEMS	\$ (130,000.00)	\$ (980,000.00)	\$ 850,000.00
Comm/Information Upgrades	Capital Equipment	CEEMS	\$ (100,000.00)	\$ -	\$ (100,000.00)
Comm/Information Upgrades	Capital Equipment	ESD11	\$ (150,000.00)	\$ -	\$ (150,000.00)
Education Equipment	Capital Equipment	CEEMS	\$ -	\$ -	\$ -
Education Equipment	Capital Equipment	ESD11	\$ (100,000.00)	\$ -	\$ (100,000.00)
Equipment Medical	Capital Equipment	CEEMS	\$ -	\$ -	\$ -
Equipment Medical	Capital Equipment	ESD11	\$ (230,000.00)	\$ -	\$ (230,000.00)
First Out Equipment	Capital Equipment	CEEMS	\$ -	\$ -	\$ -
First Out Equipment	Capital Equipment	ESD11	\$ (150,000.00)	\$ -	\$ (150,000.00)
Maintenance Equipment	Capital Equipment	CEEMS	\$ (43,298.00)	\$ -	\$ (43,298.00)
Special Operations	Capital Equipment	CEEMS	\$ (100,000.00)	\$ -	\$ (100,000.00)
Vehicle	Capital Equipment	CEEMS	\$ (772,259.00)	\$ -	\$ (772,259.00)
Vehicle	Capital Equipment	ESD11	\$ (150,000.00)	\$ -	\$ (150,000.00)
Toughbooks (IT Equipment)	Capital Equipment	CEEMS	\$ -	\$ -	\$ -
Frost Bank Debt Reduction	Debt Reduction	CEEMS	\$ -	\$ -	\$ -
Surplus for CEEMS	Surplus	CEEMS	\$ -	\$ -	\$ -
TOTAL			\$ (780,000.00)	\$ (214,534.93)	\$ (565,465.07)

	2020
	General Ledger
Total Revenue	\$ 18,913,202.49
Total Matched Expenses	\$ (19,127,737.42)
Unmatched CEEMS General Ledger Accounts	\$ (279,155.84)
Total Expenses	\$ (19,406,893.26)
Net Income (Loss)	\$ (493,690.77)

EXHIBIT 3: Comparison of HSSK Report to the Ramey Report

ESD11 - Comparison of HSSK Report to Ramey Report			
#	Identified Concerns	Page from Reports	
		HSSK	Ramey
1	Uses of ESD funds are not properly classified for: Insurance - Health	5	
2	Uses of ESD funds are not properly classified for: Wages - EMS	5	
3	Uses of ESD funds are not properly classified for: Wages - Comm Center	5	
4	Uses of ESD funds are not properly classified for: Insurance - Social Security	5	
5	ESD11 providing more than its share of funding	5	
6	CCEMS generating funds from other sources but charging ESD11 for related expenses	5	
7	Budgeting understatements are concealed or not readily known because CCEMS has added new expense line items to be funded by ESD11	5,16	
8	Collection of service fees has consistently declined since 2010 (35% in 2010 to 22% in 2017)	5,21	9
9	CCEMS would have collected an additional \$14,515,292 in funds had collection percentage remained at 35% from 2011 through 2017	5,21	9
10	Increases to funding during 2016 and 2017 were less than the reported profits realized by CCEMS (Report states this backwards)	7	
11	"Other" dispatch calls increased by 20.34% in 2016 and 45.71% in 2017 while "CCEMS" dispatch calls increased by 3.45% and 4.43%, respectively	8,18	5
12	90-92% of employees deemed ESD11 employees by CCEMS	9	
13	CCEMS considers that all growth in employee wages were funded by ESD11	9	
14	Employee bonuses are not listed as payroll changes	10	6
15	No payscale was utilized until May of 2018	10	6
16	Some employees are overpaid for their positions	10	
17	CCEMS classifies \$30,000 in monthly healthcare charges as CCEMS with the remaining balances classified as ESD11 (1/1/2016 to 12/31/2017)	12	
18	Logistics manager can currently create purchase orders and controls the receipt of inventory	13	
19	Unclear if medical supplies consumed on calls are traced to the billing of services	13	7
20	Unclear if medical supplies listed on billings for services (patient bills) are traced back to purchases (inventory)	13	7
21	No indication that fuel purchased from vendors was compared to records of fuel withdrawn (vehicle log books)	15	
22	Are ESD11 funds negotiated amount allocated to agreed expense categories regardless of self funding?	16	
23	Are ESD11 funds limited to agreed expense categories with excess being refunded to ESD11?	16	
24	Are ESD11 funds limited to agreed expense categories by in consideration of needs of CCEMS with excess being refunded to ESD11?	16	
25	Should profits generated by CCEMS be considered as overfunding in total or in part?	16	
26	The 2017 budgeted items are actually less than the reported amount in 2016 for the same line item	16	
27	The allocation of the expenses between CCEMS and ESD11 is neither consistent with budget nor are details supported	16	
28	CCEMS classifies EMS wages related to EMS services as ESD11	17	
29	No EMS wages were classified as CCEMS in 2016	18	
30	Actual amounts over budget for EMS wages were primarily classified as ESD11 in 2017	18	
31	Adjustments of total charges for EMS wages classified as CCEMS provided by Executive Director	18	
32	CCEMS classifies Comm Center wages related to EMS services as ESD11	18	
33	Actual amounts over budget for Comm Center wages were primarily classified as ESD11	18	
34	Adjustments of total charges for Comm Center wages classified as CCEMS provided by Executive Director	18	
35	Costs to service outside of district dispatch calls charged to ESD11 even though revenue is generated from those calls	18	
36	Wages budgeted in 2017 for Comm Center was less than actual wages in 2016	18	
37	Social Security is overstated by \$93,500 and assigned as a ESD11 expense	19	
38	CCEMS under-budgets Social Security obligations	19	
39	Actual amounts over budget for Health Insurance were primarily classified as ESD11	19	
40	Adjustments of total charges for Health Insurance classified as CCEMS provided by Executive Director	19	
41	CCEMS under-budgets Health Insurance obligations	19	6
42	All medical supplies are classified as ESD11	19	7
43	Medical supply expenses increased by 12% in 2016 and 17.5% in 2017 while the increase in the consumer price index has not exceeded 4.8%	19	7
44	Medicaid and Medicare account for 75% of CCEMS billings, but the collection rate is 17%	21	9
45	Collection rate for private insurance is 50%	21	9
46	CCEMS would have received more than \$6,100,000 had Koronis collected at 35% of billings for 2017	21	9
47	There are inconsistencies with the policy for writing off bad debt and reported write-offs	22	
48	Accounts receivable is overstated based on allowance for doubtful accounts policy	22	

EXHIBIT 4: CCEMS Common Sized Financial Statements

CCEMS Statement of Activities (Common Sized)										
	8/31/2020		12/31/2019		Restated in 2019 12/31/2018		12/31/2017		12/31/2016	
	Support:									
ESD 11 Funds	\$ 10,660,904.27	56.37%	\$ 15,588,670.00	58.13%	\$ 15,273,170.00	59.63%	\$ 14,605,344.00	52.85%	\$ 13,535,901.00	52.74%
Insurance Billings (Net)	\$ 7,257,961.95	38.38%	\$ 10,031,586.00	37.41%	\$ 9,171,979.00	35.81%	\$ 12,180,917.00	44.08%	\$ 11,192,619.00	43.61%
Special Operations	\$ 42,700.00	0.23%	\$ 181,423.00	0.68%	\$ 115,280.00	0.45%	\$ -	0.00%	\$ -	0.00%
Educational Funds	\$ 105,348.00	0.56%	\$ 96,082.00	0.36%	\$ 174,450.00	0.68%	\$ 96,706.00	0.35%	\$ 94,840.00	0.37%
Special Events - Fundraisers	\$ -	0.00%	\$ 9,130.00	0.03%	\$ 106.00	0.00%	\$ 35,307.00	0.13%	\$ 57,073.00	0.22%
Dispatch Fees - Communications Center	\$ 514,500.00	2.72%	\$ 881,675.00	3.29%	\$ 845,792.00	3.30%	\$ 682,700.00	2.47%	\$ 567,349.00	2.21%
Unclassified Revenue	\$ 318,299.94	1.68%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Total Support	\$ 18,899,714.16	99.93%	\$ 26,788,566.00	99.89%	\$ 25,580,777.00	99.87%	\$ 27,600,974.00	99.88%	\$ 25,447,782.00	99.15%
Interest Income	\$ 13,088.33	0.07%	\$ 49,817.00	0.19%	\$ 32,029.00	0.13%	\$ 11,564.00	0.04%	\$ 2,191.00	0.01%
Gain (Loss) on Sale of Investments/Property	\$ 400.00	0.00%	\$ (19,816.00)	-0.07%	\$ -	0.00%	\$ 21,000.00	0.08%	\$ 215,848.00	0.84%
Total Revenue	\$ 13,488.33	0.07%	\$ 30,001.00	0.11%	\$ 32,029.00	0.13%	\$ 32,564.00	0.12%	\$ 218,039.00	0.85%
Total Support and Revenue	\$ 18,913,202.49	100.00%	\$ 26,818,567.00	100.00%	\$ 25,612,806.00	100.00%	\$ 27,633,538.00	100.00%	\$ 25,665,821.00	100.00%
Expenses:										
Program Services	N/A	N/A	\$ (24,899,300.00)	-92.84%	\$ (23,675,932.00)	-92.44%	\$ (21,234,133.00)	-76.84%	\$ (19,087,482.00)	-74.37%
General and Administrative	N/A	N/A	\$ (4,267,639.00)	-15.91%	\$ (3,616,158.00)	-14.12%	\$ (3,728,326.00)	-13.49%	\$ (3,641,140.00)	-14.19%
Total Expenses	\$ (19,406,893.26)	-102.61%	\$ (29,166,939.00)	-108.76%	\$ (27,292,090.00)	-106.56%	\$ (24,962,459.00)	-90.33%	\$ (22,728,622.00)	-88.56%
Change in New Assets Increase (Decrease)	\$ (493,690.77)	-2.61%	\$ (2,348,372.00)	-8.76%	\$ (1,679,284.00)	-6.56%	\$ 2,671,079.00	9.67%	\$ 2,937,199.00	11.44%
<i>Note: Year-End financial data taken from audited financial statements. Data for 8/31/2020 taken from the general ledger and trial balance provided by CCEMS.</i>										

CCEMS Statement of Financial Position (Common Sized)										
	8/31/2020		12/31/2019		Restated in 2019 12/31/2018		12/31/2017		12/31/2016	
	Cash	\$ 1,576,125.64	10.14%	\$ 2,677,918.00	15.20%	\$ 2,876,432.00	14.14%	\$ 1,111,972.00	5.10%	\$ 489,488.00
Accounts Receivable	\$ 2,191,116.66	14.09%	\$ 2,847,412.00	16.17%	\$ 5,643,155.00	27.75%	\$ 7,886,339.00	36.16%	\$ 6,295,275.00	31.98%
Inventories	\$ 1,248,969.23	8.03%	\$ 849,065.00	4.82%	\$ 840,888.00	4.13%	\$ 809,901.00	3.71%	\$ 834,615.00	4.24%
Prepaid Expenses	\$ 1,512,741.00	9.73%	\$ 1,735,479.00	9.85%	\$ 949,795.00	4.67%	\$ 829,254.00	3.80%	\$ 878,528.00	4.46%
Total Current Assets	\$ 6,528,952.53	42.00%	\$ 8,109,874.00	46.05%	\$ 10,310,270.00	50.70%	\$ 10,637,466.00	48.78%	\$ 8,497,906.00	43.17%
Land, Buildings, and Equipment at cost, less depreciation	\$ 8,823,956.92	56.76%	\$ 9,309,561.00	52.86%	\$ 9,973,704.00	49.04%	\$ 11,168,554.00	51.21%	\$ 11,188,724.00	56.83%
Other Assets	\$ 193,180.00	1.24%	\$ 193,300.00	1.10%	\$ 52,619.00	0.26%	\$ 2,219.00	0.01%	\$ 100.00	0.00%
Total Assets	\$ 15,546,089.45	100.00%	\$ 17,612,735.00	100.00%	\$ 20,336,593.00	100.00%	\$ 21,808,239.00	100.00%	\$ 19,686,730.00	100.00%
Accounts Payable	\$ 1,135,390.70	7.30%	\$ 1,608,032.00	9.13%	\$ 1,553,397.00	7.64%	\$ 1,054,073.00	4.83%	\$ 1,062,535.00	5.40%
Current Portion of Long-Term Debt	N/A	N/A	\$ 1,033,331.00	5.87%	\$ 1,076,889.00	5.30%	\$ 1,435,833.00	6.58%	\$ 1,124,774.00	5.71%
Accruals	\$ 1,893,529.42	12.18%	\$ 2,274,230.00	12.91%	\$ 2,055,202.00	10.11%	\$ 365,114.00	1.67%	\$ 371,089.00	1.88%
Total Current Liabilities	\$ 3,028,920.12	19.48%	\$ 4,915,593.00	27.91%	\$ 4,685,488.00	23.04%	\$ 2,855,020.00	13.09%	\$ 2,558,398.00	13.00%
Notes Payable	\$ 4,298,198.91	27.65%	\$ 3,984,480.00	22.62%	\$ 4,590,071.00	22.57%	\$ 5,658,701.00	25.95%	\$ 6,504,893.00	33.04%
Commitments and Contingencies	N/A	N/A	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Net Assets Without Donor Restrictions	\$ 8,218,970.42	52.87%	\$ 8,712,662.00	49.47%	\$ 11,061,034.00	54.39%	\$ 13,294,518.00	60.96%	\$ 10,623,439.00	53.96%
Total Liabilities and Net Assets	\$ 15,546,089.45	100.00%	\$ 17,612,735.00	100.00%	\$ 20,336,593.00	100.00%	\$ 21,808,239.00	100.00%	\$ 19,686,730.00	100.00%
Note: Year-End financial data taken from audited financial statements. Data for 8/31/2020 taken from the general ledger and trial balance provided by CCEMS.										

