



Susan Montee, JD, CPA
Missouri State Auditor

Northeast Ambulance and Fire Protection District



October 2010
Report No. 2010-124

auditor.mo.gov



Susan Montee, JD, CPA
Missouri State Auditor

YELLOW SHEET

Findings in the audit of Northeast Ambulance and Fire Protection District

Financial Condition and Accounting Records

The district's financial condition has rapidly declined in the past 2 years. Cash balances have declined approximately \$2.3 million (54 percent) from June 30, 2008, through June 30, 2010. While receipts have generally remained constant, an increase in spending has led to the decline in the district's financial condition. From July 2008 through October 2009, the prior Board approved several large disbursements which appear to have contributed to the district's declining financial condition, including: administration building (\$512,000), ambulances (\$367,500) and attorney fees (\$335,479). In addition, from calendar year 2007 to 2009, salaries increased by \$965,286 or 28 percent.

District records were not complete. The district did not maintain adequate accounting records to determine book balances of the various funds until July 2010 and has not determined amounts due to/from various funds.

Sick Leave

The district allows employees to use sick leave in excess of sick leave balances. As of July 2010, three employees had negative sick leave balances. One employee had a negative balance of 610 hours, which equals approximately \$13,036. Per the Fire Chief, in January 2010, this employee entered into a verbal agreement with the Board to take unearned leave in the following months and then pay \$125 to the district each pay period to repay the unearned leave; however, as of July 2010, no payments have been deducted from her paycheck, nor have arrangements been made to withhold payments from her check. This agreement appears to be a loan from the district to the employee and as such could be in violation of the Missouri Constitution.

Disbursement Procedures

Board approval of disbursements is not documented and lists of bills approved for payment do not include electronic payments and payroll disbursements. Also, the Board does not account for the numerical sequence of checks listed for approval.

Follow-Up on Prior Audit Findings

The report includes follow up on actions taken by Northeast Ambulance and Fire Protection District on findings in the Management Advisory Report (MAR) of Report No. 2009-131, *Northeast Ambulance and Fire Protection District*, issued in November 2009, for the year ended June 30, 2008. Seventeen of our prior recommendations have not been implemented, fifteen have been implemented, and thirteen have been partially implemented.

All reports are available on our Web site: auditor.mo.gov

Northeast Ambulance and Fire Protection District

Table of Contents

State Auditor's Report	2
------------------------	---

Management Advisory Report - State Auditor's Findings	1. Financial Condition and Accounting Records.....	4
	2. Sick Leave	9
	3. Disbursement Procedures	10

Follow Up on Prior Audit Findings	1. Lack of Records	12
	2. Budgets and Financial Statements	13
	3. Accounting Records and Procedures	15
	4. Legal Services	18
	5. Disbursements.....	20
	6. Cellular Telephones	22
	7. Ambulance Fund.....	23
	8. Payroll Records and Procedures	24
	9. Website Designer/Special Projects Consultant	27
	10. Election Issues	28
	11. Ordinance No. 97.....	28
	12. Meeting Minutes.....	29
	13. Receipt Controls	30
	14. Capital Assets and Vehicle Usage.....	31
	15. Union Contract.....	33
Auditee's Overall Response to Follow-up Section		33

Organization and Statistical Information	35
---	----



SUSAN MONTEE, JD, CPA
Missouri State Auditor

To the Honorable Jeremiah W. (Jay) Nixon, Governor
and
Board of Directors
Northeast Ambulance and Fire Protection District
St. Louis, Missouri

This is a follow-up audit of Report No. 2009-131, *Northeast Ambulance and Fire Protection District*, issued in November 2009. That audit was requested by former Governor Matt Blunt under Section 26.060, RSMo. The district did not provide us with some information requested during the prior audit until after the audit was completed; therefore, additional work was necessary. The scope of this audit included, but was not necessarily limited to the 2 years ended June 30, 2010. The objectives of our audit were to:

1. Evaluate the financial condition of the district.
2. Evaluate the district's internal controls over certain significant management and financial functions.
3. Evaluate the district's compliance with certain legal provisions.
4. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.
5. Determine the extent to which recommendations included in our prior audit report were implemented.

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. Some financial records and supporting documentation requested were not provided to us. Because of this limitation on the scope of our audit, we could not audit those transactions or information related to the 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. We also 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.

