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Missouri State Auditor

Taney County Ambulance District



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Missouri State Auditor
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The following findings were included in our audit report of the Taney County Ambulance District.

Upon retirement on June 30, 2009, the Board approved paying the former Administrator \$78,105 in wages and benefits, some of which does not appear to be required by his employment contract, and there was no documentation of why excess amounts were paid. Additionally, the Board also approved allowing the former Administrator to purchase his cell phone for \$10 and to obtain continuing education from the district at no cost.

The district has not established written pay scales for employees, and salary disbursements have increased significantly in the last 4 years. Between 2004 and 2008 salary disbursements have increased by approximately \$900,000 (45 percent) without a significant increase in the number of personnel. According to district personnel, prior to voters approving the 1/4-cent sales tax in 2002 (which provides the district approximately \$1.4 million more annually in revenues than the prior property tax levy) the district was not in good enough financial condition to adequately compensate personnel.

The district has not adequately managed its cash flow to prevent unnecessary interest costs on borrowed funds. On December 31, 2008, the district had cash and investments totaling approximately \$880,000, and should consider paying off debt early. Additionally, the district uses more than one bank and does not have a written agreement with its depository banks, and has not solicited proposals for banking services.

The district does not have a formal purchasing policy. Some items were not bid or adequate bid documentation was not retained during the years ended December 31, 2008 and 2007; examples include bulk fuel (\$150,130), laptop computers (\$51,774), and an ambulance (\$49,980). Also, the district maintains contracts for several types of professional services, but does not have a policy addressing solicitation of these services.

Several weaknesses were identified with the procedures and controls over district spending. The Board's review and approval of district disbursements is not adequate, and some payments are processed without adequate supporting documentation. Additionally, the district has not established a comprehensive food policy regarding district provided food, and some disbursements reviewed did not appear to be necessary uses of district funds. For example, in 2009, 2008, and 2007, the district spent \$4,265, \$4,260, and \$3,929, respectively, for food and entertainment for the annual employee banquet, and during 2008 and 2007, the district paid \$3,800 for promotional items, including basketballs, backpacks, pens, key chains, plastic footballs, wrist bands, and tumblers which were given to district employees and the general public. Also, Board approval is not required for the redemption of investments, and some credit card and purchase card

YELLOW SHEET

procedures need improvement.

The district did not withhold and properly remit payroll taxes on employee deferred compensation contributions resulting in the payment of \$34,714, including delinquent payroll taxes (\$10,841), interest (\$2,006), and penalties (\$21,867). Additionally, duties are not adequately segregated to provide the necessary internal controls over the payroll function, and some payments made to employees may violate the Missouri Constitution. Improvement is also needed in other payroll related areas.

The district needs better controls over the recording, posting, and securing of monies received, including improvements to the district's computerized billing system, to provide better accountability over monies received.

Weaknesses in the area of accounts receivables included inadequate segregation of duties, delays in Medicare billings, and failing to adequately pursue Veterans Administration collections.

The Board's procedures for conducting and documenting meetings need improvement. The Board did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law. Additionally, open meeting minutes did not always include sufficient detail of matters discussed, and the Board conducted a telephone vote without a quorum present at the meeting location, in violation of state law.

Procedures and controls over district vehicles need improvement. Four vehicles assigned to district employees are housed at their homes rather than at the district office, and are used for commuting purposes. The district does not have a written vehicle usage policy and has not documented an analysis to determine the value of commuting benefits provided to the employees or to support reasons for vehicle assignments to employees. Additionally, personal commuting mileage is not properly reported and taxed. Although the district maintains fuel logs, the logs do not list destinations traveled or operation and maintenance costs, and do not distinguish between business and personal use. The Operations Manager uses his assigned district vehicle while serving as Taney County Coroner, and there is no written agreement between the district and the county to use the district's vehicle for county business. In addition, accountability over fuel purchases need improvement.

The district's budgets do not include some information required by state law.

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TANEY COUNTY AMBULANCE DISTRICT

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STATE AUDITOR'S REPORT



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Board of Directors
Taney County Ambulance District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Taney County Ambulance District. The district engaged Scott Benton, Certified Public Accountant (CPA), to audit the district's financial statements for the years ended December 31, 2008 and 2007. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm for the year ended December 31, 2007, audit since the year ended December 31, 2008, audit had not been completed. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2008. The objectives of our audit were to:

1. Obtain an understanding of the petitioners' concerns and perform various procedures to determine their validity and significance.
2. Evaluate the district's internal controls over significant management and financial functions.
3. Evaluate the district's compliance with certain legal provisions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions.

We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. However, providing an opinion on the effectiveness of internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not

express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the district's management and was not subjected to the procedures applied in our audit of the district.

The accompanying Management Advisory Report presents our findings arising from our audit of the Taney County Ambulance District.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

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MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

TANEY COUNTY AMBULANCE DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Former Administrator's Contract and District Salaries

The district paid the former Administrator \$78,105 in retirement and leave benefits upon retiring. Additionally, salary disbursements have increased significantly, and the district has not established written pay scales for its employees or consistently used data from compensation studies to assist in determining salaries for district employees.