EXHIBIT 5: Med Star Common Sized Financial Statements

Metropolitan Area EMS Authority Change in Net Position (Common Sized)												
	8/31/2020		9/30/2019		9/30/2018		Restated in 2018		9/30/2016		9/30/2015	
Patient Service Fees and Other (Gross)	\$ 155,420,111.41	356.22%	\$ 176,329,036.00	362.18%	\$ 168,280,118.00	344.42%	\$ 163,660,546.00	347.00%	\$ 157,566,288.00	319.88%	\$ 145,357,729.00	308.73%
Subscription Income	N/A	N/A	\$ 318,620.00	0.65%	\$ 346,265.00	0.71%	\$ 305,442.00	0.65%	\$ 308,022.00	0.63%	\$ 318,696.00	0.68%
Program Income	N/A	N/A	\$ 761,150.00	1.56%	\$ 706,291.00	1.45%	\$ 638,742.00	1.35%	\$ 809,684.00	1.64%	\$ 516,972.00	1.10%
Grant Income	N/A	N/A	\$ -	0.00%	\$ -	0.00%	\$ 16,769.00	0.04%	\$ 10,765.00	0.02%	\$ -	0.00%
Operating Revenues	\$ 158,210,692.92	362.62%	\$ 177,408,806.00	364.40%	\$ 169,332,674.00	346.57%	\$ 164,621,499.00	349.04%	\$ 158,694,759.00	322.17%	\$ 146,193,397.00	310.51%
Less Estimated Uncollectable Fees	\$ (114,580,682.16)	-262.62%	\$ (128,723,366.00)	-264.40%	\$ (120,473,154.00)	-246.57%	\$ (117,457,380.00)	-249.04%	\$ (109,436,811.00)	-222.17%	\$ (99,111,581.00)	-210.51%
Net Operating Revenues	\$ 43,630,010.76	100.00%	\$ 48,685,440.00	100.00%	\$ 48,859,520.00	100.00%	\$ 47,164,119.00	100.00%	\$ 49,257,948.00	100.00%	\$ 47,081,816.00	100.00%
Field Operations	N/A	N/A	\$ (27,636,306.00)	-56.77%	\$ (26,118,998.00)	-53.46%	\$ (24,907,162.00)	-52.81%	\$ (22,111,682.00)	-44.89%	\$ (21,573,866.00)	-45.82%
Ambulance Fleet Operations	N/A	N/A	\$ (2,262,866.00)	-4.65%	\$ (2,247,009.00)	-4.60%	\$ (2,001,390.00)	-4.24%	\$ (1,879,634.00)	-3.82%	\$ (2,222,047.00)	-4.72%
General and Administrative	N/A	N/A	\$ (16,373,480.00)	-33.63%	\$ (15,067,450.00)	-30.84%	\$ (14,000,165.00)	-29.68%	\$ (13,807,562.00)	-28.03%	\$ (14,903,269.00)	-31.65%
Depreciation	\$ (3,755,466.36)	-8.61%	\$ (4,381,894.00)	-9.00%	\$ (3,158,187.00)	-6.46%	\$ (2,466,016.00)	-5.23%	\$ (2,087,349.00)	-4.24%	\$ (1,865,089.00)	-3.96%
Total Operating Expenses	\$ (44,014,151.73)	-100.88%	\$ (50,654,546.00)	-104.04%	\$ (46,591,644.00)	-95.36%	\$ (43,374,733.00)	-91.97%	\$ (39,886,227.00)	-80.97%	\$ (40,564,271.00)	-86.16%
Operating Income (Loss)	\$ (384,140.97)	-0.88%	\$ (1,969,106.00)	-4.04%	\$ 2,267,876.00	4.64%	\$ 3,789,386.00	8.03%	\$ 9,371,721.00	19.03%	\$ 6,517,545.00	13.84%
Other Income	N/A	N/A	\$ 198,978.00	0.41%	\$ 81,170.00	0.17%	\$ 139,680.00	0.30%	\$ 66,853.00	0.14%	\$ 10,091.00	0.02%
Insurance Recoveries, Net of Repairs	N/A	N/A	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ 167,471.00	0.34%	\$ -	0.00%
Subsidy Income	N/A	N/A	\$ 27,821.00	0.06%	\$ 27,821.00	0.06%	\$ 27,819.00	0.06%	\$ 27,820.00	0.06%	\$ 27,820.00	0.06%
Interest Expense	N/A	N/A	\$ (120,611.00)	-0.25%	\$ (103,659.00)	-0.21%	\$ (124,091.00)	-0.26%	\$ (142,731.00)	-0.29%	\$ (135,791.00)	-0.29%
Gain on Disposition of Assets	N/A	N/A	\$ 62,316.00	0.13%	\$ 246,149.00	0.50%	\$ -	0.00%	\$ (21,329.00)	-0.04%	\$ (96,720.00)	-0.21%
Total Nonoperating Revenues, Net	N/A	N/A	\$ 168,504.00	0.35%	\$ 251,481.00	0.51%	\$ 43,408.00	0.09%	\$ 98,084.00	0.20%	\$ (194,600.00)	-0.41%
Change in Net Position	N/A	N/A	\$ (1,800,602.00)	-3.70%	\$ 2,519,357.00	5.16%	\$ 3,832,794.00	8.13%	\$ 9,469,805.00	19.22%	\$ 6,322,945.00	13.43%

Note: Year-End financial data taken from audited financial statements. Information for 8/31/2020 was taken from the Unaudited Financial Statements included as pages 13 to 15 of the Board of Directors Packet on 9/23/2020.

Metropolitan Area EMS Authority Statement of Net Position (Common Sized)												
	8/31/2020		9/30/2019		9/30/2018		Restated in 2018 9/30/2017		9/30/2016		9/30/2015	
Cash and Cash Equivalents	\$ 12,126,200.51	17.18%	\$ 14,741,382.00	22.39%	\$ 19,466,791.00	30.31%	\$ 22,093,159.00	35.42%	\$ 24,621,459.00	38.48%	\$ 19,065,406.00	35.14%
Cash and Cash Equivalents - Restricted	\$ 10,000,000.00	14.17%	\$ 503,013.00	0.76%	\$ 608,620.00	0.95%	\$ 608,620.00	0.98%	\$ -	0.00%	\$ -	0.00%
Certificate of Deposit	\$ -	0.00%	\$ 4,511,757.00	6.85%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Patient and Other A/R, Less Allowance	\$ 9,560,384.61	13.55%	\$ 12,015,463.00	18.25%	\$ 12,063,092.00	18.78%	\$ 10,055,995.00	16.12%	\$ 11,467,758.00	17.92%	\$ 11,442,909.00	21.09%
Supplies Inventory	\$ 285,156.66	0.40%	\$ 285,157.00	0.43%	\$ 299,899.00	0.47%	\$ 299,899.00	0.48%	\$ 279,522.00	0.44%	\$ 338,507.00	0.62%
Prepaid Expenses	\$ 565,570.33	0.80%	\$ 767,796.00	1.17%	\$ 830,683.00	1.29%	\$ 715,782.00	1.15%	\$ 581,328.00	0.91%	\$ 419,585.00	0.77%
Total Current Assets	\$ 32,537,312.11	46.11%	\$ 32,824,568.00	49.86%	\$ 33,269,085.00	51.80%	\$ 33,773,455.00	54.15%	\$ 36,950,067.00	57.75%	\$ 31,266,407.00	57.64%
Land		0.00%	\$ 1,603,440.00	2.44%	\$ 559,380.00	0.87%	\$ 559,380.00	0.90%	\$ 559,380.00	0.87%	\$ 559,380.00	1.03%
Communication Equipment	N/A	N/A	\$ 3,646,294.00	5.54%	\$ 3,501,612.00	5.45%	\$ 3,662,592.00	5.87%	\$ 3,581,588.00	5.60%	\$ 3,365,845.00	6.20%
Data Processing Equipment and Software	N/A	N/A	\$ 8,372,610.00	12.72%	\$ 6,749,029.00	10.51%	\$ 8,501,628.00	13.63%	\$ 7,841,538.00	12.25%	\$ 6,703,036.00	12.36%
Office Furniture and Equipment	N/A	N/A	\$ 2,244,900.00	3.41%	\$ 2,227,490.00	3.47%	\$ 2,259,440.00	3.62%	\$ 2,209,643.00	3.45%	\$ 2,187,348.00	4.03%
Building and Improvements	N/A	N/A	\$ 18,857,924.00	28.64%	\$ 18,782,433.00	29.24%	\$ 18,294,147.00	29.33%	\$ 16,553,175.00	25.87%	\$ 15,120,999.00	27.87%
Ambulance Fleet	N/A	N/A	\$ 16,774,159.00	25.48%	\$ 16,027,819.00	24.96%	\$ 13,461,377.00	21.58%	\$ 13,207,913.00	20.64%	\$ 11,606,754.00	21.40%
Construction in Progress	N/A	N/A	\$ 2,566,828.00	3.90%	\$ 47,063.00	0.07%	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Total Capital Assets	\$ 62,839,700.03	89.05%	\$ 54,066,155.00	82.12%	\$ 47,894,826.00	74.57%	\$ 46,738,564.00	74.93%	\$ 43,953,237.00	68.69%	\$ 39,543,362.00	72.89%
Less Accumulated Depreciation	\$ (24,810,524.02)	-35.16%	\$ (21,055,058.00)	-31.98%	\$ (16,938,578.00)	-26.37%	\$ (18,138,258.00)	-29.08%	\$ (16,916,623.00)	-26.44%	\$ (16,560,953.00)	-30.53%
Total Capital Assets, Net, At Cost	\$ 38,029,176.01	53.89%	\$ 33,011,097.00	50.14%	\$ 30,956,248.00	48.20%	\$ 28,600,306.00	45.85%	\$ 27,036,614.00	42.25%	\$ 22,982,409.00	42.36%
Total Assets	\$ 70,566,488.12	100.00%	\$ 65,835,665.00	100.00%	\$ 64,225,333.00	100.00%	\$ 62,373,761.00	100.00%	\$ 63,986,681.00	100.00%	\$ 54,248,816.00	100.00%
Accounts Payable and Accrued Liabilities	N/A	N/A	\$ 3,439,951.00	5.23%	\$ 2,562,797.00	3.99%	\$ 2,407,364.00	3.86%	\$ 3,693,822.00	5.77%	\$ 2,613,471.00	4.82%
Current Portion of Long-Term Debt	N/A	N/A	\$ 249,474.00	0.38%	\$ 795,945.00	1.24%	\$ 795,945.00	1.28%	\$ 474,286.00	0.74%	\$ 474,286.00	0.74%
Unearned Revenue	N/A	N/A	\$ 209,742.00	0.32%	\$ 148,573.00	0.23%	\$ 175,845.00	0.28%	\$ 147,776.00	0.23%	\$ 164,121.00	0.26%
Total Current Liabilities	\$ 2,675,833.55	3.79%	\$ 3,899,167.00	5.92%	\$ 3,507,315.00	5.46%	\$ 3,379,154.00	5.42%	\$ 4,315,884.00	6.74%	\$ 3,251,878.00	5.06%
Long Term Debt	\$ 12,532,441.74	17.76%	\$ 6,637,030.00	10.08%	\$ 3,617,948.00	5.63%	\$ 4,413,894.00	7.08%	\$ 5,531,498.00	8.64%	\$ 6,327,444.00	9.85%
Total Liabilities	\$ 15,208,275.29	21.55%	\$ 10,536,197.00	16.00%	\$ 7,125,263.00	11.09%	\$ 7,793,048.00	12.49%	\$ 9,847,382.00	15.39%	\$ 9,579,322.00	14.92%
Net Investment in Capital Assets	N/A	N/A	\$ 26,124,593.00	39.68%	\$ 26,542,355.00	41.33%	\$ 23,390,467.00	37.50%	\$ 21,030,830.00	32.87%	\$ 16,180,679.00	25.19%
Restricted - Emergency Physicians Advisory Board	N/A	N/A	\$ 503,013.00	0.76%	\$ 608,620.00	0.95%	\$ 608,620.00	0.98%	\$ -	0.00%	\$ -	0.00%
Unrestricted	N/A	N/A	\$ 28,671,862.00	43.55%	\$ 29,949,095.00	46.63%	\$ 30,581,626.00	49.03%	\$ 33,108,469.00	51.74%	\$ 28,488,815.00	44.36%
Total Net Position	\$ 70,566,488.12	100.00%	\$ 55,299,468.00	84.00%	\$ 57,100,070.00	88.91%	\$ 54,580,713.00	87.51%	\$ 54,139,299.00	84.61%	\$ 44,669,494.00	69.55%
Note: Year-End financial data taken from audited financial statements. Information for 8/31/2020 was taken from the Unaudited Financial Statements included as pages 13 to 15 of the Board of Directors Packet on 9/23/2020.												