Except as discussed in the second paragraph, 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 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 audit identified (1) the district is in poor financial condition, (2) deficiencies in internal controls, (3) noncompliance with legal provisions, (4) the need for improvement in management practices and procedures, and (5) 17 of our prior recommendations have not been implemented, 15 have been implemented, and 13 have been partially implemented. The accompanying Management Advisory Report and Follow-up on Prior Audit Findings present our findings arising from our audit of the district.



Susan Montee, JD, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CIA, CGFM
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Julie M. Moore, MBA
Audit Staff:	Jay Dowell, MBA

Northeast Ambulance and Fire Protection District

Management Advisory Report

State Auditor's Findings

1. Financial Condition and Accounting Records

The district's financial condition has rapidly declined in the past 2 years due to discretionary purchasing of various large items and significantly increased payroll costs. The district did not maintain adequate accounting records and has not determined amounts due to/from the various funds.

1.1 Financial condition

Cash balances declined approximately \$2.3 million (54 percent) from June 30, 2008, through June 30, 2010. The following table reflects the cash balances at June 30, 2010, 2009, and 2008, per district bank statements:

Account	June 30,		
	2010	2009	2008
General Operating	\$ 698,607	1,443,898	2,289,457
Ambulance	1,243,188	1,995,408	1,942,728
Pension	5,796	5,801	5,811
Dispatch	2,101	2,092	2,076
Total	\$ 1,949,693	3,447,199	4,240,072

While receipts have generally remained constant, an increase in spending has led to the decline in the district's financial condition. Disbursements have been greater than receipts due to several factors including the purchase and renovation of the administration building, the summer intern program, large purchases of equipment and professional services, and a significant increase in salaries. From July 2008 through October 2009, the prior Board approved the following large disbursements which appear to have contributed to the district's declining financial condition:

Description	Amount
Administration building (cost of building only)	\$ 512,000
Ambulances	367,500
Attorney fees *	335,479
Consultant fees *	76,949
Ambulance computer software and software maintenance	62,813
Election costs for bond issue	53,413
Building renovations	52,308
Accountant fees *	46,480
Summer Intern Program (salaries only)	33,737
Glidescopes	29,475
Architectural and interior design fees *	25,500
Total	\$ 1,595,654

* Fees from July 1, 2008, through October 20, 2009. Amounts were obtained from the district's check registers; however, not all check registers were provided by the district.



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

In addition, from calendar year 2007 to 2009, salaries increased by \$965,286, or 28 percent, based on district W2 forms. In May 2010, the Board restructured the district, reducing upper management from two assistant fire chiefs and five deputy fire chiefs to one assistant fire chief/deputy chief, to decrease payroll costs. Also, with the restructuring, the Board decreased salaries of district employees. The Board reduced salaries in the 2010 budget by approximately 32 percent compared to 2009 actual amounts. In addition, since January 2010, the Board has been working with the Fire Chief to reduce overtime costs. A comparison of overtime in January 2010 to May 2010, showed overtime had decreased approximately 70 percent, or \$30,800.

On October 20, 2009, the St. Louis Circuit Court ordered a temporary restraining order to freeze district bank accounts and required all invoices be approved by the court. On December 18, 2009, the court appointed a Special Master to enforce the temporary restraining order, oversee district funds, and report to the court "when he believes the district is able to act in a lawful manner." From October 20, 2009, through June 30, 2010, the district paid the following additional amounts related to the disbursements identified in the chart above: attorney fees (\$131,450), consultant fees (\$9,413), accountant fees (\$36,199), and building renovations (\$1,600).

It is essential the Board of Directors address the financial condition both in the immediate and long-term future. The declining financial condition of the district could put citizens at risk. To improve the financial condition of the district, the Board of Directors should continue to review disbursements and reduce spending as much as possible, evaluate controls and management practices to ensure efficient use of district resources, and attempt to maximize all sources of revenue.

1.2 Accounting records

District records were not complete. The district did not maintain adequate accounting records to determine book balances of the various funds until July 2010 and has not determined amounts due to/from various funds. The district could not locate checks registers for July 2009 through part of October 2009. Also, various sequences of check numbers were used and several electronic checkbooks maintained on various computers were not networked to each other.

