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CITIZENS SUMMARY

Findings in the audit of the Vernon County Ambulance District

Background

The Director of Operations (Director) is the chief executive officer directly responsible for overseeing daily operations of the district, including supervision of personnel and management of financial activities. The Office Manager was responsible for all duties related to bookkeeping, payroll, billing, collecting and disbursing monies, making deposits, and providing financial reports to the Board. Former Director James D. McKenzie began employment with the district in 1987 and former Office Manager Tina L. Werner began employment with the district in 2000. The Board held a special meeting on October 23, 2015, and terminated both the former Director and Office Manager following discussions regarding the district's poor financial condition.

A federal grand jury in the United States District Court for the Western District of Missouri indicted the former Director and former Office Manager in May 2017 for embezzling more than \$260,000 from the district. The indictment alleges that from January 2013 to October 2015 the defendants participated in a conspiracy to financially enrich themselves by fraudulently obtaining and attempting to obtain money and property from district bank accounts and credit card accounts. The Board filed a civil lawsuit in Vernon County Circuit Court against the 2 former employees on May 20, 2016.

In June 2017, we began an audit of the district at the request of district residents through the petition process. The petition audit required 863 signatures from registered voters within the district and 874 signatures were certified as valid by the Vernon County Clerk. Audit procedures focused primarily on the year ended June 30, 2017.

The civil case is ongoing as of May 2018, and the federal case is scheduled to go to trial in September 2018.

Accounts Receivable Procedures

District personnel did not make sufficient efforts to restore lost billing and patient account data, and are not making proactive efforts to collect on old accounts receivable for trip charges incurred prior to October 2015. In addition, the billing agency contract does not specify billing and write-off procedures, and the district is not making efforts to collect on newer accounts once the billing agency deems them uncollectible and stops billing. Neither the Board nor district personnel adequately monitor accounts receivable write-offs, maintain sufficient documentation of collection efforts and decisions, and written policies lack sufficient details. The district's policy allowing for agency administrative discounts of ambulance billings for certain individuals may not be fully compliant with state laws. District personnel do not perform monthly reconciliations of amounts billed, payments received, amounts written off, and amounts unpaid for trip charges.

Accounting Controls and Procedures

Supervisory reviews over certain accounting functions and records need improvement. Office personnel do not issue receipt slips for all monies received or maintain a complete record of receipts. In addition, the composition of receipts is not compared to the composition of deposits by an independent person. District personnel do not perform reconciliations to ensure all monies received, whether by office personnel or the contracted

billing agency, are accounted for properly. The Office Administrator does not restrictively endorse checks and money orders immediately upon receipt.

Disbursements	The district does not always solicit bids or proposals for goods and services, document the selection process, and maintain current written contracts with some providers. In addition, the district did not have a written bid policy. The bid policy adopted after our inquiry is not sufficient. Improvement is needed in the district's disbursement review procedures to ensure all invoices are reviewed by district personnel, marked paid, and supported by documentation acknowledging receipt of goods or services. The Board approved and paid incentives to employees in December 2016, but these payments were not (1) part of formal pay plans, (2) subject to tax withholdings, and (3) reported on W-2 forms. In addition, the district does not have procedures to review and evaluate the reasonableness of vehicle usage and does not reconcile fuel usage to fuel purchases.
Financial Reports and Budgets	District personnel did not file annual financial reports for fiscal years 2007 through 2016 timely with the SAO as required by state law. District budgets do not include all statutorily required elements. The fiscal year 2017 budget did not include a budget summary, the actual beginning and estimated ending cash balances, actual receipts and disbursements for the 2 preceding years, or district indebtedness information.
Sunshine Law	The Board held 7 closed session meetings during the year ended June 30, 2017, but minutes were not prepared and subsequently approved by the Board. In addition, the Board has not adopted a written policy regarding public access to district records as required by state law and district personnel do not maintain a log of public record requests to ensure all requests are handled in compliance with state law.
Electronic Data Security	The district has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data.
Capital Assets	The district does not maintain records of its capital assets including buildings, land, vehicles, equipment, and other property. Additionally, district personnel do not tag assets for specific identification or perform annual physical inventories.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.