EXHIBIT 6: CCEMS Common Sized Financial Statements by Unit

CCEMS Statement of Activities (Common Sized Per Unit)								
	8/31/2020		12/31/2019		Restated in 2019 12/31/2018		12/31/2017	
Support:		Per Unit		Per Unit		Per Unit		Per Unit
ESD 11 Funds	\$ 10,660,904.27	\$ 592,272.46	\$ 15,588,670.00	\$ 974,291.88	\$ 15,273,170.00	\$ 954,573.13	\$ 14,605,344.00	\$ 912,834.00
Insurance Billings (Net)	\$ 7,257,961.95	\$ 403,220.11	\$ 10,031,586.00	\$ 626,974.13	\$ 9,171,979.00	\$ 573,248.69	\$ 12,180,917.00	\$ 761,307.31
Special Operations	\$ 42,700.00	\$ 2,372.22	\$ 181,423.00	\$ 11,338.94	\$ 115,280.00	\$ 7,205.00	\$ -	\$ -
Educational Funds	\$ 105,348.00	\$ 5,852.67	\$ 96,082.00	\$ 6,005.13	\$ 174,450.00	\$ 10,903.13	\$ 96,706.00	\$ 6,044.13
Special Events - Fundraisers	\$ -	\$ -	\$ 9,130.00	\$ 570.63	\$ 106.00	\$ 6.63	\$ 35,307.00	\$ 2,206.69
Dispatch Fees - Communications Center	\$ 514,500.00	\$ 28,583.33	\$ 881,675.00	\$ 55,104.69	\$ 845,792.00	\$ 52,862.00	\$ 682,700.00	\$ 42,668.75
Unclassified Revenue	\$ 318,299.94	\$ 17,683.33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Support	\$ 18,899,714.16	\$ 1,049,984.12	\$ 26,788,566.00	\$ 1,674,285.38	\$ 25,580,777.00	\$ 1,598,798.56	\$ 27,600,974.00	\$ 1,725,060.88
Interest Income	\$ 13,088.33	\$ 727.13	\$ 49,817.00	\$ 3,113.56	\$ 32,029.00	\$ 2,001.81	\$ 11,564.00	\$ 722.75
Gain (Loss) on Sale of Investments/Property	\$ 400.00	\$ 22.22	\$ (19,816.00)	\$ (1,238.50)	\$ -	\$ -	\$ 21,000.00	\$ 1,312.50
Total Revenue	\$ 13,488.33	\$ 749.35	\$ 30,001.00	\$ 1,875.06	\$ 32,029.00	\$ 2,001.81	\$ 32,564.00	\$ 2,035.25
Total Support and Revenue	\$ 18,913,202.49	\$ 1,050,733.47	\$ 26,818,567.00	\$ 1,676,160.44	\$ 25,612,806.00	\$ 1,600,800.38	\$ 27,633,538.00	\$ 1,727,096.13
Expenses:			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Services	N/A	N/A	\$ (24,899,300.00)	\$ (1,556,206.25)	\$ (23,675,932.00)	\$ (1,479,745.75)	\$ (21,234,133.00)	\$ (1,327,133.31)
General and Administrative	N/A	N/A	\$ (4,267,639.00)	\$ (266,727.44)	\$ (3,616,158.00)	\$ (226,009.88)	\$ (3,728,326.00)	\$ (233,020.38)
Total Expenses	\$ (19,406,893.26)	\$ (1,078,160.74)	\$ (29,166,939.00)	\$ (1,822,933.69)	\$ (27,292,090.00)	\$ (1,705,755.63)	\$ (24,962,459.00)	\$ (1,560,153.69)
Change in New Assets Increase (Decrease)	\$ (493,690.77)	\$ (27,427.27)	\$ (2,348,372.00)	\$ (146,773.25)	\$ (1,679,284.00)	\$ (104,955.25)	\$ 2,671,079.00	\$ 166,942.44
Number of Units In Service								
	8/31/2020		12/31/2019		12/31/2018		12/31/2017	
	18.00	100.00%	16.00	100.00%	16.00	100.00%	16.00	100.00%

CCEMS Statement of Financial Position (Common Sized Per Unit)									
	8/31/2020		12/31/2019		Restated in 2019 12/31/2018		12/31/2017		
	Per Unit		Per Unit		Per Unit		Per Unit		
Cash	\$ 1,576,125.64	\$ 87,562.54	\$ 2,677,918.00	\$ 167,369.88	\$ 2,876,432.00	\$ 179,777.00	\$ 1,111,972.00	\$ 69,498.25	
Accounts Receivable	\$ 2,191,116.66	\$ 121,728.70	\$ 2,847,412.00	\$ 177,963.25	\$ 5,643,155.00	\$ 352,697.19	\$ 7,886,339.00	\$ 492,896.19	
Inventories	\$ 1,248,969.23	\$ 69,387.18	\$ 849,065.00	\$ 53,066.56	\$ 840,888.00	\$ 52,555.50	\$ 809,901.00	\$ 50,618.81	
Prepaid Expenses	\$ 1,512,741.00	\$ 84,041.17	\$ 1,735,479.00	\$ 108,467.44	\$ 949,795.00	\$ 59,362.19	\$ 829,254.00	\$ 51,828.38	
Total Current Assets	\$ 6,528,952.53	\$ 362,719.59	\$ 8,109,874.00	\$ 506,867.13	\$ 10,310,270.00	\$ 644,391.88	\$ 10,637,466.00	\$ 664,841.63	
Land, Buildings, and Equipment at cost, less depreciation	\$ 8,823,956.92	\$ 490,219.83	\$ 9,309,561.00	\$ 581,847.56	\$ 9,973,704.00	\$ 623,356.50	\$ 11,168,554.00	\$ 698,034.63	
Other Assets	\$ 193,180.00	\$ 10,732.22	\$ 193,300.00	\$ 12,081.25	\$ 52,619.00	\$ 3,288.69	\$ 2,219.00	\$ 138.69	
Total Assets	\$ 15,546,089.45	\$ 863,671.64	\$ 17,612,735.00	\$ 1,100,795.94	\$ 20,336,593.00	\$ 1,271,037.06	\$ 21,808,239.00	\$ 1,363,014.94	
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Accounts Payable	\$ 1,135,390.70	\$ 63,077.26	\$ 1,608,032.00	\$ 100,502.00	\$ 1,553,397.00	\$ 97,087.31	\$ 1,054,073.00	\$ 65,879.56	
Current Portion of Long-Term Debt	N/A	N/A	\$ 1,033,331.00	\$ 64,583.19	\$ 1,076,889.00	\$ 67,305.56	\$ 1,435,833.00	\$ 89,739.56	
Accruals	\$ 1,893,529.42	\$ 105,196.08	\$ 2,274,230.00	\$ 142,139.38	\$ 2,055,202.00	\$ 128,450.13	\$ 365,114.00	\$ 22,819.63	
Total Current Liabilities	\$ 3,028,920.12	\$ 168,273.34	\$ 4,915,593.00	\$ 307,224.56	\$ 4,685,488.00	\$ 292,843.00	\$ 2,855,020.00	\$ 178,438.75	
Notes Payable	\$ 4,298,198.91	\$ 238,788.83	\$ 3,984,480.00	\$ 249,030.00	\$ 4,590,071.00	\$ 286,879.44	\$ 5,658,701.00	\$ 353,668.81	
Commitments and Contingencies	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Assets Without Donor Restrictions	\$ 8,218,970.42	\$ 456,609.47	\$ 8,712,662.00	\$ 544,541.38	\$ 11,061,034.00	\$ 691,314.63	\$ 13,294,518.00	\$ 830,907.38	
Total Liabilities and Net Assets	\$ 15,546,089.45	\$ 863,671.64	\$ 17,612,735.00	\$ 1,100,795.94	\$ 20,336,593.00	\$ 1,271,037.06	\$ 21,808,239.00	\$ 1,363,014.94	
<i>Note: Year-End financial data taken from audited financial statements. Data for 8/31/2020 taken from the general ledger and trial balance provided by CCEMS.</i>									
	8/31/2020		12/31/2019		12/31/2018		12/31/2017		
Number of Units In Service	18.00	100.00%	16.00	100.00%	16.00	100.00%	16.00	100.00%	

EXHIBIT 7: MedStar Common Sized Financial Statements by Unit

Metropolitan Area EMS Authority Change in Net Position (Common Sized Per Unit)								
	8/31/2020		9/30/2019		9/30/2018		Restated in 2018 9/30/2017	
		Per Unit		Per Unit		Per Unit		Per Unit
Patient Service Fees and Other (Gross)	\$ 155,420,111.41	\$ 4,571,179.75	\$ 176,329,036.00	\$ 4,898,028.78	\$ 168,280,118.00	\$ 4,808,003.37	\$ 163,660,546.00	\$ 5,279,372.45
Subscription Income	N/A	N/A	\$ 318,620.00	\$ 8,850.56	\$ 346,265.00	\$ 9,893.29	\$ 305,442.00	\$ 9,852.97
Program Income	N/A	N/A	\$ 761,150.00	\$ 21,143.06	\$ 706,291.00	\$ 20,179.74	\$ 638,742.00	\$ 20,604.58
Grant Income	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ 16,769.00	\$ 540.94
Operating Revenues	\$ 158,210,692.92	\$ 4,653,255.67	\$ 177,408,806.00	\$ 4,928,022.39	\$ 169,332,674.00	\$ 4,838,076.40	\$ 164,621,499.00	\$ 5,310,370.94
Less Estimated Uncollectable Fees	\$ (114,580,682.16)	\$ (3,370,020.06)	\$ (128,723,366.00)	\$ (3,575,649.06)	\$ (120,473,154.00)	\$ (3,442,090.11)	\$ (117,457,380.00)	\$ (3,788,947.74)
Net Operating Revenues	\$ 43,630,010.76	\$ 1,283,235.61	\$ 48,685,440.00	\$ 1,352,373.33	\$ 48,859,520.00	\$ 1,395,986.29	\$ 47,164,119.00	\$ 1,521,423.19
Field Operations	N/A	N/A	\$ (27,636,306.00)	\$ (767,675.17)	\$ (26,118,998.00)	\$ (746,257.09)	\$ (24,907,162.00)	\$ (803,456.84)
Ambulance Fleet Operations	N/A	N/A	\$ (2,262,866.00)	\$ (62,857.39)	\$ (2,247,009.00)	\$ (64,200.26)	\$ (2,001,390.00)	\$ (64,560.97)
General and Administrative	N/A	N/A	\$ (16,373,480.00)	\$ (454,818.89)	\$ (15,067,450.00)	\$ (430,498.57)	\$ (14,000,165.00)	\$ (451,618.23)
Depreciation	\$ (3,755,466.36)	\$ (110,454.89)	\$ (4,381,894.00)	\$ (121,719.28)	\$ (3,158,187.00)	\$ (90,233.91)	\$ (2,466,016.00)	\$ (79,548.90)
Total Operating Expenses	\$ (44,014,151.73)	\$ (1,294,533.87)	\$ (50,654,546.00)	\$ (1,407,070.72)	\$ (46,591,644.00)	\$ (1,331,189.83)	\$ (43,374,733.00)	\$ (1,399,184.94)
Operating Income (Loss)	\$ (384,140.97)	\$ (11,298.26)	\$ (1,969,106.00)	\$ (54,697.39)	\$ 2,267,876.00	\$ 64,796.46	\$ 3,789,386.00	\$ 122,238.26
Other Income	N/A	N/A	\$ 198,978.00	\$ 5,527.17	\$ 81,170.00	\$ 2,319.14	\$ 139,680.00	\$ 4,505.81
Insurance Recoveries, Net of Repairs	N/A	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subsidy Income	N/A	N/A	\$ 27,821.00	\$ 772.81	\$ 27,821.00	\$ 794.89	\$ 27,819.00	\$ 897.39
Interest Expense	N/A	N/A	\$ (120,611.00)	\$ (3,350.31)	\$ (103,659.00)	\$ (2,961.69)	\$ (124,091.00)	\$ (4,002.94)
Gain on Disposition of Assets	N/A	N/A	\$ 62,316.00	\$ 1,731.00	\$ 246,149.00	\$ 7,032.83	\$ -	\$ -
Total Nonoperating Revenues, Net	N/A	N/A	\$ 168,504.00	\$ 4,680.67	\$ 251,481.00	\$ 7,185.17	\$ 43,408.00	\$ 1,400.26
Change in Net Position	N/A	N/A	\$ (1,800,602.00)	\$ (50,016.72)	\$ 2,519,357.00	\$ 71,981.63	\$ 3,832,794.00	\$ 123,638.52
<hr/>								
	7/31/2020		9/30/2019		9/30/2018		9/30/2017	
Number of Units In Service	34.00	100.00%	36.00	100.00%	35.00	100.00%	31.00	100.00%