Prior to July 2010, the district used estimated cash balances (based on bank balances) when preparing monthly reports and for financial decisions, instead of actual fund balances. The District began allocating property taxes received to the appropriate funds in January 2010; however, it has not transferred funds to properly allocate prior years taxes. The following property tax amounts are due to/(from) the Ambulance, Dispatch, and Pension Funds as of June 30, 2010:



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

Property taxes due from (to) the General Operating Fund	Amount
Ambulance Fund	\$ 1,688,085
Pension Fund	(66,877)
Dispatch Fund	62,643
Total	\$ 1,683,851

In addition, the district has not transferred ambulance fees totaling \$60,500 deposited in the General Operating Fund to the Ambulance Fund, or allocated a portion of the cost of the administration building to the General Operating Fund (see Follow-up finding number 3). Also, the district transferred \$750,000 on June 3, 2010, and \$1.1 million from July 30 through September 30, 2009, from the Ambulance Fund to the General Operating Fund. The Office Administrator indicated the transfers were necessary to support day to day operations and payroll due to the lack of monies in the General Operating Fund. As noted in our prior report, monies in the Ambulance Fund are restricted by law to be spent only on expenses of the ambulance service. However, some monies are due from the Ambulance Fund to the General Operating Fund for prior years disbursements. From July 2007 through December 2009, the district paid all ambulance expenses from the General Operating Fund. The amount of these disbursements is unknown. The district also transferred \$296,805 from the General Operating Fund to the Ambulance Fund on April 20, 2010.

In March 2010, the district hired an accounting firm to assist in preparing and monitoring financial records. In July 2010, the district generated a financial statement for the 3 months ended June 30, 2010, a Statement of Revenue and Expenditures for the 6 months ended June 30, 2010, and a trial balance and Statement of Cash Position as of June 30, 2010. The district did not reconstruct the financial records from prior years to determine accurate beginning fund balances, but simply started with reconciled cash balances and did not consider amounts due to/from other funds. Although the financial statements for the 6 months ended June 30, 2010, allocate tax revenues and disbursements for those 6 months to the proper funds, the district has not allocated tax revenue and disbursements from previous years. District officials indicated they plan to reconstruct the true beginning balances as time permits.

Complete and organized accounting records are necessary to provide accurate and timely financial information upon which effective management decisions can be made and the district's financial condition can be adequately monitored.



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Directors

- 1.1 Continue to closely monitor the financial condition of the district and take appropriate action to ensure the long-term stability of the district's financial condition.
- 1.2 Continue to develop accurate fund and account balances and ensure adequate accounting records continue to be maintained. In addition, the Board should determine the amounts due to and from various funds and transfer amounts as necessary.

Auditee's Response

The Board of Directors provided the following written responses:

- 1.1 *The District agrees with the recommendation to continue to closely monitor the financial condition of the district and take appropriate action to ensure the long-term stability of the District.*

The Board of Directors acknowledges that the financial condition of the District deteriorated significantly subsequent to June 30, 2007 through December 31, 2009. The Board also acknowledges that the financial records and budget information was insufficient and incomplete (As discussed in MAR 1.2). As a result, one of the first objectives of the new Board of Directors was to develop a fiscally sound budget. An outside CPA firm was hired to assist with this project. Several measures were taken to reduce salary expenses and other costs (as the State Auditor has acknowledged in this finding). The District made projections of cash balances for the remainder of 2010 and for 2011 based on these budgets.

The Board has made accurate financial reporting a priority. Emphasis has been placed on current operating results. Bank reconciliations and other account reconciliations are being performed in 2010 (See Auditee's response to MAR 1.2). As a result, the Board is able to monitor actual operating results against the budget. Cash disbursements are being reviewed and pre-approved by the Board and internal controls, policies, and procedures are being documented and implemented to address noted weaknesses in the District's internal controls.

The new Board understands the financial condition has deteriorated over the last few years, but is taking the steps to effectively address and monitor the situation in 2010 and going forward, and will continue to closely monitor the situation and seek improvement as recommended.

- 1.2 *The District agrees with the State Auditor's recommendation that the District continues to develop accurate fund and account*



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

balances and ensure adequate accounting records be maintained. The Board's priority, given the urgency of the District's financial condition as discussed in MAR 1.1, is to focus on 2010 first to make sure that budgets have been prepared, internal controls, policies, and procedures are developed, implemented, and documented, and that 2010 financial results are accurate and effectively monitored against the budget. A cost analysis between General Operating and Ambulance has been done based on 2010 operating results, and allocations of expenses to the Ambulance Fund have been recorded accordingly during 2010.