- A. Upon retirement on June 30, 2009, the Board approved paying the former Administrator \$78,105 in wages and benefits, some of which does not appear to be required by his employment contract, and there was no documentation of why excess amounts were paid. The following amounts were paid:

<u>Wages and Benefits</u>	<u>Amount</u>
6-months salary	\$ 56,215
Unused sick leave	18,971
Unused vacation leave	<u>2,919</u>
Total	<u>\$ 78,105</u>

During a closed session meeting, the Board approved the payment of 6-months salary and full payment of all leave accruals as a "retirement benefit" for the former Administrator. The Board also approved allowing the former Administrator to purchase his cell phone for \$10 and to obtain continuing education from the district at no cost.

The district's 3-year employment contract with the former Administrator provided for 6-months in severance pay should the Administrator be terminated without cause by the district, but the contract did not provide for this payment upon retirement. Additionally, there is no documentation to justify the Board's decision to allow the former Administrator to purchase his cell phone for \$10 or to obtain continuing education at no cost. The former Administrator's contract referenced the employee manual regarding vacation and sick leave benefits, which allows for the payment of the leave benefits.

To avoid unnecessary severance payments, the Board of Directors should reevaluate the practice of compensating out going administrators beyond amounts required by contract.

- B. The district has not established written pay scales for employees and salary disbursements have increased significantly in the last 4 years. While the district established salary caps for some employees in December 2006, the district has allowed some employees to exceed those caps. Between 2004 and 2008, salary

disbursements increased from approximately \$2 million to \$2.9 million, a 45 percent increase. However, the number of individuals employed by the district has not increased significantly. According to district personnel, the district employed 53 full time employees and 28 part time employees in 2004. During 2008, the district increased the number of full time employees to 62, but decreased the number of part time employees to only 19.

Salary levels of administrative positions appear to have increased significantly. The following table shows salary increases for select positions between 2004 and 2008.

<u>Position</u>	<u>2004 Salary</u>	<u>Percent</u>	<u>2008 Salary</u>
Administrator	\$ 83,450	35%	\$ 112,724
Operations Manager	66,633	36%	90,632
Office Manager	43,287	43%	61,872
Human Resource Manager	40,209	54%	62,022

In addition, the district hired a controller in March 2008 at a starting salary of \$50,000 and gave her a \$5,000 raise in both June and November 2008, resulting in an overall increase of 20 percent in the first 8 months of employment.

According to district personnel, pay rates are based on years of experience along with compensation studies. The district used data from varying compensation studies and salary tools to assist in determining salaries for district employees; however, some results do not always appear to be reasonable. For instance, an on-line salary tool was used which allowed the district to request salaries based on location of the ambulance district, but the district did not consistently use the same location for all employees.

In November 2002, the district passed a 1/4-cent sales tax and discontinued the property tax levy. Sales tax collections started in April 2003, and in 2004 (the first full year of the sales tax) the district recognized a gain of over \$1.4 million in sales tax revenues versus property tax collections. According to district personnel, prior to the approval of the sales tax, the district was not in a good enough financial position to adequately compensate personnel, and the added revenue generated by the sales tax has allowed the district to increase employee salaries.

The lack of an established pay and/or salary range may lead to confusion and assertions of inequity and preferential treatment among district personnel. Each position should be graded as to pay and/or salary range to ensure individuals are fairly compensated, salaries are appropriate with job responsibilities and experience, and limited financial resources are allocated in the most efficient and effective manner. Additionally, to ensure salary studies are used consistently for all positions, the district should formalize the process of utilizing salary schedules to determine pay rates.

WE RECOMMEND the Board of Directors:

- A. Refrain from making excessive severance payments to outgoing administrators in the future. Additionally, the Board should not provide benefits, such as free continuing education, if not specifically required by the employment contract.
- B. Establish written pay scales for its employees, and apply a consistent and equitable standard to salary determinations.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *In the interest of moving the district in a new direction and avoiding potential litigation with an employee of 28 years, the Board of Directors voted to pay the additional six month salary upon retirement. The unused sick and vacation accruals were paid according to the current policy in place at the time. Additionally, with regard to district funds, the Board of Directors is fully aware of its fiduciary responsibility. This particular personnel matter was unique in nature and was discussed at great length and detail in a closed session meeting, as well it should have been.*
- B. *The district is currently working on written pay scales and a consistent standard to measure the salary determinations.*

2.

District Loans

The district has not adequately managed its cash flow to prevent unnecessary interest costs on borrowed funds. According to district records, the district had cash and investments totaling approximately \$880,000 at December 31, 2008.

- The district has placed most of its available funds in certificates of deposits (CDs), but has borrowed funds from a line of credit to prevent incurring early withdrawal penalties and losing interest on the CDs. In March 2008, the district borrowed \$54,000 from the line of credit to pay operating and payroll expenses and incurred approximately \$1,440 in interest costs.
- In August 2006, the district entered into a 3-year lease agreement totaling \$51,774 with an interest rate of 9 percent for the purchase of 15 ambulance laptop computers. The interest rate is excessive considering the district had adequate funds invested in CDs earning approximately 5 percent. The Administrator indicated they chose this option for cash flow purposes and did not seek other financing arrangements. The district will pay interest of \$7,494 over the life of the lease.