Metropolitan Area EMS Authority Statement of Net Position (Common Sized Per Unit)								
	8/31/2020		9/30/2019		9/30/2018		Restated in 2018 9/30/2017	
	Per Unit		Per Unit		Per Unit		Per Unit	
Cash and Cash Equivalents	\$ 12,126,200.51	\$ 356,652.96	\$ 14,741,382.00	\$ 409,482.83	\$ 19,466,791.00	\$ 556,194.03	\$ 22,093,159.00	\$ 712,682.55
Cash and Cash Equivalents - Restricted	\$ 10,000,000.00	\$ 294,117.65	\$ 503,013.00	\$ 13,972.58	\$ 608,620.00	\$ 17,389.14	\$ 608,620.00	\$ 19,632.90
Certificate of Deposit	\$ -	\$ -	\$ 4,511,757.00	\$ 125,326.58	\$ -	\$ -	\$ -	\$ -
Patient and Other A/R, Less Allowance	\$ 9,560,384.61	\$ 281,187.78	\$ 12,015,463.00	\$ 333,762.86	\$ 12,063,092.00	\$ 344,659.77	\$ 10,055,995.00	\$ 324,386.94
Supplies Inventory	\$ 285,156.66	\$ 8,386.96	\$ 285,157.00	\$ 7,921.03	\$ 299,899.00	\$ 8,568.54	\$ 299,899.00	\$ 9,674.16
Prepaid Expenses	\$ 565,570.33	\$ 16,634.42	\$ 767,796.00	\$ 21,327.67	\$ 830,683.00	\$ 23,733.80	\$ 715,782.00	\$ 23,089.74
Total Current Assets	\$ 32,537,312.11	\$ 956,979.77	\$ 32,824,568.00	\$ 911,793.56	\$ 33,269,085.00	\$ 950,545.29	\$ 33,773,455.00	\$ 1,089,466.29
Land		N/A	\$ 1,603,440.00	\$ 44,540.00	\$ 559,380.00	\$ 15,982.29	\$ 559,380.00	\$ 18,044.52
Communication Equipment	N/A	N/A	\$ 3,646,294.00	\$ 101,285.94	\$ 3,501,612.00	\$ 100,046.06	\$ 3,662,592.00	\$ 118,148.13
Data Processing Equipment and Software	N/A	N/A	\$ 8,372,610.00	\$ 232,572.50	\$ 6,749,029.00	\$ 192,829.40	\$ 8,501,628.00	\$ 274,246.06
Office Furniture and Equipment	N/A	N/A	\$ 2,244,900.00	\$ 62,358.33	\$ 2,227,490.00	\$ 63,642.57	\$ 2,259,440.00	\$ 72,885.16
Building and Improvements	N/A	N/A	\$ 18,857,924.00	\$ 523,831.22	\$ 18,782,433.00	\$ 536,640.94	\$ 18,294,147.00	\$ 590,133.77
Ambulance Fleet	N/A	N/A	\$ 16,774,159.00	\$ 465,948.86	\$ 16,027,819.00	\$ 457,937.69	\$ 13,461,377.00	\$ 434,237.97
Construction in Progress	N/A	N/A	\$ 2,566,828.00	\$ 71,300.78	\$ 47,063.00	\$ 1,344.66	\$ -	\$ -
Total Capital Assets	\$ 62,839,700.03	\$ 1,848,226.47	\$ 54,066,155.00	\$ 1,501,837.64	\$ 47,894,826.00	\$ 1,368,423.60	\$ 46,738,564.00	\$ 1,507,695.61
Less Accumulated Depreciation	\$ (24,810,524.02)	\$ (729,721.29)	\$ (21,055,058.00)	\$ (584,862.72)	\$ (16,938,578.00)	\$ (483,959.37)	\$ (18,138,258.00)	\$ (585,105.10)
Total Capital Assets, Net, At Cost	\$ 38,029,176.01	\$ 1,118,505.18	\$ 33,011,097.00	\$ 916,974.92	\$ 30,956,248.00	\$ 884,464.23	\$ 28,600,306.00	\$ 922,590.52
Total Assets	\$ 70,566,488.12	\$ 2,075,484.94	\$ 65,835,665.00	\$ 1,828,768.47	\$ 64,225,333.00	\$ 1,835,009.51	\$ 62,373,761.00	\$ 2,012,056.81
		\$ -		\$ -		\$ -		\$ -
Accounts Payable and Accrued Liabilities	N/A	N/A	\$ 3,439,951.00	\$ 95,554.19	\$ 2,562,797.00	\$ 73,222.77	\$ 2,407,364.00	\$ 77,656.90
Current Portion of Long-Term Debt	N/A	N/A	\$ 249,474.00	\$ 6,929.83	\$ 795,945.00	\$ 22,741.29	\$ 795,945.00	\$ 25,675.65
Unearned Revenue	N/A	N/A	\$ 209,742.00	\$ 5,826.17	\$ 148,573.00	\$ 4,244.94	\$ 175,845.00	\$ 5,672.42
Total Current Liabilities	\$ 2,675,833.55	\$ 78,700.99	\$ 3,899,167.00	\$ 108,310.19	\$ 3,507,315.00	\$ 100,209.00	\$ 3,379,154.00	\$ 109,004.97
Long Term Debt	\$ 12,532,441.74	\$ 368,601.23	\$ 6,637,030.00	\$ 184,361.94	\$ 3,617,948.00	\$ 103,369.94	\$ 4,413,894.00	\$ 142,383.68
Total Liabilities	\$ 15,208,275.29	\$ 447,302.21	\$ 10,536,197.00	\$ 292,672.14	\$ 7,125,263.00	\$ 203,578.94	\$ 7,793,048.00	\$ 251,388.65
Net Investment in Capital Assets	N/A	N/A	\$ 26,124,593.00	\$ 725,683.14	\$ 26,542,355.00	\$ 758,353.00	\$ 23,390,467.00	\$ 754,531.19
Restricted - Emergency Physicians Advisory Board	N/A	N/A	\$ 503,013.00	\$ 13,972.58	\$ 608,620.00	\$ 17,389.14	\$ 608,620.00	\$ 19,632.90
Unrestricted	N/A	N/A	\$ 28,671,862.00	\$ 796,440.61	\$ 29,949,095.00	\$ 855,688.43	\$ 30,581,626.00	\$ 986,504.06
Total Net Position	\$ 70,566,488.12	\$ 2,075,484.94	\$ 55,299,468.00	\$ 1,536,096.33	\$ 57,100,070.00	\$ 1,631,430.57	\$ 54,580,713.00	\$ 1,760,668.16

Note: Year-End financial data taken from audited financial statements. Information for 8/31/2020 was taken from the Unaudited Financial Statements included as pages 13 to 15 of the Board of Directors Packet on 9/23/2020.

	7/31/2020		9/30/2019		9/30/2018		9/30/2017	
Number of Units In Service	34.00	100.00%	36.00	100.00%	35.00	100.00%	31.00	100.00%

APPENDIX A: Documents, Data and Other Information Considered

Accounting Standards

- Generally Accepted Accounting Principles (“GAAP”) issued by the Financial Accounting Standards Board (“FASB”).

Reports

- Forensic Analysis of CCEMS – ESD 11 Funding for 2016 and 2017 by HSSK dated December 19, 2018 signed by Gregory R. Schuelke, CPA/CFF, CVA, CFE.
- Analysis of HSSK’s Cypress Creek Emergency Medical Services Report by Houston Financial Forensics dated August 16, 2020 signed by Dan Ramey, CPA/CFF/ABV, CFE, CIA, CVA.
- Agreed Upon Procedures by Roth & Eyring, PLLC dated May 18, 2017 and by Mark C. Eyring, CPA, PLLC dated July 18, 2019 (commonly referred to as the “Reconciliation Reports”).
- CCEMS Statement of Position dated June 18, 2021 and all related supporting schedules provided by George Vie.
- CCEMS Second Statement of Position dated July 15, 2021 and all related supporting schedules provided by George Vie.

Interviews

- Rene Johnson, Controller, August 10, 2020.
- Dawn Stumbo, Former Employee, November 16, 2020.
- Jeff Taylor, May 20, 2021.
- Zoom meeting with representatives of CCEMS and Koronis on February 3, 2021.

Public Records

- ESD11 Board Meeting Agendas, Minutes, and Audited Financial Statements.
- Texas Comptroller website.
- Google searches.
- MedStar Audited Financial Statements and other reports on their website.
- CCEMS 990s.

Documents Considered

- Contract for Providing Emergency Medical Services between Harris County Emergency Services District No. 11 and Cypress Creek Emergency Medical Services, Inc. signed June 20, 2013.
- CCEMS General Ledger Activity from January 1, 2016 to August 31, 2020.
- CCEMS General Ledger Activity from September 1, 2020 to December 31, 2020.
- CCEMS Chart of Accounts as of August 31, 2020.
- CCEMS Trial Balances for December 31, 2016, December 31, 2017, December 31, 2018, December 31, 2019, and December 31, 2020.
- CCEMS Audited Financial Statements for the periods ending December 31, 2016, December 31, 2017, December 31, 2018, and December 31, 2019, December 31, 2020, and related management letter comments.
- CCEMS budgets for 2016, 2017, 2018, 2019, and 2020.
- CCEMS Inventory Transaction Logs for 2016, 2017, 2018, 2019, and YTD 2020.

- CCEMS Medical Supply Inventory listing from Operative IQ for June 2020 and related Example Monthly Inventory Adjusting Journal Entry.
- CCEMS Purchase Order Details for 2016, 2017, 2018, 2019, and YTD 2020.
- CCEMS Accounts Payable Aging for 2016, 2017, 2018, 2019, and YTD 2020.
- CCEMS Check Details and Vendor Transaction Exports for 2016, 2017, 2018, 2019, and YTD 2020.
- CCEMS Vendor listing and contact information.
- CCEMS Organization Charts, Redacted.
- CCEMS Employee Census, Anonymized.
- CCEMS Payroll Details Reports for pay periods start January 1, 2016 to August 2020, Redacted.
- CCEMS Payroll Spreadsheets for pay periods start January 1, 2016 to August 2020, Unredacted.
- CCEMS Bank Statements for the Operating Account ending in X3725 from January of 2016 to December of 2020.
- CCEMS Bank Statements for the Depository Account ending in X3814 from January of 2016 to December of 2020.
- CCEMS Bank Statements for the Payroll Account ending in X3717 from January of 2016 to December of 2020.
- CCEMS Bank Statements for the General Account ending in X3881 from January of 2016 to December of 2020.
- CCEMS Credit Card Statements for the Visa Account ending in X6982 from September of 2016 to December of 2020.
- CCEMS Credit Card Statements for the American Express Account ending in X3009 and X4007 from January of 2016 to December of 2020.
- CCEMS various accounting related systems user listings.
- CCEMS debt agreements.
- CCEMS lease agreements.
- CCEMS various other material agreements, including Koronis contract.
- Koronis billing data from January 1, 2015 to August 31, 2020.
- Master price sheets.
- CCEMS data for incidents from January of 2016 to September of 2020.
- CCEMS data for responses from January of 2016 to September of 2020.
- Various fixed asset and inventory schedules dated on different dates in October of 2020 that were provided by CCEMS to assist in the counts of fixed assets and inventory.
- CCEMS list of AEDs in the community and related contact information as of current
- Contract between CCEMS and ESD11.
- ESD11 payments to CCEMS from January of 2016 to September of 2020.
- MedStar historical staffing and volume analysis by month from October 2016 to September 2020.
- Pictures of various payroll records from Dawn Stumbo personal files.
- Summary of FEMA Harvey amounts receivable and related supporting schedules.
- CCEMS supporting documentation for Covid-19 related expenses.
- CCEMS Health Insurance Summary Enrollment Data as of June 1, 2020.
- GASB 34 Asset Listing and Deprecation Schedule for ESD11.
- CCEMS explanations and support for actual EMS wages versus budgeted EMS wages from 2016 to 2020.
- Correspondence with George Vie and various CCEMS/Koronis employees in 2020 and 2021.
- Responses to inquiries from CCEMS and Koronis throughout procedures.
- CCEMS responses and supporting documentation for general ledger transaction samples selected for testing.
 - General Ledger Transaction Numbers: 161207, 163252, 177183, 172244, 184998, 179305, 189127, 163823, 166045, 175492, 172985, 184912, 185152, 180663, 162443, 174379, 161133, 195743, 176321, 203331, 172277, 195734, 182572, 190593, 205171, 199873, 200482, 200483, 200435, 170484, 162383, 167695, 165018, 202987, 200464, 204283, 161939, 176147, 177450, 171300, 204434, 204435, 204436,

182221, 163252, 170136, 173606, 160484, 163495, 177184, 180818, 182822, 189948, 205801, 200637, 204362, 165693, 175466, 184319, 192064, 199576, 183949, 205781, 202369, 200231, 201361, 200977, 204653, 200159, 200878, 201821, 202747, 203378, 204213, 200458, 202739, 201821, 203378, 201219, 201717, 200458, 199631, 200444, 204719, 205643, 195685, 202470, 205406, 190257, 193035, 200638, 186815, 190502, 205377, 178788, 179438, 181915, 164710, 166516, 171679, 169331, 169329.

- Koronis and CCEMS responses and supporting documentation for call number samples selected for testing of the Koronis Billing Data.
 - Koronis Call Numbers: 201806368, 201803170, 201711785, 201674178, 201708642, 201863288, 201869763, 201731545, 201657442, 20-01622864, 20-01644351, 20-01606944, 20-01619558, 20-01619558B, 20-01641070, 20-01607821, 20-055927, 20-055927, 201825671, 20-01609158, 20-01606668, 201700176, 201801300, 19-067586B, 19-067586, 20-010489, 20-011061, 19-057562, 201846342, 201706466, 201700188, 20-01636355, 20-01636355, 20-01607723, 20-01632725, 20-01627458, 201783178, 19-011510, 201731639, 201850150, 19-016353, 19-011409, 20-037314, 20-026294, 20-037188, 20-033050, 20-033050, 201701303, 20-01650621, 201812908.
- 1099s from all insurance providers from 2016 through 2020.
- All documents referenced in the body of the report and footnotes.