The Board has also made it a priority to implement the recommendations of the State Auditor in its report issued in November, 2009, as well as the findings noted by the auditor during the audit of the financial statements for the year ended June 30, 2007 (most of which had not been implemented before 2010). General ledgers are being maintained by fund and 2010 activity is being recorded, including allocations by fund, and bank reconciliations and other account reconciliations are being performed. If findings have not yet been fully implemented, they are either in process, procedures have recently been proposed to address, or in some situations, have been temporarily tabled because they relate to correcting the financial records prior to 2010, and more urgent findings have been given priority.

The District agrees with the State Auditor's findings regarding the amounts due to/(from) the Ambulance, Dispatch, and Pension Funds by the General Operating Fund at June 30, 2010.

Tax levy receipts, payroll, and disbursements received or paid on behalf of the Ambulance, Dispatch, and Pension Funds by the General Operating Fund were not allocated to the appropriate fund prior to 2010. The State Auditor has quantified the property taxes owed each fund from years prior to 2010 and identified cash transfers made prior to 2010 that have not yet been properly reflected on the net assets of each fund. As observed by the State Auditor in this finding, the District needs to allocate a fair portion of the administration building cost to the General Operating Fund, and the District needs to go back in its records and quantify the amounts paid by the General Operating Fund for payroll and other expenses of the Ambulance Fund for the period July 1, 2007 through December 31, 2009. The amounts paid by the General Operating Fund on behalf of the Ambulance Fund over this 2.5 year period is significant and could be as much as \$3,000,000 or more. The District intends to go back and clarify these amounts prior to 2010, but priority has been placed on current operations, records, and procedures.



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

Once these amounts are clarified, any balances due to the Ambulance Fund by the General Operating Fund will be repaid, either upon determination of such amount, or over a reasonable period of time. The District believes the General Fund is now current with the amounts due the Dispatch Fund. The balance due to the General Operating Fund from the Pension Fund will be repaid with tax levy revenue due the Pension Fund as it is received, and such balance will be repaid in full before December 31, 2010.

As the District intends to obtain an audit of the balance sheet as of December 31, 2010, these prior fund balances will be corrected by the District in advance of such audit. After these allocations have been made, the District will determine what amounts are due to the Ambulance Fund, if any, and repay accordingly. The District believes it is now current with amounts due to the Dispatch Company. With respect to the overpayment by the district to the Pension Plan, the District investigated and concluded the most practical approach is to offset this balance against future tax receipts. Steps are being put in place to make sure they remain current going forward.

2. Sick Leave

The district allows employees to use sick leave in excess of sick leave balances. In January 2010, the district began maintaining sick leave records for all district employees. Per the Fire Chief, the district reviewed all prior records that could be located to determine beginning sick leave balances as of January 1.

As of July 2010, three employees had negative sick leave balances. One employee had a negative balance of 610 hours, which equals approximately \$13,036. This employee took sick leave from January 27 through April 3, 2010, vacation leave from April 8 through April 12, 2010, and returned to work on April 19, 2010. The district then placed her on paid administrative leave from April 28 through May 5, 2010. Per the Fire Chief, in January 2010, this employee entered into a verbal agreement with the Board to take unearned leave in the following months and then pay \$125 to the district each pay period to repay the unearned leave; however, as of July 2010, no payments have been deducted from her paycheck, nor have arrangements been made to withhold payments from her check. This agreement appears to be a loan from the district to the employee and as such could be in violation of the Missouri Constitution.

Per a Board Director, this agreement was discussed in closed session, but since a formal vote was not taken, the agreement was not documented in meeting minutes. The Board Director was not aware of the other two employees with negative sick leave balances of 216 and 202 hours.



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

To ensure employees are treated equitably, employees should not be allowed to use leave that has not been earned. In addition, Article VI, Section 23, of the Missouri Constitution prohibits any political subdivision of the state from granting or lending monies to an individual.

Recommendation

The Board of Directors ensure sick leave is available to employees only when earned. In addition, the Board should consult legal counsel regarding this issue.

Auditee's Response

The Board of Directors provided the following written response:

The Board agrees with the State Auditor's recommendation. The District is currently working on a sick leave policy that will, among other things, ensure sick leave is available to employees only when earned. Legal counsel has and will continue to be consulted regarding this issue.