- The district borrowed funds totaling \$450,000 for the purchase of a building costing \$605,000 in March 2005. The purchase was financed at 4.4 percent for a term of 15 years with a maturity date of March 30, 2020.
- The district uses more than one bank and does not have a written agreement with its depository banks, and has not solicited proposals for banking services.

The district should better manage its cash flow to prevent incurring interest costs on borrowed funds when other district funds are available. Soliciting proposals for banking services may provide the district with the opportunity to earn more interest on district funds. Further, a written depository agreement helps both the bank and the district understand and comply with the requirements of any banking arrangement.

WE RECOMMEND the Board of Directors better manage the district's cash flow to avoid interest costs on borrowed funds when other district funds are available. Additionally, the Board should solicit proposals for banking services and enter into a depository agreement.

AUDITEE'S RESPONSE

The Board of Directors provided the following written response:

The Board recognizes the challenges of managing the district's funds and does consider the associated cost of debt when making decisions. The Board has reviewed and will continue to review and update, when necessary, the process in which it enters into agreements with depository institutions.

3.	Procurement Procedures
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The district does not have a formal purchasing policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Additionally, the district maintains contracts for several types of professional services, but does not have a policy addressing solicitation for these services.

Some items were not bid or adequate bid documentation was not retained during the years ended December 31, 2008 and 2007:

Item or Service	Cost
Bulk fuel	\$ 150,130
Laptop computers	51,774
Ambulance	49,980
Radios	42,717
Garage lift	18,550
Electrical work	13,712
Truck	8,000
Trailer	7,900

While district employees indicated in some instances bids were solicited by telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor was not always retained. Other examples include the following:

- The district received quotes from two different vendors for the purchase of specific accounting software, including maintenance and support. The two vendors did not offer the same features in the software package, and the documentation maintained by the district did not specify how the district determined which bid to select. In addition, the vendor selected submitted a bid totaling \$23,578, but the district paid \$24,786. Board meeting minutes do not document the district's justification for the selection or the reason for the additional \$1,208 payment.
- Proposals from collection agencies have not been periodically solicited. According to district personnel, the district periodically reviews services offered by various collection agencies; however, the review is not documented. The district paid approximately \$13,000 to a collection agency during 2008.
- The district spent approximately \$40,600 on liability insurance during the year ended December 31, 2008, and has used the same broker since 1991. While district employees indicated insurance rates were discussed with the broker before obtaining insurance, there is no documentation the district solicited proposals.
- The district has not solicited proposals for auditing services. The auditor used by the district for the 2006 audit sold the business, and the district subsequently contracted for audit services with the current owner of the accounting firm. The district paid \$7,000 for audit services for the 2007 audit and the 2008 audit is in process.
- The district has an attorney on retainer and also uses the services of two other outside law firms without soliciting proposals. Amounts paid to the district's attorney and outside law firms totaled approximately \$11,000 during 2008.

Formal bidding procedures for major purchases and the solicitation of proposals for professional services provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to

participate in district business. Bids and proposals can be handled by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

WE RECOMMEND the Board of Directors establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justifications for the bid selected, and ensure bids are solicited for all significant purchases. The Board of Directors should also include guidelines for soliciting proposals for professional services in the procurement policy.

AUDITEE'S RESPONSE

The Board of Directors provided the following written response:

The Board of Directors will work on developing a formal purchase policy and procedure. The Board understands the need for better guidelines when soliciting proposals for professional services.

4.

Disbursements

Procedures and controls over district spending are lacking.

- A. The Board's review and approval of district disbursements is not adequate. While a list of disbursements is provided to the Board each month, the list does not include payroll disbursements and the Board does not document its review and approval by signing or initialing the list. The meeting minutes simply indicate financials are approved, and as a result, board approval of disbursements is not adequately documented.

To adequately document the Board's review and approval of all disbursements, a complete list of all disbursements should be prepared and signed or initialed by the Board to indicate its approval and retained with the official minutes.

- B. Some payments are processed without an invoice or other adequate supporting documentation, and purchase orders are not always prepared. For instance, items totaling \$682 were purchased from a local automotive store and receipt slips totaling only \$497 were maintained to support the payments. In addition, the district requires purchase orders to be prepared for all purchases; however they were not prepared for 22 of 39 (56 percent) purchases reviewed.

Additionally, invoices are dated when received; but, they are not marked paid to prevent reuse, and documentation of receipt of goods or services was not indicated on most of the invoices reviewed.

Without obtaining and properly reviewing adequate documentation from vendors and completed purchase orders, the district cannot determine the validity and propriety of disbursements. In addition, invoices and all other supporting documentation should be marked paid to prevent duplicate payments and properly initialed or signed by a district employee indicating receipt of goods or services.