APPENDIX B: Biographies

**Danielle Supkis Cheek, CPA, CFE, CVA**

Former Director and Current Independent Contractor with PKF Texas
dcheek@pkftexas.com

 [LinkedIn.com/in/dsupkischeek](https://www.linkedin.com/in/dsupkischeek)

Areas of Special Competence

Danielle serves as US Representative to the International Federation of Accountants (IFAC) Small and Medium Practitioners (SMP) Committee. She has recently been appointed to the CPA Evolution Task Force for the new CPA exam and her work will focus on the Business Analysis and Report section of the new exam. She is also on faculty at Rice University Jones Business School teaching in the entrepreneurship and Master of Accountancy programs. She is also the Immediate past Chair of the AICPA Private Company Practice Section (PCPS) Technical Issues Committee (TIC) and as a member of the PCPS Executive Committee.

Associations

- American Institute of Certified Public Accountants (AICPA)
 - Private Companies Practice Section (PCPS) Technical Issues Committee (TIC) – Member, 2014 – 2020; Vice Chair, 2018; Chair, 2019 – 2020
 - Private Companies Practice Section (PCPS) Executive Committee (EC) – Member, 2018 – 2020
 - Professional Ethics Executive Committee IT Services Task Force – Member, 2018-2020
 - CPA Evolution Model Curricula Business Analysis and Reporting Task Force – Member, 2020
- Texas Society of Certified Public Accounts (TSCPA)
 - Board of Directors, 2017 - 2020
- Houston Chapter of Texas Society of Certified Public Accountants
 - Board of Directors, 2018 – 2020
 - Forensic and Valuation Services Committee, 2014 - Present
- Association of Certified Fraud Examiners (ACFE)
- Houston Chapter of Association of Certified Fraud Examiners
- National Association of Certified Valuators and Analysts (NACVA)

Professional Awards and Achievements

- “Women Who Mean Business” – *Houston Business Journal*, 2019
- “Most Powerful Women in Accounting” - *The CPA Practice Advisor*, 2016, 2017, 2018, 2019
- “Distinguished Member to the Profession” – TXCPA Society – Houston Chapter, May 2019
- “Outstanding Young CPA of the Year Award” in Honor of Maximo Mukelabai - *American Institute of CPAs*, 2016
- “40 Under 40” - *The CPA Practice Advisor*, 2014, 2015, 2016, 2017, 2018, 2019
- “40 Under 40” - *National Association of Certified Valuators and Analysts*, 2015
- “Rising Star” - *Texas Society of CPAs*, 2014
- “Woman of Excellence” - *Federation of Houston Professional Women*, 2013

Designations

CPA, Certified Public Accountant
CFE, Certified Fraud Examiner
CVA, Certified Valuation Analyst

Experience

Pannell Kerr Forster of Texas, P.C.,
Houston, TX
Director, 2018 - 2021

Rice University,
Houston, TX
Jones Business School
Part-time Faculty Lecturer, 2017 - Present
Adjunct Professor, 2015 - 2017

D. Supkis Cheek PLLC,
Houston, TX
President, 2013 - 2018

Prather Kalman, P.C.,
Houston, TX
Director, 2011 – 2013
Accounting and Attestation Manager,
2009 – 2013

SMBology, Inc.,
Houston, TX
Project Manager, 2008 – 2009

Ernst & Young L.L.P.,
Houston, TX
Assurance & Advisory Business Services,
Health Sciences Division, 2006 – 2008

Education

University of Virginia,
Charlottesville, VA
MS in Accountancy

Rice University,
Houston, TX
BA Honors - Political Science, Economics
and Policy Studies



Christopher Boatcallie, CPA, CFE, CVA

Senior Manager

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Areas of Special Competence

Chris Boatcallie is a senior manager in the forensics practice area of PKF Texas. He has over 16 years of public accounting experience, working extensively in litigation support, audit/professional malpractice, forensic accounting and in the review of internal controls.

Chris is also a former Deputy United States Marshal and has experience working as a criminal investigator.

He is a Certified Public Accountant (CPA) in the State of Texas, a Certified Fraud Examiner (CFE) and a Certified Valuation Analyst (CVA). Chris is also an Eagle Scout with Two Palms.

Associations

- American Institute of Certified Public Accountants (AICPA)
- Texas Society of Certified Public Accountants (TSCPA)
- Houston Chapter of Texas Society of Certified Public Accountants
 - Forensic and Valuation Services Committee, 2016 - Present
- Association of Certified Fraud Examiners (ACFE)
- National Association of Certified Valuators and Analysts (NACVA)

Designations

CPA, Certified Public Accountant

CFE, Certified Fraud Examiner

CVA, Certified Valuation Analyst

Experience

Pannell Kerr Forster of Texas, P.C.,
Houston, TX

Senior Manager, July 2021 - Present
Manager, 2018 – June 2021

Fitts, Roberts & Co., P.C.,
Houston, TX

Manager, 2005 - 2018

United States Marshals Service,
El Paso, TX

Deputy United States Marshal, 1998 -
2001

Education

University of Texas at El Paso,
El Paso, TX

Masters of Business Administration,
Emphasis in Computer Information
Systems

Texas A&M University,
College Station, TX

Bachelors of Business Administration in
Accounting

APPENDIX C: Comparison of HSSK and Ramey Reports

PKF was asked to review and compare the report titled “Forensic Analysis of CCEMS – ESD11 Funding – 2016 and 2017” issued by HSSK on December 19, 2018 signed by Gregory Schuelke, CPA/CFF, CVA, CFE (the “HSSK Report”) and the report titled “Analysis of HSSK’s Cypress Creek Emergency Medical Services Report” issued by Houston Financial Forensics (“HFF”) on August 16, 2020 signed by Dan Ramey, CPA/CFF/ABV, CFE, CIA, CVA (the “Ramey Report”). HSSK was hired by ESD11 to “review and analyze financial and non-financial documentation concerning the annual funding of Cypress Creek Emergency Medical Services with Emergency Service District 11 tax generated funds”. The report addressed concerns of ESD11 and presented conclusions for each of these concerns.

HSSK presented a summary of their conclusions at the beginning of their report on page five and then discussed other specific areas for concern in the body of their report over the following seventeen pages. It should be noted that the Ramey Report only contained seven pages of discussion and completely ignored many of the concerns discussed in the HSSK Report. The complete list of the concerns discussed in the HSSK Report and the response to those concerns in the Ramey Report is attached as Exhibit 3.⁹⁶ However, some of the specific issues will be discussed in more detail in this section of this report.

The primary area of concern that was ignored by Ramey was the use of ESD11 funds and the fact that in many instances, HSSK concluded that these expenses were not properly classified by CCEMS. HSSK concluded that ESD11 funds were not properly classified for health insurance, EMS wages, communication center wages, and social security. In fact, the allocation of ESD11 funds to these expense accounts were discussed over four pages in the body to the HSSK Report.⁹⁷ It is interesting that Ramey failed to respond to any of these concerns when so much of the HSSK Report was used to address them. After completing our work, PKF shares HSSK’s concerns. We have outlined those concerns in the “Comparison of CCEMS Budgets to the Actual Results” section of this report.

The first page of substance to the Ramey Report provides one paragraph discussing the use of common-sized financial statements in their report and then is followed by two paragraphs of filler information copied from an IBIS World US Industry Report for NAICS Code 62191 (Ambulance Services). The only sentence of any note on the entire first page is the percentage of total revenue provided by ESD11 and CCEMS Insurance Billings for 2016 and 2017. For both periods, Ramey states that ESD11 accounts for 53% of total revenue and CCEMS Insurance Billings accounts for 44% of total revenue.

What is interesting is that Mr. Ramey chooses to not include comparative information for 2018 or 2019 even though that information was readily available prior to the issuance of his report. The HSSK Report was issued prior to the issuance of the audited financial statements for the period ending December 31, 2018. However, the Ramey Report was issued after the issuance of the audited financial statements for the periods ended December 31, 2018 and December 31, 2019. If one extends the common-sized analysis presented by Mr. Ramey in his report to these periods, ESD11 accounts for 60% of the 2018 total revenue and 58% of the 2019 revenue. CCEMS only accounts for 36% of the 2018 total revenue and 37% of the 2019 total revenue. Mr. Ramey only performed a cursory review of the information presented in the HSSK Report and is selective in only presenting information that paints CCEMS in a seemingly positive light.

Mr. Ramey then makes the point that 2018 was the first year that an accrual/allowance was booked for uncollectable accounts and states “the accrual explains the decline in the 2018 Net Patient Revenue and why Net Patient Revenue was

⁹⁶ Exhibit 3 shows that the majority of issues in the HSSK report were completely ignored or sidestepped in the Ramey Report.

⁹⁷ See pages 16 through 19 of the HSSK report.

higher in 2016 and 2017.”⁹⁸ However, Mr. Ramey was shortsighted in this assessment. An accrual for uncollectable accounts should have been booked for all periods in order to make them comparable. If there was no accrual for 2016 or 2017, Net Patient Revenue would have been overstated following Mr. Ramey’s logic. This means that the amount of Net Patient Revenue for 2016 and 2017 would have been lower than reported and the actual amount contributed by CCEMS billings compared to total revenue would have been even less. This actually strengthens the argument that ESD11 is overfunding CCEMS. The chart below reflects the actual composition of the general ledger accounts that are grouped to Insurance Billings for each period presented.

Figure 40: CCEMS General Ledger Accounts Grouped to Insurance Billings

CCEMS General Ledger Accounts Grouped to Insurance Billings				
	2016		2017	
Koronis Billing	\$ 353,247.00	0.93%	\$ 466,040.00	0.99%
Koronis Cash Revenue	\$ 9,227,772.00	24.40%	\$ 10,101,218.00	21.53%
Patient Billing Revenue	\$ 28,204,018.00	74.58%	\$ 36,301,376.00	77.38%
EMT Class Tuition	\$ 31,292.00	0.08%	\$ 44,954.00	0.10%
GIS Mapping Service Contract	\$ -	0.00%	\$ -	0.00%
Insurance Billings - Gross	\$ 37,816,329.00	100.00%	\$ 46,913,588.00	100.00%
Admin Adjustments	\$ (39,192.00)	-0.10%	\$ (43,373.00)	-0.09%
Insurance Adjustments	\$ (13,232,574.00)	-34.99%	\$ (17,869,625.00)	-38.09%
Bad Debt	\$ (13,351,944.00)	-35.31%	\$ (16,819,672.00)	-35.85%
Insurance Billings - Net	\$ 11,192,619.00	29.60%	\$ 12,180,918.00	25.96%
	2018		2019	
Koronis Billing	\$ 393,692.00	0.71%	\$ -	0.00%
Koronis Cash Revenue	\$ 11,853,110.00	21.44%	\$ 12,363,512.00	21.11%
Patient Billing Revenue	\$ 43,039,787.00	77.85%	\$ 46,181,153.00	78.87%
EMT Class Tuition	Note 1	N/A	Note 1	N/A
GIS Mapping Service Contract	\$ -	0.00%	\$ 9,383.00	0.02%
Insurance Billings - Gross	\$ 55,286,589.00	100.00%	\$ 58,554,048.00	100.00%
Admin Adjustments	\$ (159,756.00)	-0.29%	\$ (117,295.00)	-0.20%
Insurance Adjustments	\$ (24,015,747.00)	-43.44%	\$ (25,511,609.00)	-43.57%
Bad Debt	\$ (21,939,108.00)	-39.68%	\$ (22,893,558.00)	-39.10%
Insurance Billings - Net	\$ 9,171,978.00	16.59%	\$ 10,031,586.00	17.13%
Note 1: "EMT Class Tuition" revenue was grouped with Insurance Billings for 2016/2017 but not for 2018/2019 in the audited financial statements.				

It is clear from the general ledger that there were adjustments for the uncollectable insurance billings for each period listed above in spite of Mr. Ramey’s assertion that 2018 was the first year for an accrual for uncollectable accounts. In fact, the accrual does not explain the decline in 2018 Net Patient Revenue nor why Net Patient Revenue was higher in

⁹⁸ See page 4 to the Ramey Report. Note that the accrual for uncollectable accounts is deducted from gross revenue and reduces Net Patient Revenue in 2018.

2016 and 2017 as Mr. Ramey claims.⁹⁹ This conclusion by Mr. Ramey is strong evidence of how cursory his analysis was prior to issuing his report, especially considering that this information is readily available in the general ledger for CCEMS.

Mr. Ramey further addressed insurance billings in a subsequent section of his report about “Insurance Recovery”. He offers possible reasons for the declining collection percentages and concludes that the decrease in the collection percentage did not have a negative impact on collections. Mr. Ramey further attempts to deflect the decrease in the collection percentage by stating that Koronis “properly billed additional valid charges to insurance payors” in later periods.

Contrary to Mr. Ramey’s conclusions, the chart for “CCEMS General Ledger Accounts Grouped to Insurance Billings” clearly shows that “Insurance Billings – Net” as a percentage of “Insurance Billings – Gross” actually decreased from approximately 30% in 2016 to 17% in 2019. This means that only 17% of the total billings of Koronis were deemed as collectible for 2019 and is extremely important because it represents that amount of revenue that will actually be available to CCEMS from insurance billings to fund their operations. In 2016, \$37,816,329 was billed, but only \$11,192,619 was collected. In 2019, \$58,554,048 was billed, but only \$10,031,586 was collected. In summary, gross insurance billings continue to rise, but the net insurance billings which represent the CCEMS revenue that is deemed as collectible remains relatively flat.