3. Disbursement Procedures

Board approval of disbursements is not documented, and lists of bills approved for payment do not include electronic payments (i.e. credit card, telephone, insurance and pension payments) and payroll disbursements. In addition, the Board does not account for the numerical sequence of checks listed for approval. Meeting minutes generally indicate bills were approved for payment; however, the lists of bills approved by the Board for payment are not signed or initialed by Board Directors or retained with official meeting minutes. Three check numbers were missing from the check sequence on the May 2010 list. Also, an electronic payment of \$2,273 on the district's credit card was made on July 22, 2010; however, this payment was not included on the list of bills approved by the Board for payment. The Fire District Analyst indicated he does not seek Board approval for electronic payments. During May through July 2010, electronic payments totaled approximately \$32,000.

To ensure all payments are properly approved, the Board should account for the numerical sequence of check numbers on the list of bills, follow up on any missing check numbers, and require all electronic payments and payroll disbursements be included on the list. The list should be signed by the Board to document its approval.

Recommendation

The Board of Directors ensure detailed and complete lists of bills are prepared, document its approval for payment on the list, and require the signed copy of the list be retained as part of meeting minutes. In addition, the Board should account for the numerical sequence of check numbers on the lists and consider requesting copies of bank statements to ensure all electronic disbursements are approved.



Northeast Ambulance and Fire Protection District
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Board of Directors provided the following written response:

The District agrees with the State Auditor's recommendation. Policies and procedures have been developed to address the issues around completeness of disbursements approved by the Board and documentation of such approval, as recommended by the State Auditor. These policies and procedures will be implemented immediately.

Northeast Ambulance and Fire Protection District

Follow-Up On Prior Audit Findings

This section follows up on actions taken by Northeast Ambulance and Fire Protection District on findings in the Management Advisory Report (MAR) of Report No. 2009-131, *Northeast Ambulance and Fire Protection District*, issued in November 2009, for the year ended June 30, 2008. We obtained written responses to those findings from the current Board of Directors on June 17, 2010, and have included those responses below. Our recommendations remain as stated, and the Board should consider implementing any unimplemented recommendations.

1. Lack of Records

- A. From December 2008 through March 2009, records were requested, at least weekly, in writing from the Office Manager and/or the CPA working at the district and appointed as the audit contact, but the records were not provided. In June 2009, we issued a subpoena requesting the same records and still no records were produced.
- B. Supporting documentation was insufficient for some disbursements and district personnel indicated some invoices could not be located.
- C. District personnel indicated some payroll registers could not be located.

Recommendations

The Board of Directors:

- A. Comply with requests for records.
- B&
- C. Ensure adequate supporting documentation is submitted and retained for all disbursements.

Auditee's Response

The NEFPD understands that retention of payroll registers is necessary for compliance with the Fair Labor Standards Act of 1938 (FLSA), among other things. The Board has made, and will continue to make, every effort to maintain compliance with all federal, state, and local regulations in this regard. The Board currently considers itself to be in compliance with this recommendation.

Status

- A. The district provided us with some of the records previously requested and furnished us with a letter indicating the rest of the records could not be located. Some additional records requested during the current audit also could not be located. For example, some check registers from July through October 2009, could not be located.
- B&
- C. Partially implemented. Some invoices, supporting documentation, and payroll registers were located and provided. However, some of the supporting documentation was not adequate. In 2009, two checks



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

payable to cash, totaling \$1,500, did not have supporting documentation to show what was purchased and several attorney and consultant invoices did not adequately document the work performed.

2. Budgets and Financial Statements

- A. The district's budget did not comply with state law. Not all required information was included in some funds, and budgets were not prepared for some funds. In addition, the Board's approval of the budget was not adequately documented, and amounts for the current year reflected on the budget and presented on the district's website were inaccurate.
- B. The district did not submit a biannual audit report to the State Auditor's office.
- C. During our review of the district's unaudited financial statements, we noted transfers in and out were not equal between funds, an adjustment on the financial statements was not posted to the trial balance, and due to/from categories did not agree.
- D. The district's audit report for the 18 months ended June 30, 2007, contained 25 audit findings and corresponding recommendations, some of which were significant. The district hired a CPA firm to train the Office Manager on how to implement some of the recommendations; however, we saw very little improvement.