- C. The district has not established a comprehensive food policy regarding district provided food, and some disbursements reviewed did not appear to be necessary uses of district funds.
- 1) In 2009, 2008, and 2007, the district spent \$4,265, \$4,260, and \$3,929, respectively, for food and entertainment for the annual employee banquet. In addition, the district purchased food costing \$951 for an employee appreciation event in 2008, and paid \$133 for a barbeque for employees in 2009.
 - 2) During 2008 and 2007, the district purchased numerous promotional items which were given to district employees, and the general public during sporting events and health fairs. These items costs approximately \$3,800 and included basketballs, backpacks, pens, key chains, plastic footballs, wrist bands, and tumblers. Also, the district paid the local radio station \$7,040 for promotional airtime. It is unclear if the promotional airtime represented a district need.
 - 3) The district paid for a membership to a local rotary club for the former Administrator costing \$600 annually. It is unclear if the membership to the rotary club represents a governmental purpose.

District residents have placed a fiduciary trust in the district to spend district funds in a necessary manner. While it is sometimes necessary to incur food expenditures related to employee training, such costs should be kept to a minimum and a policy limiting food expenditures may result in savings to the district. Further, the Board should closely scrutinize promotional and membership costs to ensure district funds are spent only on items which are necessary and beneficial to the district.

- D. Board approval is not required for the redemption of investments, and the Board Treasurer does not sign most checks. Only the Administrator's signature is required when redeeming CDs. While meeting minutes occasionally documented the Board approving the redemption of CDs, the Administrator redeemed CDs totaling \$272,540 in April and May 2008 for operating and payroll expenses; and meeting minutes did not document the decision and approval of redeeming these CDs.

Additionally, according to district personnel, checks for under \$20,000 require only the Administrator's signature and checks for \$20,000 or more require both

the Administrator's and the Board Treasurer's signature; however, we identified one check for \$49,980 for an ambulance remount that was only signed by the Administrator.

To ensure district funds are accounted for properly, board approval should be obtained and documented in meeting minutes for the redemption of district investments, and the Board Treasurer should sign checks in accordance with district procedures.

E. The district did not always enter into written agreements defining services to be provided and benefits to be received.

- The district does not have a written agreement with the local hospital to buy pharmaceutical drugs. The district paid the hospital \$38,872 in 2008.
- The district's contract with its medical director is not updated annually. There was no contract for the period January 1 through May 5, 2009. The contract was updated as a result of our review. The medical director is paid \$14,400 annually.
- The district does not have a contract for legal services provided from various sources costing approximately \$11,000 during 2008.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. Written contracts should specify the services to be rendered and the manner and amount of compensation to be paid. In addition, Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

F. While the district has taken steps to improve credit card procedures, improvements are still needed in the controls over credit and purchase cards. During 2008, the district had 18 credit cards. Five of the 18 credit cards were canceled on December 30, 2008, and 13 credit cards were canceled on March 9, 2009, 8 days prior to the start of the our audit. During 2008 and 2007, the district incurred finance charges of \$228 and \$54, respectively, for failing to pay credit card bills timely. Purchases on credit cards totaled approximately \$46,000 during 2008.

In 2008, the district began using purchase cards to replace cancelled credit cards. While a memo from the Controller was sent to employees on the procedures for using the purchase cards, a formal written purchase card policy addressing issues such as allowable purchases, maximum dollar limits, required supporting documentation, review and approval procedures, and timely payment has not yet been prepared.

Complete and detailed written policies and procedures on the proper use of credit and purchase cards are necessary to provide guidance to employees, and help ensure cards are used only for district business. Finally, payments should be made in a timely manner.

- G. The district needs to improve monitoring procedures over the use of cellular phones. Additionally, the district has not developed a formal written policy regarding cellular phone use.

A documented review of cellular phone use is not performed, and the district incurred costs not covered by the cellular telephone service agreement. During the review of the May 2007 phone bill, we noted charges totaling \$116 for ring tones, directory assistance, and text messaging. In addition, while district personnel indicated personal phone calls are allowed to be made with district phones, there is no documented evidence that phone bills are monitored for excessive personal use, and the district does not have a policy specifically addressing personal phone calls. The district spent \$33,317 and \$24,778 during the years ended December 31, 2008 and 2007, respectively, for the use of cellular phones.

To ensure the efficient and effective use of cellular phones, the Board should develop a written policy regarding appropriate cellular phone usage, routine monitoring of cellular phone usage, and ensuring the most cost effective plan is used. In addition, the district should review its current and historical levels of cellular phone use and determine if there is a need for text messaging, and if so, it should be included in the cellular phone plans.

WE RECOMMEND the Board of Directors:

- A. Ensure a complete list of all disbursements is prepared and signed or initialed by the Board to indicate its approval, and retained with the official minutes.
- B. Ensure adequate supporting documentation is submitted before payments are made, purchase orders are prepared for all disbursements, and invoices received are compared with the approved purchase orders. The Board should ensure all invoices are marked paid, and initialed or signed by a district employee to indicate acceptance of goods or services.
- C. Establish and maintain appropriate policies and procedures regarding meal expenses, and ensure disbursements are necessary uses of district funds.
- D. Approve the redemptions of district investments, and require the Board Treasurer to sign district checks in accordance with district procedures.
- E. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.