In another section of Mr. Ramey’s report, he discusses a few select statistics for the Communications Center as they relate to the percentage of CCEMS calls compared to Non-CCEMS calls and the changes between each period presented. He points out the average percentage of CCEMS related calls to total calls between 2015 and 2018 and the increase in overall call volume from 2015 to 2018. However, Mr. Ramey does not clearly draw any conclusion from the data presented. The most glaring omission in this section is that Mr. Ramey ignores the fact that “Non-CCEMS” calls as a percentage of total calls for each period increased from 35.8% in 2015 to 52.6% in 2016, 59.1% in 2017, and 56.7% in 2018. This was squarely addressed in the HSSK Report which made the overall point that calls outside the CCEMS territory increased as a percentage of total calls over this period.¹⁰⁰ The evidence presented in Mr. Ramey’s own report supports this conclusion, but Mr. Ramey ignores this fact and completely side steps the issue once again.

Mr. Ramey continues by addressing a few additional concerns of HSSK in more detail. First, he offers an explanation why the expenses for CCEMS employee healthcare have increased from 2016 to 2018 and for the difficulties in estimating the actual expenses related to health insurance. However, there is an additional piece of information that he fails to consider. CCEMS budgeted less for health insurance in 2018, 2019, and 2020 than was actually expensed in the prior period. Further, in our Health Insurance Allocations section of this report, we have what appears to be an actuarial calculation of the estimated amount of claims per plan enrollee.

The figures below are a comparison of the amount budgeted by CCEMS compared to the actual expenses for health insurance for that period.

Figure 41: Comparison of Budget to Actual Health Insurance Costs

⁹⁹ In fact, the “Insurance Adjustments” had a more significant impact on net insurance billings in 2018 and 2019 than the bad debt allowance. The bad debt allowance as a percentage of gross insurance billings was 35% for 2016, 36% for 2017, 40% for 2018, and 39% for 2019 where the insurance adjustments were 35%, 38%, 43%, and 44% for the same respective periods.

¹⁰⁰ Mr. Ramey separates calls received by the Communications Center into “CCEMS-Medical”, “CCEMS Territory-Fire Department”, and “Non-CCEMS”. “Non-CCEMS” calls are the calls where CCEMS units are not involved in the physical response and should not be funded by ESD11. See page 5 of Ramey Report.

Comparison of Budget to Actual Health Insurance Costs						
	2016		2017		2018	
	Budget	Actual	Budget	Actual	Budget	Actual
CCEMS Funded	\$ (360,000.00)	\$ -	\$ (480,000.00)	\$ -	\$ (480,000.00)	\$ -
ESD11 Funded	\$ (2,250,000.00)	\$ (2,901,732.11)	\$ (2,510,000.00)	\$ (3,379,895.97)	\$ (2,695,000.00)	\$ (4,177,069.60)
Total Health Insurance	\$ (2,610,000.00)	\$ (2,901,732.11)	\$ (2,990,000.00)	\$ (3,379,895.97)	\$ (3,175,000.00)	\$ (4,177,069.60)
	2019		2020			
	Budget	Actual	Budget	Actual		
CCEMS Funded	\$ (454,888.00)	\$ -	\$ (640,000.00)			
ESD11 Funded	\$ (2,388,157.00)	\$ (4,174,214.57)	\$ (2,560,000.00)			
Total Health Insurance	\$ (2,843,045.00)	\$ (4,174,214.57)	\$ (3,200,000.00)			

Renewals may not be provided until June of the following year, but the actual expense relating to health insurance is available to CCEMS when preparing the budget for the following year.

Next, Mr. Ramey spends roughly two pages discussing the process for budgeting, purchasing, and billing for medical supplies. However, Mr. Ramey did not disclose any methods that he used to validate the accuracy of the process explained to him or testing for whether these processes are actually being followed by CCEMS. This section is merely informative in nature and draws no conclusions.

In other sections of the Ramey Report, Mr. Ramey discusses actions that CCEMS has taken to address some of the concerns from the ESD11 Board of Commissioners subsequent to the issuance of the HSSK Report; specifically related to human resources and the ESD11 funded amounts. For example, Mr. Ramey states that a new Employee Handbook and updated policies and procedures were available on the CCEMS webpage. Yet, he offers no conclusion as to whether changes to the handbook addressed any of the HSSK concerns. Even if a new written policy addressed one of the areas of concern, the mere existence of a new policy or procedure offers no evidence on the operating effectiveness of the new policy. Mr. Ramey did not even make the effort to identify specific policies or procedures in the new handbook that were responsive to the concerns of HSSK. Overall, Mr. Ramey's report does little to fully address the concerns presented in the HSSK Report, sidesteps many of the direct findings in the HSSK Report, and reaches conclusions that are not supported by the evidence.

APPENDIX D: Additional Koronis Information

CCEMS provided a document titled “2021-06-18 CCEMS Statement of Position” on June 18, 2021 that contained a “reconciliation” of cash deposited into CCEMS controlled accounts and the payments reported by Koronis each month. However, this document was mainly a narrative characterizing the events over the past twelve months.

The “Reconciliation” provided by CCEMS was flawed in several important respects. The CCEMS response was supposed to be a simple explanation that took them twelve pages to explain. CCEMS repeatedly provided information we were not asking to be produced in an attempt to justify the accuracy of their records.

A screen shot of the last page of the “reconciliation” is provided below for reference:

Cypress Creek EMS
Reconciliation QB Cash Collections to: Bank Deposits and Koronis Reported Collections
01/16-08/20

CCEMS Comparison of Bank Deposits versus Collections Reported by Koronis:

	Collections Deposited into:					Collections Reported Koronis Reported Collections	Difference
	Depository Bank Account & GL	Depository Bank Acct. Misc Adj. (b)(c)	Operating Bank Account & GL (a)	Operating Bank Misc. Adj.	Total AR Deposits		
<u>2020</u>							
01	978,543		192,060		1,170,603	1,170,604	(0)
02	937,881		236,545		1,174,426	1,103,555	70,871
03	774,773		166,179		940,952	940,952	0
04	1,168,171	(188,751) (b)	162,161		1,141,581	1,141,581	(0)
05	915,328	(136,121) (b)	155,364	(150)	934,422	934,422	-
06	790,896		115,175	(71)	906,001	976,822	(70,822)
07	980,886		142,588	(57)	1,123,417	1,139,910	(16,493)
08	991,209		178,573		1,169,782	1,153,337	16,444
Total 2020	7,537,687	(324,872)	1,348,646	(277)	8,561,184	8,561,184	0
	41,267,919	(325,646)	11,164,941	(6,297)	52,100,917	52,100,917	(0)
PKF Amount	41,268,919						
Diff	(1,000)						

(a) reported net of various monthly adjustment for patient refunds, patient checks returned NSF, monthly reclassifications, etc.
(b) CARES ACT funds are not patient billings deposits but were included Depository. CARES Act Funds are \$324,872.

To understand the “reconciliation” provided by CCEMS, we need to explain a couple of documents. First, Koronis generates an invoice four to five times a month that lists the payments that were received (cash collected) during the period reflected on the invoice. The invoice shows collections for both “Contingency Rate Based Billing Services”¹⁰¹ and “Bad Debt Collections”¹⁰². CCEMS pays a 7% fee to Koronis for both types of collections. Simply stated, Koronis bills CCEMS 7% of all collected payments for each billing period. CCEMS refers to these invoices in the Statement of Position collectively as “Koronis’ monthly reports”. A copy of one of these invoices is included as Figure 50 later in this appendix where it is discussed in more detail.

The “Contingency” based collections are recorded as revenue in a specific general ledger account; Koronis Cash Revenue. CCEMS debits or increases cash when payments are received and credits or increases Koronis Cash Revenue. The “reconciliation” that was provided by CCEMS in the Statement of Position compared the information in their general ledger for both cash deposits and revenue reflected in the Koronis Cash Revenue accounts to the invoices or monthly reports from Koronis. The Koronis Variance from the slide deck used in the Interim Update was actually a difference between the actual deposits into the Depository Account and the total payments in the Excel spreadsheets that were

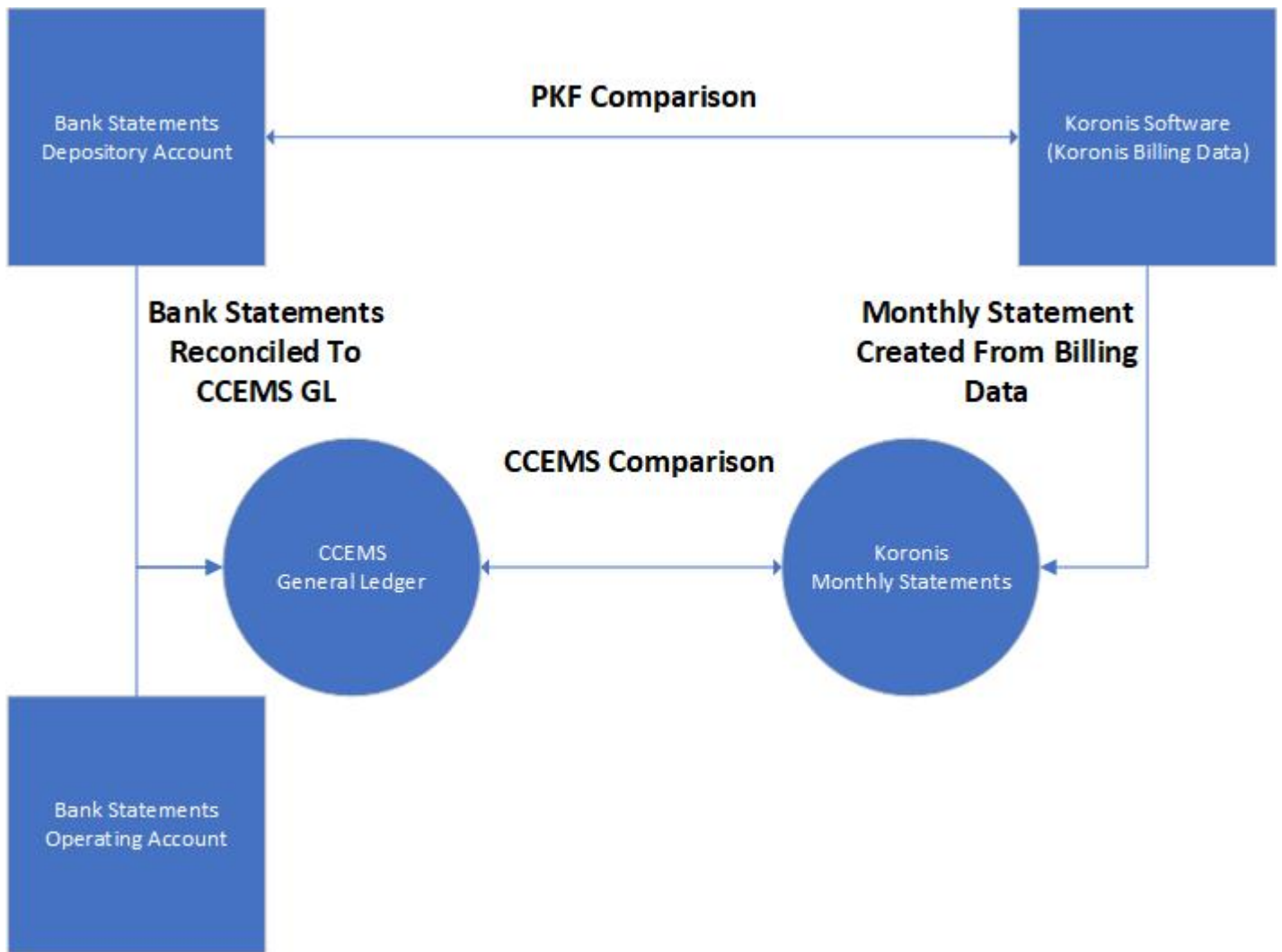
¹⁰¹ Contingency Rate Based Billing Services are collections for accounts that have not been written off and are recognized as revenue through the CCEMS general ledger account #4189 – Koronis Cash Revenue.

¹⁰² Bad Debt Collections are collections for accounts that are considered bad debt and that were written off in a prior period. These collections were most often recorded as revenue through the CCEMS general ledger account #4057 – Koronis (Billing) Collections from 1/1/2016 through 12/31/2019.

provided by Koronis.¹⁰³ Stated another way, CCEMS compared sources of information that we did not initially have, that were different than the sources provided to us in our initial work, and that were different from the sources referenced in the slide deck presented to the Board during the Interim Update.

This is the first issue we take with the CCEMS “reconciliation”. CCEMS did not compare the sources of information that we used. We compared the bank activity from bank statements of the Depository Account to the information reported by Koronis for payments received in their Excel spreadsheets (“Billing Data”), not the invoices or monthly reports provided to CCEMS. CCEMS compared information from the CCEMS general ledger for the operating and depository bank accounts to the invoices or monthly reports provided to them by Koronis, not the Billing Data provided to us by Koronis. The figure below is a simplified visual representation of the differences between the sources PKF used and the sources CCEMS used:

Figure 42: Difference In Comparisons



Secondly, CCEMS did not consider deposits into accounts that were for services rendered in prior periods. The “reconciliation” from CCEMS listed all deposits from Koronis from 1/1/2016 through 8/31/2020; however, the Billing Data we were provided from Koronis only included dates of service after January 1, 2016. Some of the deposits in early 2016 would have been for services rendered in 2015 and earlier. Therefore, we requested Koronis Billing Data for 2015

¹⁰³ We will discuss the fact that payments were actually deposited into both the Depository and Operating Accounts later in this appendix.

on July 1, 2021 in order to address this issue in our comparison of the information subsequently provided by CCEMS in the Statement of Position to the Koronis Variance referenced in the slide deck presented to the Board during the Interim Update.