Recommendations

The Board of Directors:

- A. Ensure annual budgets comply with state law and the Board's approval is documented. In addition, the Board should prepare a budget for each fund, ensure amounts are accurate, and obtain and review accurate monthly budget to actual reports.
- B. Ensure an audit is obtained and filed with the State Auditor's office as required by state law.
- C. Establish review procedures to ensure financial statements present accurate and complete financial information prior to Board approval.
- D. Ensure audit recommendations included in the CPA's audit report are implemented.

Auditee's Response

The Board understands that procedures related to the allocation of property taxes and fund accounting could benefit from some improvements. Assigning certain staff members to focus on this task was the first and best improvement implemented by the Board in response to this finding. A Treasurer's monthly report now includes budget amounts and properly reflects all bank accounts.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

The Board also understands that section 67.010, RSMo, sets specific guidelines for the format of an annual operating budget and that section 67.080, RSMo, requires the Board to adopt and approve budgets prior to the beginning of the applicable fiscal year and that no disbursements of public monies shall be made unless authorized in the budget. Bids for professional accounting services were posted in response to this finding as well. An accounting firm was subsequently retained thereunto. Certified accountants are currently assisting the Board in developing fiscal controls, budgetary constraints, long-term strategic plans as well as other processes that improve the accountability, flow, and management of the Board's funds. A complete budget was adopted by the Board in April 2010 that addressed many of the Board's shortcomings in this area.

Moreover, the Board understands that section 321.690.2(1), RSMo, states that fire districts "shall cause an audit to be performed biennially." Each such audit shall cover the period of the two previous fiscal years. In addition, a copy of the audit report is required to be filed with the State Auditor's office within 6 months after the end of the fiscal year. The Board is in the process of preparing for the submission of a biannual audit report to the State Auditor's office in compliance with state law. Circumstances beyond the current Board's control frustrated the Board's ability to submit an audit for the fiscal year ending June 30, 2009 and therefore failed to meet the Auditor's expectations in this regard. However, the current Board's failure was not intentional, purposeful, or defiant to state law. Efforts are underway to achieve a mutually agreed upon resolution to satisfy the Auditors' finding in this regard.

Status

- A. Partially implemented. The Board approved a budget for each fund on April 5, 2010, for the year ended December 31, 2010, although the district's fiscal year end is June 30. The 2010 budget does not include the prior 2 years receipts and disbursements or a budget summary as required by statute. In addition, the 2010 budget did not reflect balances per fund. The Board does receive a monthly budget to actual summary report each month.
- B. Not implemented. The district has not obtained a financial audit since the audit for the 18 months ended June 30, 2007.
- C. Partially implemented. In July 2010, the district prepared financial statements for the 3 months ended June 30, 2010; however, as noted in MAR 1, this financial statement did not reflect past amounts due to/from other funds.
- D. Partially implemented. As of July 21, 2010, nine recommendations were implemented and the district was working on implementation of three



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

more; however, no progress had been made on the remaining recommendations.

3. Accounting Records and Procedures

- A. The district did not properly maintain a general ledger system or records of the various funds as required by state law. Ten bank accounts were maintained.
- B. Property taxes received were not allocated to the applicable funds or disbursed to the proper entities on a timely basis.
- As of May 30, 2009, the General Operating Fund owed the Dispatch Fund approximately \$79,700, all of which was due to the dispatch services company. Although approximately \$201,000 was received in dispatch taxes, the district disbursed only \$165,000, and could not provide documentation to show how amounts paid to the dispatch services company were determined or what time period each payment covered.
 - As of May 30, 2009, the General Operating Fund owed the Pension Fund approximately \$478,500, all of which was due to the firefighters' pension plan. The district disbursed approximately \$95,300 to the pension plan in February 2008; however, the district could not provide documentation showing how the amount was calculated or what time period it actually covered.
 - From July 2007 through May 2009, no property tax monies were allocated to the Ambulance Fund or paid to the Ambulance Account; however, approximately \$1,215,600 was received. The audit report for the 18 months ended June 30, 2007, indicated the General Operating Fund owed the Ambulance Fund \$170,906. Some disbursements from the General Operating Fund were classified as Ambulance expenses. The district's records were not adequate to determine the amount due to the Ambulance Fund as of May 30, 2009.
 - The district earned interest on tax receipts and on the General Operating investment accounts (which held property taxes), but no interest was allocated to the restricted funds.
- C. Ambulance user fees were normally deposited to the Ambulance Fund; however, approximately \$60,500 was deposited to the General Operating Fund during the year ended December 31, 2008.
- D. The cost of the new administration building was not properly allocated between the General Operating Fund (fire services) and the Ambulance Fund. In November 2008, the district purchased a building for



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

approximately \$512,600 with Ambulance Fund monies to house management and administrative staff and hold Board meetings.