- F. Adopt formal policies and procedures for credit and purchase card use and ensure payments are made timely.
- G. Ensure cellular phone bills are adequately monitored to ensure all charges are appropriate and the district's cellular phone plan meets the district's needs. Additionally, the Board of Directors should consider developing a formal written policy regarding the use of cellular phones.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *A complete list of all disbursements and deposits, by month, will be prepared and approved by the board. This report will become an official part of the monthly minutes, which will be kept at district headquarters.*
- B. *The district will further review this process and make any necessary changes to ensure proper procedures are followed.*
- C. *We feel that the district establishes and maintains appropriate policies and procedures regarding meal expenses, and ensures that disbursements are necessary and prudent uses of district funds. The annual banquet was discussed, agreed upon, and voted on by the Board of Directors. The board agreed that it was a way to honor our employees. Every year the banquet is discussed and the board reaches a consensus regarding this event.*

Public awareness and public confidence in the district are essential for two reasons. First, we feel the district wants the public to have proper awareness of the emergency medical services and emergency medical dispatch system in our community. Second, the district feels providing quality health education to our schools and at health care events are very important. We use these promotional items to communicate with kids and community members.

The Rotary dues are discretionary in nature and actually benefit business relationships in a community.

- D. *The investment and subsequent redemption of that investment now require board approval. Two signatures are required for checks over \$20,000 as well as notification to the board.*
- E. *The district currently has engagement letters and contracts for most of our professional services that are performed. We are in the process of requiring all professional services to have current agreements with the district.*
- F. *Prior to the audit, the district recognized the need for better internal control with regard to credit card use. A purchase card system has been implemented and the development of policy and procedures for this system is ongoing.*

- G. *Prior to the audit, the district changed the cell phone coverage plan to include unlimited text messaging and calling. The district recognizes the need for a written cellular phone policy to insure that phone charges are for business purposes only.*

5. Payroll Policies and Procedures

The district paid delinquent payroll taxes, interest, and penalties totaling \$34,714, and should consider improvements in other payroll related areas.

- A. The district did not withhold and properly remit payroll taxes for employee deferred compensation contributions during 2007, 2006, and 2005, resulting in the payment of \$34,714 including delinquent payroll taxes (\$10,841), interest (\$2,006), and penalties (\$21,867). While deferred compensation contributions are exempt from federal and state income taxes, they are not exempt from Medicare and Social Security taxes. The district's request for abatement of penalties was denied, and the district's Controller indicated there could be additional interest charged. The amount of tax paid by the district includes both the employee and employer share of the taxes.

Additionally the district pays some Board members \$25 for each meeting attended, but has not clearly documented whether the payment represents compensation that should be taxed and paid to all Board members or represents a reimbursement of travel expenses which should be supported by documentation of costs incurred.

The Internal Revenue Code requires employers to pay their share of Social Security and Medicare on compensation paid to employees and requires undocumented expenses to be taxed.

- B. Duties are not adequately segregated to provide the necessary internal controls over the payroll function. The Controller handles payroll duties, including preparation, record keeping, electronic transfers between accounts, electronic and manual disbursements, and preparing and distributing employee W-2 forms. While we did see some instances where the former Administrator approved electronic payroll transfers from the district's bank account, these transfers were not consistently approved by the former Administrator. Additionally, detailed payroll information is not reviewed by the Board of Directors.

A proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, the comparison of the payroll disbursements to the payroll register and employee timesheets by an independent individual would help minimize the risk of loss, theft, or misuse of funds.

C. Some payments made to employees appear questionable.

- 1) The district provided additional pay totaling \$7,400 and \$7,000 for 2008 and 2007, respectively, to part-time employees as incentives for previous hours worked. These incentives are not automatic each year and, as a result, are not budgeted and are not part of the district's pay plan. These incentives are paid only after the Board reviews the district's financial condition.

These payments were based upon the number of hours the part-time employee worked during the year. For example, a part-time employee working more than 200 hours received \$200, more than 400 hours received \$400, and more than 600 hours received \$600. According to meeting minutes, incentive payments were referred to as bonuses prior to November 20, 2007; however, on the advice of one of the district's attorneys, the district began referring to the payments as incentives.

- 2) The district paid five employees a total of \$8,188 in January 2009 for cost of living adjustments from 2008. While there is no documentation in the meeting minutes that these payments were specifically voted on by the Board, district personnel indicated the amounts were included in salary totals on the 2009 budget. It is unclear why cost of living increases for 2008 were not paid until 2009.

Awarding additional pay to employees on a discretionary basis is questionable and may violate Article III, Section 39, Missouri Constitution. To ensure incentives paid to district employees are in compliance with state and federal laws and all employees are treated equitably, the incentives should be clearly defined in the district pay plan and reviewed by legal counsel.

D. The district has not established an adequate policy regarding the hiring of related employees. In April 2008, the former Administrator's son was hired by the Communications Manager. In addition, the Operation Manager and his wife, an Emergency Medical Technician (EMT), have both worked for the district for several years.

Although the district has a nepotism policy in place, it is vague and does not adequately address the hiring of related parties. The policy indicates related employees can apply for open positions and states certain situations may require movement of related employees to different departments, but does not give specific guidelines to avoid actual or apparent conflicts.

E. The district does not have a written policy addressing outside employment and does not attempt to monitor which employees engage in outside employment. District personnel indicated several district employees engage in outside

employment; however, employees are not required to disclose and obtain approval for outside employment and business activities.