Koronis provided the billing activity for 2015 to us on June 15, 2021. The following table shows payments that were reported as received in each respective period for services rendered in 2015:

Figure 43: 2015 Koronis Payments Reported (Net of Refunds)

2015 Koronis Payments Reported (Net of Refunds)		
2016	\$	1,375,302.42
2017	\$	104,534.65
2018	\$	26,996.99
2019	\$	17,018.56
2020	\$	1,748.78
Total	\$	1,525,601.40

This would need to be added to the \$11.1 million Koronis Variance referenced during the Interim Update in order to gain a more accurate representation of what Koronis reported as payments collected in their billing software from 1/1/2016 through 8/31/2020. This would increase the Koronis Variance reported during the Interim Update to roughly \$12.6 million. This updated Koronis Variance will be addressed more completely in subsequent paragraphs.

The following table summarizes the information in the CCEMS "reconciliation" and the Koronis Payments Reported without data from 2015 and then with the updated balances including collections for 2015 services that were collected from 1/1/ 2016 through 8/31/2020:¹⁰⁴

Figure 44: Comparison of "Reconciliation" to Koronis Variance

Comparison of "Reconciliation" to Koronis Variance					
Year	Statement of Position		Koronis Payments Reported		
	"Reconciliation"		W/O 2015	With 2015	
2016	\$	9,227,772.00	A	\$ 8,094,757.98	\$ 9,470,060.40
2017	\$	10,101,217.00	A	\$ 10,378,578.36	\$ 10,483,113.01
2018	\$	11,853,109.00	A	\$ 12,209,750.36	\$ 12,236,747.35
2019	\$	12,357,634.00	A	\$ 12,736,126.05	\$ 12,753,144.61
2020	\$	8,561,182.00		\$ 8,962,259.13	\$ 8,964,007.91
Totals	\$	52,100,914.00		\$ 52,381,471.88	\$ 53,907,073.28

A: The amounts reflected for these years tie materially between the Total Deposits and Reported amounts on the CCEMS "reconciliation", the "Contingency" collections on invoices, and the activity in CCEMS general ledger account #4189.

Note: There is an immaterial difference between the "Koronis Payments Reported" "W/O 2015" and the "Koronis Payments Reported" in the draft report. This is due to filters applied to the data set and is not relevant to the analysis presented here.

If we assume that all deposits that are reflected in the "reconciliation" provided by CCEMS was actually for the collection of insurance billings by Koronis, then there is still a difference of \$1.8 million between the Koronis Payments Reported and the total deposits reflected on the CCEMS "reconciliation". The following table shows this calculation:

Figure 45: Difference Between Koronis Payments Reported and CCEMS "Reconciliation" Without Bad Debt Collections

Difference Between Koronis Payments Reported and "Reconciliation" Without Bad Debt Collections	
Koronis Payments Reported	\$ 53,907,073.28
"Reconciliation"	\$ 52,100,914.00
Difference Without Bad Debt Collections	\$ 1,806,159.28

However, if we assume that all of the collections for bad debt that were reflected as having been collected in the Koronis invoices or monthly reports, then we are left with \$254K more money deposited into the bank accounts than was

¹⁰⁴ Note that the CCEMS "Reconciliation" did not include the HHS funds deposited into the Depository Account so the \$324,871.70 of HHS funds deposited did not need to be included in this specific comparison.

reflected in the billing data from Koronis for collections from 1/1/2016 through 8/31/2020 for services rendered from 1/1/2015 through 8/31/2020. The following table reflects that difference:¹⁰⁵

Figure 46: Difference Between Koronis Payments Reported and CCEMS "Reconciliation" With Bad Debt Collections

Difference Between Koronis Payments Reported and "Reconciliation" With Bad Debt Collections	
Difference Without Bad Debt Collections	\$ 1,806,159.28
Bad Debt Collections (1/1/2016 to 8/31/2020)	\$ 2,060,654.65
Difference With Bad Debt Collections	\$ (254,495.37)

The fact that the CCEMS "reconciliation" included in the Statement of Position showed zero difference between the "Collections Reported" and the "Collections Deposited" is another indicator as to the potential for bias in the information being presented by CCEMS. We would expect there to be at least a small difference had they provided a legitimate reconciliation between the documents actually in question. This is another indicator for a lack of truth and completeness in CCEMS' records.

Difficulty of Reconciling Bank Activity to Koronis Payments Reported

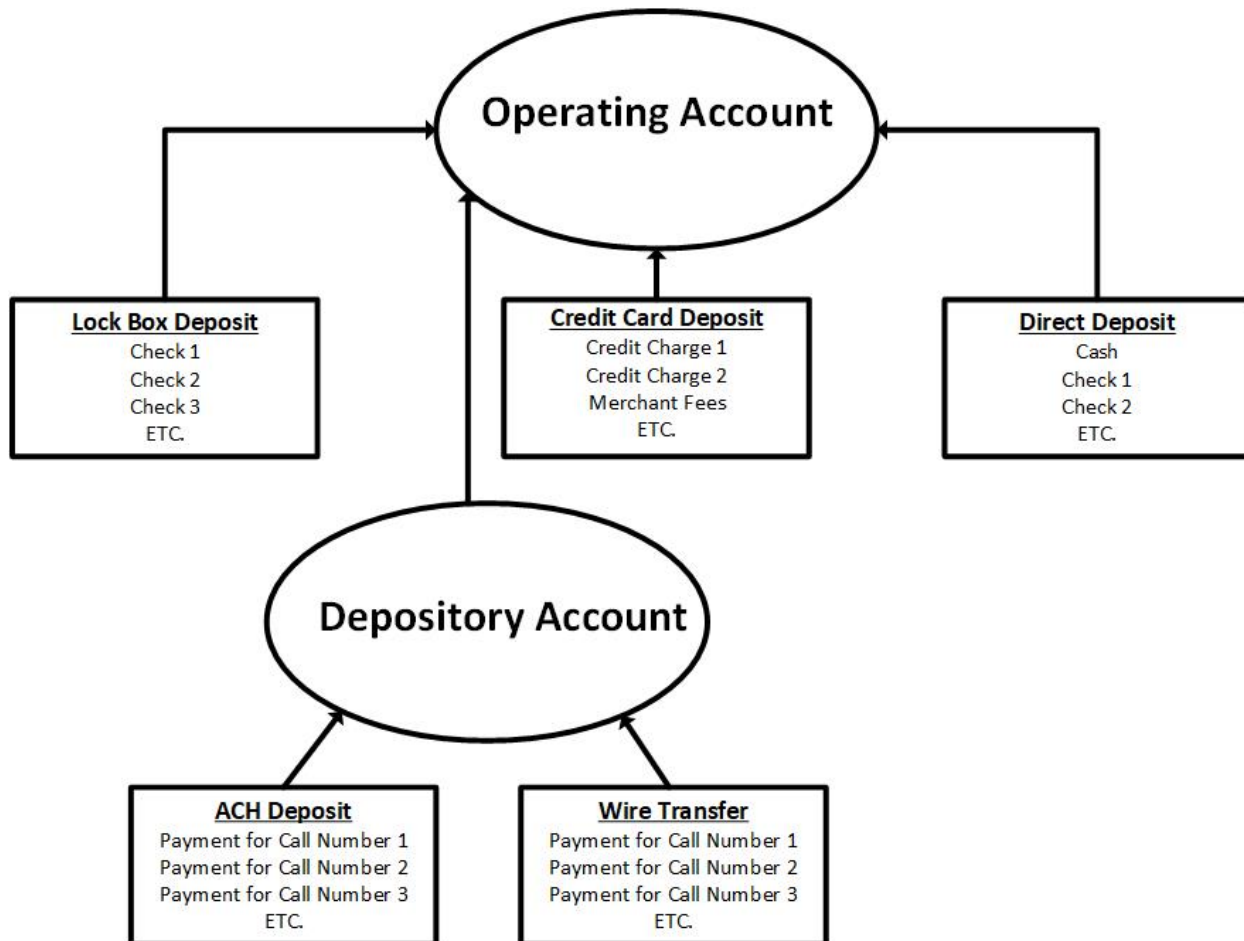
Reconciling bank activity, general ledger activity in the cash accounts, general ledger activity in the Koronis revenue accounts, Koronis invoices (monthly reports), and the Koronis Payments Reported in the Billing Data is a difficult process contrary to the representations of CCEMS employees and George Vie. We will explain the complexity of this process in detail in the following section in order to help the reader understand the reason why we cannot offer an opinion on the accuracy of the underlying records or for the "reconciliation" provided by CCEMS.

¹⁰⁵ Susan Nealy of Koronis stated that they track activity for bad debt in their billing software during a Zoom meeting on February 3, 2021 so this information was in the records provided by Koronis initially. Mrs. Nealy also stated that Koronis did not write things off in their billing software so the split between contingency collections and bad debt collections is somewhat arbitrary; especially since both are billed at fees of 7% to CCEMS. We are unclear as to the standard process for write-offs in Koronis or CCEMS, but it is moot since we know that these collections would be part of the Koronis Payments Reported.

Payment Geography

The first thing that needs to be explained is how payments from the various payment sources and payment methods are deposited into CCEMS controlled bank accounts. The following illustration shows the flow of deposited funds as explained by the CCEMS Second Statement of Position:

Figure 47: Flow of Deposited Funds into CCEMS Bank Accounts



Lockbox deposits, credit card deposits, and direct deposits are all deposited directly into the CCEMS Operating Account. However, each of these methods of receiving payments might consist of several individual payments that are grouped together into one deposit. This is similar to an individual combining several checks and cash into one deposit slip when they go to the bank to deposit money into their checking account. It would be impossible to determine which specific payments from the Koronis Payments Reported were part of each deposit without the deposit advice or details, and then it would still be impossible to prove that a specific deposit was for Koronis collection efforts without examining each individual check, credit card payment, or other supporting documentation that reflected who was making the payment and for what purpose. Each of these methods of depositing money into the CCEMS Operating Account will be discussed in further detail.

ACH and wire transfers are deposited directly into the CCEMS Depository Account, and then there are sweeps of all cash in the CCEMS Depository Account to the CCEMS Operating Account. The deposits into the Depository Account and transfers to the Operating Account result in an ending balance of zero for the Depository Account at the end of each month. ACH deposits and wire transfers may consist of multiple remittances from different call numbers that are all grouped into a single wire transfer on any given date. For instance, Blue Cross Blue Shield of Texas might process several claims and issue one wire transfer for multiple separate claims. It is impossible to directly trace all of the ACH deposits or wire transfers from the Koronis Payments Reported to the CCEMS Depository Account with the data we have. Some

deposits might be traced to a single claim or be able to be traced to a combination of several claims, but the process for identifying groups of claims that were paid by one wire transfer would be anything but simple without more detailed documentation and references.

Timing Issues


The timing and dating of transactions are another issue which complicates attempts to cleanly reconcile deposits. Naturally, there are always going to be timing differences between when someone records a transaction in billing software or in the general ledger, and the date when the transaction is posted to the bank account. Koronis maintains the software that was used to generate the Koronis Payments Reported, CCEMS maintains the bookkeeping software, and individual banks record the deposit information when it is processed by each institution. All three of these sources of data could potentially have three difference dates for the same transaction. Additionally, the Koronis Payments Reported could reflect different credit dates for each payment that was grouped and paid by a single wire transfer or check that are clearing the bank on another date. In fact, we identified this as a common issue during our attempts to reconcile the information between all data sources for January of 2016.

As discussed earlier in this appendix, the actual cash deposits from Koronis go into a separate “Depository” bank account and are swept into the main operating bank account daily. The total amount swept was recorded in the aggregate directly to the main Operating Account rather than being shown as a transfer between the two accounts and instead of performing any tie-outs or maintaining detailed records for the individual cash inflows. This lack of precision in bookkeeping makes it virtually impossible to trace whether there was a problem in CCEMS’s general ledger.

Lockbox and Digital Deposits

Lockbox and digital deposits into the Operating Account consist of numerous checks that are listed as individual item numbers with no description for the check, no payor information, and no way to determine whether each check was a payment for insurance collections or for some other purpose. In the following example, we can determine that Deposit Number 682 was deposited into the Operating Account on November 16, 2016 for a total deposit of \$17,673.31. The highlighted individual items were traced directly to the Koronis Payments Reported, but the non-highlighted items could not be reconciled. The “Post Amount” did not exist anywhere within the Koronis Payments Reported for the four non-highlighted items, but these four unreconciled payments could consist of several smaller payments that were grouped together into a single check. However, it is also possible that one of these non-reconciled payments could have nothing to do with insurance collections. There is no way to identify the purpose of the unreconciled individual items from the level of detail provided in this report.