- E. The Treasurer's report did not properly reflect all district transactions for the month. It did not include cash balances or budget amounts.
- F. The Office Manager did not backup financial and other computerized data. In addition, the district did not have restoration procedures in place to ensure its accounting system was quickly restored and working after a disaster or computer failure.

Recommendations

The Board of Directors:

- A. Ensure a general ledger system is established which maintains records of various funds required by state law.
- B. Ensure property taxes, interest income, and disbursements are allocated to the proper funds, and taxes are disbursed to the dispatch services company and the pension plan timely and for the proper amount. In addition, the Board should transfer amounts due from prior years to the appropriate funds.
- C. Ensure all ambulance fees are deposited to the Ambulance Account and used only for the expenses of the ambulance service.
- D. Perform a cost analysis to determine the allocation of the cost of the administration building between the Ambulance and General Operating Funds, and ensure the portion allocated to the General Operating Fund is repaid to the Ambulance Fund.
- E. Require monthly reports include beginning and ending cash balances, and complete and accurate monthly and yearly receipts and disbursements amounts for each district fund. In addition, monthly reports should be reviewed by the Board and maintained with meeting minutes.
- F. Establish appropriate backup and restoration procedures.

Auditee's Response

A general ledger system has been established to comply with the aforementioned recommendations. The Board is ensuring that funds are used properly and receipts and disbursements are recorded or allocated to the proper fund. The Board understands that sections 321.225, 321.610, and 321.243, RSMo, require the Ambulance, Pension, and Dispatch funds, respectively, to be exclusively used for the purpose to which the tax levy was approved by the Board's citizens. In addition, the Board understands that these sections require the funds be kept separate and apart from all



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

other funds of the Board. NOTE that the Board receives property taxes from St. Louis County each month for four separate tax levies: general, ambulance, dispatch, and pension. THE MONIES ARE TRANSFERRED AS ONE LUMP SUM PAYMENT AND AUTOMATICALLY DEPOSITED INTO THE GENERAL OPERATING ACCOUNT. The Board does not control the deposit of the monies. It is transferred automatically by St. Louis County via wire transfer. However, the Board will endeavor to segregate those funds as soon as practical in accordance with state law as well as the recommendation of the Auditors.

Lastly, the Board has recently retained professional internet-technology (I.T.) services that will assist the Office Manager and others with preparing backups of financial and other data to prevent loss of information and ensure all essential information and computer systems can be recovered following a disaster or computer failure. Restoration procedures will be in place to ensure the Board's accounting system is quickly restored and working after a disaster or computer failure. Backing up data files and systems is critical for system recovery and continuity of operations. The Board is confident that the new I.T. services will greatly assist in this regard. The Board is therefore complying or making earnest efforts to comply in this area.

Status

- A. Implemented. On March 4, 2010, the district hired an accounting firm to assist in establishing a general ledger and accounting system, which was fully implemented in July 2010. However, the district has not reconstructed records for the previous 18 months (see MAR finding number 1).
- B. Partially implemented. In 2010, property taxes were allocated; however, the district has not allocated property taxes to the Ambulance Fund for the 18 months ended December 31, 2009 (see MAR finding number 1).
- C. Partially implemented. All ambulance fees were deposited to the Ambulance Fund from January 2009 through June 2010; however, monies were transferred from the Ambulance Fund to the General Operating Fund without adequate documentation. In addition, the \$60,500 was not reimbursed from the General Operating Fund to the Ambulance Fund (see MAR finding number 1).
- D. Not implemented. A cost analysis has not been performed to determine the allocation of the cost of the administration building, nor has a portion of the cost been paid to the Ambulance Fund from the General Operating Fund.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

- E. Implemented. The June 2010 Treasurer's report included budget and actual revenues and expenditures in total for all funds, and cash balances as of June 30, 2010, by fund by account.
- F. Implemented. The district has established an offsite internet based electronic storage system for the accounting data.