To ensure the outside employment activities of district employees do not interfere with district duties or result in a conflict of interest, the district should develop policies and procedures to monitor outside employment activities. These policies should include requirements to disclose and obtain approval for outside employment and business activities.

WE RECOMMEND the Board of Directors:

- A. Ensure payroll taxes are withheld and properly remitted to taxing authorities for all applicable compensation.
- B. Adequately segregate payroll duties. If proper segregation of duties cannot be achieved, procedures for a documented independent review of payroll accounting records should be implemented.
- C. Review employee compensation with legal counsel and clearly define incentive payments in the district's pay plan.
- D. Establish an adequate policy addressing related employees.
- E. Consider a policy addressing outside employment.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *The district does withhold and properly remits payroll taxes to the taxing authorities. For 2005, 2006, and 2007 the district relied upon an outside public accounting firm to assist in preparing the district payroll tax returns and W4's for those years. At that time, the district acted responsibly. At a later date the district's independent auditor discovered the oversight regarding deferred compensation. The district corrected that oversight in a timely manner and paid the taxes due. Penalties were avoided for some periods in question.*
- B. *The district has already reviewed much of the payroll process and will continue to review the process with regard to segregation of duties and internal control.*
- C. *The district will review the auditor's concerns with our legal counsel in regards to the employee compensation and compliance with the Missouri Constitution.*
- D. *The district will review the current nepotism policy and determine the adequacy of that policy.*

district receipts should be appropriately secured, and checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Board of Directors:

- A. Ensure a log of receipts is prepared to record monies immediately upon receipt, consider changes to the computer system to assign a numerical sequence to receipts and track the composition of receipts, and reconcile amounts deposited to receipt records.
- B. Consult with the district's software company to ensure adequate safeguards are put in place to restrict the availability of deposit dates the system will allow.
- C. Ensure district receipts are adequately secured and checks are restrictively endorsed immediately upon receipt.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *The district is in the process of reviewing options to include better internal control over this process and improve office efficiency.*
- B. *The district will consult with our software company to ensure adequate safeguards regarding the restrictions of deposit dates.*
- C. *District receipts are now adequately secured at the district and checks are endorsed immediately upon receipt and will require a restrictive endorsement stamp.*

7.

Accounts Receivable Procedures

Accounts receivable duties are not adequately segregated and improvements are needed in the areas of patient billings.

- A. Accounts receivables duties are not adequately segregated. One billing clerk handles all Medicare billing and another clerk handles all other billings. These billing clerks have full access to all patient accounts receivable data files, and perform duties such as recording receipts, preparing bills, and posting write offs. At the end of each day, the Office Manager generates a daily receipt report and compares it to the deposit; however, this review is not documented. In addition, there is no documentation that a review is performed of other accounts receivable related duties.

Proper segregation of duties provides a means of establishing control over assets, thus minimizing the risk of loss, theft, or misuse of funds. If segregation of duties is not possible, the documented review of accounting records by an independent individual would provide supervisory review to minimize the risk of loss, theft, or misuse of funds.

- B. Patient billings to Medicare totaling approximately \$30,000 were delayed approximately 3 to 5 weeks. According to district personnel, this situation was the result of an extensive absence of a billing clerk responsible for Medicare charges. No other district personnel were cross-trained for this function. According to meeting minutes, this delay caused a cash flow disruption for the district.

Additionally, Medicare payments received during this clerk's absence were not always posted timely to district records. For example, a check for \$8,097 received on March 23, 2009, was not posted to the system until April 3, 2009.

To ensure Medicare claims and payments are processed timely, the district should establish a plan for cross-training employees.

- C. Veterans Administration (VA) collections have not been adequately pursued. Patient charges billed to the VA totaling \$8,789 were on the accounts receivable delinquent list at December 31, 2008. District personnel indicated the VA office relocated and attempts to collect these payments have been unsuccessful, so the district has attempted to collect these payments from other insurance resources and/or patients.

We contacted the VA and found one of the accounts needed to be rebilled and several other accounts needed information from the receiving hospitals. The district indicated they had only recently contacted the receiving hospitals to obtain the needed information. To maximize revenues, the district should make all attempts to pursue collections from the VA.

WE RECOMMEND the Board of Directors:

- A. Adequately segregate accounts receivable duties. If proper segregation of duties cannot be achieved, procedures for a documented independent review of both billing clerk's accounting records should be implemented.
- B. Ensure Medicare claims and payments are processed timely and a plan is in place for timely billings should a billing clerk be away from work for an extended period of time.
- C. Adequately pursue charges billed to the VA.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *The district is in the process of changing the daily deposit procedure. A copy of the deposit slip and the software daily deposit report will be given and reviewed by the district's Controller.*
- B. *After departure of the past administrator, the district addressed this issue with regard to proper cross training. Additionally, the district is reviewing options to improve district efficiencies.*
- C. *Recently the district has receive additional Veterans Administration deposits in regards to the auditor's suggestions. The district will review the process to adequately insure that charges to the Veterans Administration are collected.*

8. Board Meetings and Minutes

The Board's procedures for conducting and documenting meetings need improvement.