Figure 48: Sample Digital Deposit Detail



Report run on: 11/16/2016 02:18 PM CST
 Selected start date & time: 11/16/2016 02:17 PM CST
 Location: All
 Account Number: All
 Report run by: roszo
 Selected end date & time: 11/16/2016 11:59 PM CST
 Deposits Created by: All
 Deposit Status: All

Details of Deposits by Account - Cypress Creek EMS

Account Name/Number: **Cypress Creek EMS/502023725** Number of Deposits: 1
 Total of Deposits Submitted: **17,673.31**
 Total Number of Items: 13

Deposit Number	Item Count	Post Amount	Credit Amount	Adjustment	Depositor	Location	Deposit Date
0000682	13	17,673.31	17,673.31	0.00	roszo	Cypress Creek EMS	11/16/2016 02:18 PM CST
Item Number	R/T	Account Number	Check Number	Post Amount	Credit Amount	Adjustment	
0000001	031100047	2-969 822	0010596389	87.26	87.26	0.00	
0000002	011900445	002240070398	0061375977	92.15	92.15	0.00	
0000003	104900048	09 10735 7	13491720	95.04	95.04	0.00	
0000004	104900048	09 10401 7	32330207	96.49	96.49	0.00	
0000005	021309379	601891732	0062753986	100.00	100.00	0.00	
0000006	104900048	09 10735 7	13497114	105.76	105.76	0.00	
0000007	061112788	0101155423	583904	480.27	480.27	0.00	
0000008	011900445	002240072065	39967918	1,286.10	1,286.10	0.00	
0000009	053101561	8018016983	0000059672	1,548.82	1,548.82	0.00	
0000010	011900445	2240015865	0016653303	1,675.40	1,675.40	0.00	
0000011	064000020	003785982741	0001649801	3,453.79	3,453.79	0.00	
0000012	031100209	38562164	1164901768	3,482.52	3,482.52	0.00	
0000013	111901302	002330945914	152300	5,169.71	5,169.71	0.00	

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The following image shows a portion of the bank statement for the CCEMS Operating Account in November 2016:

Figure 49: Sample Bank Statement Digital Deposit

DATE	TRANSACTION	AMOUNT
11-01	DIGITAL DEPOSIT	12,651.08
11-03	LOCK BOX DEPOSIT	1,963.15
11-07	DEPOSIT	1,334.50
11-08	LOCK BOX DEPOSIT	2,104.27
11-08	DIGITAL DEPOSIT	16,085.60
11-10	LOCK BOX DEPOSIT	2,835.60
11-14	DEPOSIT	211.50
11-14	LOCK BOX DEPOSIT	6,377.20
11-15	LOCK BOX DEPOSIT	10,158.34
11-16	LOCK BOX DEPOSIT	4,356.82
11-16	DIGITAL DEPOSIT	17,673.31
11-17	DIGITAL DEPOSIT	1,003,835.00
11-21	LOCK BOX DEPOSIT	3,675.41
11-21	DIGITAL DEPOSIT	9,636.35
11-22	LOCK BOX DEPOSIT	1,854.54
11-25	LOCK BOX DEPOSIT	5,165.70
11-29	LOCK BOX DEPOSIT	4,366.08
11-30	LOCK BOX DEPOSIT	1,643.65

Notice that the only information that can be determined from the bank statement is the \$17,673.31 total amount of the digital deposit. Individual amounts cannot be readily determined. We were only provided bank statements and the Excel spreadsheets (Billing Data) from Koronis that contained the Koronis Payments Reported for the initial work performed prior to the Interim Update presented to the Board in December of 2020. Subsequently, CCEMS provided lockbox and

direct deposit details only for the transactions that were part of our sample selection of fifty call numbers referenced in other sections of the report. We have not reviewed any detailed support such as check images for the individual items listed on the lockbox deposits provided in response to our Koronis sample selection.

Credit Card Deposits and Direct Deposits

Credit card payments and direct deposits can also contain payments for several claims grouped into a single deposit. All of the issues identified for reconciling lockbox and digital deposits also pertain to credit card payments and direct deposits by CCEMS that are taken to the bank manually.

Credit card processors will also routinely take out merchant fees prior to depositing the net amount into a company's bank account. For instance, if \$1,000 is paid by credit card with a 3% transaction fee, only \$970 is deposited into a company's bank account. This is an added complexity that makes it more difficult to reconcile payments made by a credit card. CCEMS also provided other sources of depository information that need to be explained as well.

Koronis Invoices or Monthly Reports

Koronis issues invoices approximately weekly for all collections. As discussed previously, Koronis charges a 7% fee for both Contingency and Bad Debt Collections. Contingency Collections were recorded in general ledger account #4189 – Koronis Cash Revenue and Bad Debt Collections were recorded in general ledger account #4057 – Koronis (Billing) Collections from January 1, 2016 through August 31, 2020.

The following invoice is an example for what information these invoices contain:

Figure 50: Sample Koronis Invoice

Koronis Revenue Solutions LLC. 9306 Max Conrad Dr. Suite A Spring, TX 77379		Invoice									
		<table border="1"> <tr> <th>Date</th> <th>Invoice #</th> </tr> <tr> <td>2/5/2016</td> <td>2181</td> </tr> </table>	Date	Invoice #	2/5/2016	2181					
Date	Invoice #										
2/5/2016	2181										
<table border="1"> <tr> <th colspan="4">Bill To</th> </tr> <tr> <td colspan="4"> Cypress Creek EMS 7111 Five Forks Spring, Tx 77379 </td> </tr> </table>				Bill To				Cypress Creek EMS 7111 Five Forks Spring, Tx 77379			
Bill To											
Cypress Creek EMS 7111 Five Forks Spring, Tx 77379											
		<table border="1"> <tr> <th>P.O. No.</th> <th>Terms</th> <th>Project</th> </tr> <tr> <td></td> <td>Net 15</td> <td></td> </tr> </table>	P.O. No.	Terms	Project		Net 15				
P.O. No.	Terms	Project									
	Net 15										
Quantity	Description	Rate	Amount								
190.404.56	7% CONTINGENCY RATE BASED BILLING SERVICES. BILLING THROUGH JANUARY 01-08, 2016	0.07	13,328.32								
5.943.04	BAD DEBT COLLECTIONS. 7% COLLECTION RATE COLLECTIONS THROUGH JANUARY 01-08, 2016	0.07	416.01								
Thank you for your business.		Total	\$13,744.33								

The invoice itself only lists the total for each type of collection with no detailed information. However, Koronis provided us with details from the CCEMS general ledger to support each total.

An example of the general ledger report is provided below for reference:

Figure 51: Sample CCEMS Account QuickReport for Operating Account

1:27 PM
01/12/16
Accrual Basis

CYPRESS CREEK EMS
Account QuickReport
January 1 - 8, 2016

Type	Date	Num	Name	Memo	Split	Amount
Deposit	01/06/2016		Koronis Revenue Solutions	Visa	1101 · Frost Bank-Operating	260.81 ✓
Deposit	01/06/2016		Koronis Revenue Solutions	MC	1101 · Frost Bank-Operating	100.00 ✓
Deposit	01/07/2016		Molina HC of TX	Deposit	1101 · Frost Bank-Operating	1,922.13 ✓
Deposit	01/07/2016		BCBS of Texas	Deposit	1101 · Frost Bank-Operating	478.53 ✓
Deposit	01/07/2016		CHC	Deposit	1101 · Frost Bank-Operating	508.39 ✓
Deposit	01/07/2016		BCBS of Texas	Deposit	1101 · Frost Bank-Operating	1,405.30 ✓
Deposit	01/07/2016		Medicare	Deposit	1101 · Frost Bank-Operating	5,567.96 ✓
Deposit	01/07/2016		United Health Care	Deposit	1101 · Frost Bank-Operating	13,950.31 ✓
Deposit	01/07/2016	★	UHC ✓	Deposit	1101 · Frost Bank-Operating	1,979.97 ✓
Deposit	01/07/2016		TMHP	Deposit	1101 · Frost Bank-Operating	2,813.35 ✓
Deposit	01/07/2016		United Health Care	Deposit	1101 · Frost Bank-Operating	177.70 ✓
Deposit	01/07/2016		Amerigroup	Deposit	1101 · Frost Bank-Operating	320.28 ✓
Deposit	01/07/2016		Well Care	Deposit	1101 · Frost Bank-Operating	94.98 ✓
Deposit	01/07/2016	✓	OK- Healthchoice	Deposit	1101 · Frost Bank-Operating	105.16 ✓
Deposit	01/07/2016		Amerigroup	Deposit	1101 · Frost Bank-Operating	363.08 ✓
Deposit	01/07/2016		Care Improvements Plus	Deposit	1101 · Frost Bank-Operating	377.33 ✓
Deposit	01/07/2016		Aetna	Deposit	1101 · Frost Bank-Operating	472.56 ✓
Deposit	01/07/2016		Tricare	Deposit	1101 · Frost Bank-Operating	365.03 ✓
Deposit	01/07/2016		Well Care	Deposit	1101 · Frost Bank-Operating	372.36 ✓
Deposit	01/07/2016		Koronis Revenue Solutions	Deposit	1101 · Frost Bank-Operating	4,434.11 ✓
Deposit	01/07/2016		Credit Card	Deposit	1101 · Frost Bank-Operating	987.77 ✓
General Journal	01/07/2016	monthend	American Express		1101 · Frost Bank-Operating	-75.00 ✓
General Journal	01/08/2016	monthend		WeRe bank NSF	1133 · NSF Checks	-895.00 ✓
Bill	01/08/2016		Lyons, Annie		2000 · Accounts Payable	-33.80 ✓
Deposit	01/08/2016		Aetna	Deposit	1101 · Frost Bank-Operating	1,560.70 ✓
Deposit	01/08/2016		HHP Texas	Deposit	1101 · Frost Bank-Operating	1,079.60 ✓
Deposit	01/08/2016		Amerigroup	Deposit	1101 · Frost Bank-Operating	1,049.55 ✓
Deposit	01/08/2016		Aetna	Deposit	1101 · Frost Bank-Operating	9,271.12 ✓
Deposit	01/08/2016		BCBS of Texas	Deposit	1101 · Frost Bank-Operating	4,310.10 ✓
Deposit	01/08/2016		BCBS of Texas	Deposit	1101 · Frost Bank-Operating	3,767.60 ✓
Deposit	01/08/2016	★	UHC ✓	Deposit	1101 · Frost Bank-Operating	1,041.23 ✓
Deposit	01/08/2016		Amerigroup	Deposit	1101 · Frost Bank-Operating	232.69 ✓
Deposit	01/08/2016		Cigna	Deposit	1101 · Frost Bank-Operating	229.19 ✓
Deposit	01/08/2016	★	UHC ✓	Deposit	1101 · Frost Bank-Operating	48.47 ✓
Deposit	01/08/2016		Amerigroup	Deposit	1101 · Frost Bank-Operating	630.39 ✓
Deposit	01/08/2016		Medicare	Deposit	1101 · Frost Bank-Operating	600.55 ✓
Deposit	01/08/2016		Aetna	Deposit	1101 · Frost Bank-Operating	442.16 ✓
Deposit	01/08/2016		Koronis Revenue Solutions	lockbox	1101 · Frost Bank-Operating	16,902.55 ✓
Deposit	01/08/2016		Koronis Revenue Solutions	visa	1101 · Frost Bank-Operating	1,083.44 ✓
Deposit	01/08/2016		Koronis Revenue Solutions	MC	1101 · Frost Bank-Operating	234.53 ✓
TOTAL						192,994.42
						<u>192,994.42</u>

Note that there is a small difference between the "TOTAL" on the image above and the "Quantity" for "Contingency Rate Based Billing Services" on Invoice #2181. However, the information reflected in these general ledger reports did reconcile to activity in the CCEMS general ledgers provided to us in our initial work, but we had the same issues with these reports as we did with bank statement information. Many of these individual line items are actually combinations of payments for numerous call numbers. We would have no way to easily reconcile these line items back to the Koronis Payments Reported in the Billing Data. It should also be noted that Koronis did not provide invoices or monthly reports to us until March 31, 2021.

CCEMS General Ledger Activity

The prior image of the "Cypress Creek EMS Account Quick Report" is actually a report originally generated from CCEMS' general ledger and reflects activity in the Operating Account for the dates reflected. Similar reports can be generated for revenue accounts related to Koronis. When CCEMS performed their "reconciliation", they simply compared activity in

the general ledger account for Koronis Cash Payments to the “Monthly Reports” which are the invoices provided by Koronis. It is clear that these reports are used to book journal entries into the general ledger for CCEMS for Koronis collections so reconciling between a monthly report and their own general ledger is reconciling between one source of information that was used to create the second source of information. The activity in the general ledger for the Operating Account can be reconciled to the deposits reflected in bank statements, but there is no way to trace any of these amounts to the details that make up each deposit for all of the reasons previously discussed.

CCEMS never even attempted to reconcile any of these sources of data to the Koronis Payments Reported in the Billing Data that were provided to us during our initial work. Simply stated, CCEMS reconciled sources of data that were never in question when we discussed our initial work with the Board. The information eventually provided by CCEMS did assist us in understanding their general process, but nothing they provided clearly explained the Koronis Variance. One would have to completely trust the representations of CCEMS in order to accept that these reports fully explain the Koronis Variance identified in the initial work.

Koronis Payments Reported

The spreadsheets of Billing Data that were initially provided by Koronis have still not been reviewed by Koronis or CCEMS. They have attempted to reconcile every source of information other than the specific document we have been asking about from the beginning of our engagement. Again, this spreadsheet lists each call number. Each call number contains all charges for services rendered and individual credits for each payment, adjustment, and refund.

This is the source of information we attempted to compare to deposits, and not one person from Koronis or CCEMS has been able to explain why this information doesn't easily reconcile to any other reported information. Susan Nealy did state that the data they provided might have been corrupted during our virtual meeting with CCEMS and Koronis on February 3, 2021. Mrs. Nealy further stated that they would investigate the accuracy of the information provided to us, but she never responded to repeated requests to provide us with her conclusion about this issue that she raised during the meeting.

The reason this issue is troubling is because it was represented as being a system generated report from the application that Koronis uses to keep track of activity on customer accounts. Someone at Koronis should understand the way their own software works and be able to trace activity within the system to actual activity on accounts. Even if we ignore the Koronis Variance we referenced in the initial work, there are still plenty of other examples of Koronis and CCEMS not accurately keeping records or tracking patient accounts. This entire reconciliation attempt calls into question whether the information provided to the Board have ever been true and complete.