- A. The district did not document how some issues discussed and votes taken in closed meetings were allowable under the Sunshine Law.
 - On June 11, 2009, while in closed session, the Board voted to pay the former Administrator \$78,105 as a retirement benefit. In addition, during the June 16, 2009, closed session, the Board discussed cashing in certificates of deposits totaling \$119,888 in order to pay operating expenses and the former Administrator's retirement benefit.
 - On January 20, 2009, while in closed session, the Board voted to give the district mechanic a raise, and discussed the upcoming state audit and the district time clock.
 - During closed session meetings on June 17, 2008, and November 18, 2008, the Board voted to give the Controller raises. Other issues discussed during the November closed session included the job description for the Controller, and the district salary cap for the operations supervisor position.
 - During the January 15, 2008, closed session, the Board discussed incentive pay and clinical time pay for two district employees.

In addition, the Board did not always cite the proper statutory section when voting to go into closed session. For example, in the February 17, 2009, closed session board meeting minutes, the Board cited legal reasons for closing the meeting when they instead discussed the upcoming state audit. Further, there was no

evidence roll call votes were taken to go into and come out of some closed session meetings.

The Sunshine Law, Chapter 610, RSMo, states the specific reasons governmental bodies are allowed to close a public meeting. Issues not specifically allowed by the Sunshine Law should not be discussed in closed session. Section 610.022, RSMo, requires the Board to vote in open session to close a meeting and to announce publicly the reasons for going into closed session.

- B. Open meeting minutes did not always include sufficient detail of matters discussed. For example, the Operations Manager was reimbursed \$854 in travel expenses for inspecting two ambulances while on a personal trip to Ohio. According to district personnel, the Board approved this arrangement prior to the trip because the district was considering purchasing these ambulances; however, meeting minutes do not document any discussion or decision regarding this trip. The district paid lodging for three of five nights (\$230), fuel (\$567), and food (\$57).

In addition, district meeting minutes indicate quotes were received for various purchases of services and supplies; however, the minutes do not document the names of the vendors, quote amounts, or the final decision and reasons for selecting the vendors.

Complete and accurate meeting minutes provide an official record of the Board's actions and decisions. Care should be taken to ensure the minutes are complete and document discussions or reasons supporting Board decisions. Inadequate or unclear minutes can lead to subsequent confusion as to the Board's intentions, possible incorrect interpretation of the Board's actions by the general public or other outside entities, and the inability to demonstrate compliance with legal provisions.

- C. The Board conducted a telephone vote without a quorum present at the meeting location. The decision to hire the controller was made by a telephone vote on February 13, 2008, and documented in the March 18, 2008 meeting minutes. Section 610.015, RSMo, requires a quorum of the members be physically present at the meeting location before any other members are allowed to participate by telephone.

WE RECOMMEND the Board of Directors:

- A. Ensure only allowable topics are discussed in closed meetings. In addition, the Board should ensure the proper statutory section is cited when entering closed session and all votes are documented.
- B. Ensure meeting minutes include the information necessary to provide a complete record of all significant matters discussed and actions taken.

- C. Ensure full compliance with all provisions of Chapter 610, RSMo, regarding public votes and meetings.

AUDITEE'S RESPONSE

The Board of Directors provided the following written response:

The Board will try to ensure only allowable topics are discussed in closed meetings and the proper statutory section is cited when entering closed session. Additionally, the Board will direct staff to insure the proper recording of information.

9. District Vehicles and Fuel Procedures

The district does not have written policies and effective monitoring procedures over the use of district vehicles and fuel. During the year ended December 31, 2008, the district spent approximately \$150,000 on bulk fuel and \$12,800 for fuel purchased with fuel credit cards.

- A. Procedures and controls over district vehicles need improvement.
- Four vehicles assigned to district employees, are housed at their homes rather than at the district office, and are used for commuting purposes. District personnel indicated some employees are provided with take-home vehicles so there is less response time when an emergency arises; however, the district does not have a written vehicle usage policy and has not documented an analysis to determine the value of commuting benefits provided to the employees or to support reasons for vehicle assignments to employees. Additionally, personal commuting mileage is not properly reported and taxed.
 - Although the district maintains fuel logs, the logs do not list destinations traveled, or operation and maintenance costs, and do not distinguish between business and personal use. To ensure district vehicles are used appropriately, logs should include trip information (i.e., beginning and ending odometer readings, destination, and purpose) which should be reviewed by a supervisor.
 - The Operations Manager uses his assigned district vehicle while serving as Taney County Coroner, and there is no written agreement between the district and the county to use the district's vehicle for county business. Approximately twice a year, the Operations Manager reimburses the district for the use of a district vehicle while serving as County Coroner; however, there is a difference between the mileage rate paid to the County Coroner by Taney County and the rate reimbursed to the ambulance district. During 2008, the Operations Manager received \$440 from Taney County and paid \$394 to the district. While the dollar difference is not significant, it is unclear why the district is not reimbursed the same amount paid by the county.

The IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. IRS guidelines also require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs which distinguish between business and personal usage. An adequate district vehicle policy is needed to inform district personnel of the proper use of district vehicles, outline vehicle usage log documentation requirements, address and define personal use of vehicles, and identify applicable IRS guidelines and reporting requirements. Additionally, if the Board of Directors determines it is necessary and appropriate for the Operations Manager to use a district vehicle when performing his duties as County Coroner, details of the arrangement should be documented in a written agreement.

- B. Accountability over fuel purchases needs improvement. Prior to September 2008, the district did not adequately track fuel in the district's three bulk fuel tanks. On September 25, 2008, the district began using a computerized fuel control system to track fuel used from the tanks; however, no reconciliation to compare fuel used to fuel purchased has been performed. After our inquiry in May 2009, the district's controller prepared a summary of fuel used and fuel purchased for approximately 8 months ending April 2009, but an adequate reconciliation has not been performed.

Along with the fuel control system, the district maintains two fuel credit cards which allow district personnel to purchase fuel when away from district ambulance stations. Fuel tickets are not always submitted by employees, and as a result, fuel tickets are not reconciled with monthly billing statements. During our review of the December 2008 and January 2007 credit card statements, we noted 6 of 13 fuel tickets were not submitted.

To ensure fuel purchased by the district is accounted for properly, procedures should be established to periodically reconcile bulk fuel purchased to fuel used and significant differences should be investigated. Additionally, the district should require all credit card fuel tickets be submitted and reconciled to the monthly billing statement.

WE RECOMMEND the Board of Directors:

- A. Maintain detailed fuel/mileage logs for all district vehicles, and establish a written policy that sets guidelines for the use of district vehicles allowed to be taken home at night. This policy should address personal use of the vehicles as well. In addition, the Board should ensure compliance with IRS reporting requirements related to personal commuting mileage, and establish a written agreement addressing the use of the district's vehicle by the County Coroner.
- B. Ensure bulk fuel purchases are periodically reconciled to fuel used and significant differences are investigated. In addition, the Board of Directors should ensure all

fuel tickets are submitted and reconciled to the monthly billing statement prior to payment.

AUDITEE'S RESPONSE

The Board of Directors provided the following written responses:

- A. *The Board has directed staff to develop a comprehensive vehicle policy.*
- B. *The district has in place a system to reconcile the fuel usage, to include the review of monthly credit card statements prior to payment.*

10. Budgets and Financial Reporting
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The district's budgets do not include some information required by state law.

The district's budgets do not include a budget message, actual or estimated receipts and disbursements for the two preceding years, and beginning available resources and estimated ending available resources. In addition, actual receipts and disbursements are not periodically compared to budgeted amounts.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of ambulance district operations, and provides a means to effectively monitor actual costs and receipts. In addition, actual results should be periodically compared to budgeted amounts to improve the effectiveness of the budget as a planning tool and ensure compliance with state law.

WE RECOMMEND the Board of Directors ensure the district's budget is complete and prepared in compliance with state law, and periodically compare actual results to budgeted amounts.

AUDITEE'S RESPONSE

The Board of Directors provided the following written response:

The Board recognizes the importance of ensuring the district's budget is complete and prepared in compliance with state law and will periodically compare actual results to budgeted amounts. The district will be reviewing the budget process for 2010 and will be comparing line item budget.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

TANEY COUNTY AMBULANCE DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Taney County Ambulance District is located in Hollister, Missouri. The district was established in 1976 to provide ambulance service to district residents. District revenues primarily consist of sales taxes, service fees, and Medicare/Medicaid reimbursements.

An elected board acts as the policy-making body for the district's operations. The board's six members serve 3-year terms with compensation of \$25 per meeting. Members of the board and their compensation during the year ended December 31, 2008, were:

Board of Directors	Dates of Service	Compensation Paid for the Year Ended December 31, 2008
Kenny Nave, Chairman	January-December 2008	\$ 200
Tim Ford, Vice-Chairman (1)	January-December 2008	0
Dale Sanders, Treasurer (1) (2)	January-December 2008	0
Scott Novak, Member	January-December 2008	225
David Rozell, Member (2)	January-March 2008	25
Rod Romine, Member	January-December 2008	200
Steve Dalton, Member	April-December 2008	200

- (1) Tim Ford and Dale Sanders elected not to receive compensation.
(2) David Rozell served as Treasurer from January through March 2008.

The district's other officials during the year ended December 31, 2008, are identified below. The compensation of these officials is established by the Board.

Other Officials	Dates of Service During the Year Ended December 31, 2008	Compensation Paid for the Year Ended December 31, 2008
Steven Harris, Administrator (3)	January-December 2008	\$ 112,724
Kevin Tweedy, Operation Manager	January-December 2008	90,632
Kent Vanderpool, Communications Manager	January-December 2008	64,434
Jeff Hawkins, Operation Supervisor	January-December 2008	67,404
Jerri Loveland, Controller (4)	March-December 2008	42,687
Melissa Stiffler, Office Manager/Billing (5)	January-December 2008	61,872
Katie Sharpe, Human Resource Manager	January-December 2008	62,022
Caleb Berkstresser, Computer Specialist	January-December 2008	50,000

- (3) Steven Harris retired June 30, 2009, and Kevin Tweedy was named Interim Administrator.
- (4) The position of Controller was established in March 2008.
- (5) Melissa Stiffler is the Board Secretary.

In addition to the officials identified above, the district employed 54 full-time employees and 19 part-time employees at December 31, 2008.

TAX RATE(S) PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$.0025