4. Legal Services

- A. The district contracted for legal services in April and September 2007, and again in May 2009, when the contract was renegotiated, without soliciting proposals.
- B. Payments for contracted legal services appeared excessive. In addition, the district did not provide documentation that a cost analysis had been performed to determine if it would be more cost effective to employ its own legal counsel rather than contracting for legal services.
- C. Portions of the district's new contract for legal and lobbying services did not appear to comply with Missouri law.
- D. The district paid some invoices, which were clearly billed by the vendor to the district's legal counsel, without documentation showing why the district would be responsible for the expenses.

Recommendations

The Board of Directors:

- A. Ensure professional services are obtained through a competitive selection process and documentation of the process is maintained.
- B. Ensure current procedures for procurement of legal services are the most economical for the district.
- C. Terminate the current legal services contract and establish a contract that complies with state law.
- D. Ensure supporting documentation clearly shows disbursements are for district business.

Auditee's Response

It should be noted that the Board has retained new legal officers since receiving the Auditors' findings and recommendations. Many of the observations therefore reflect inapplicable comparisons to those officers currently serving in these roles. The Board understands that public funds should be spent only on items which are necessary and beneficial to the Board. The Board currently requires adequate documentation to ensure disbursements are for District business only. Invoices for attorney's fees are closely monitored and reviewed by the Board. Provisions of the



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

contract that are inconsistent with the law have not been enforced and have been declared void.

Lastly, Chapter 321 does not require legal services to undergo competitive bidding processes. In fact, section 321.220(9), expressly exempts professional services, such as legal services, for bidding requirements. The Board is therefore currently complying with the Auditors' recommendation in this regard to the full extent of the law.

Status

- A. Not implemented. The district obtained new legal officers in December 2009, without soliciting proposals. Section 321.220(9), RSMo, does not expressly exempt or require bidding of professional services and our prior report indicated such services may not be subject to standard bidding procedures. However, it is good business practice to periodically solicit proposals and select the best proposal for such services.
- B. Not implemented. No documentation was provided to show the district reviewed legal costs to determine the most economical procedures for the district. From March 2009 through November 2009, the district paid \$188,386 to the former legal officers. In December 2009, the district hired a new legal officer and a special legal counsel with annual retainers of \$60,000 and \$12,000 per year, respectively. The annual retainer appears to cover all legal services except litigation. For litigation, the legal officer and special legal counsel receive \$225 and \$200 per hour, respectively, in addition to the monthly retainer. From December 2009 through June 2010, the district paid a total of approximately \$78,800 to the new legal officers. The Board President indicated the district's attorney has waived the retainer fee and simply charges per hour worked.
- C. Not implemented. The district terminated the prior legal service contracts in November 2009; however, in December 2009, the district retained a new legal officer and a new special legal counsel with contracts that included the same termination clauses as the prior contracts. The new contracts require the district to pay the remaining balances of the annual retainers through the end of the contract, April 30, 2011, if the district terminates the contracts for any reason other than those stated in the contracts. The contracts also require the district to pay the remainder of the monthly retainer for the month terminated. The new legal officer's contract requires an additional \$5,000 as compensation for severance if the district terminates the contract for reasons stated in the contract.
- D. No similar instances were noted during this audit.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

5. Disbursements

- A. Bids were either not solicited or not properly documented for some purchases.
- B. Some disbursements did not appear to be prudent and necessary uses of public funds.
- C. Invoices were typically not marked paid or otherwise cancelled. In addition, the acknowledgement of receipt of goods or services by the receiving party was not indicated on invoices prior to approval of the disbursement.
- D. The district did not prepare Internal Revenue Service (IRS) Forms 1099 Miscellaneous for payments for services.
- E. The district did not enter into contracts for some services, update some contracts, and maintain copies of some contracts.
- F. The district did not have a formal policy regarding credit card usage and documentation.
- G. The district did not have a travel policy to address the amount to be reimbursed for meals.
- H. The Board had not established a conflict of interest policy.

Recommendations

The Board of Directors:

- A. Perform a competitive procurement process for all major purchases and maintain documentation of proposals received to support decisions made.
- B. Ensure disbursements are necessary and prudent uses of public funds.
- C. Ensure invoices are properly canceled and require all invoices be initialed or signed by a district employee to indicate acceptance of goods or services prior to payment.
- D. Ensure payments totaling greater than \$600 to non employees and unincorporated businesses are properly reported to the IRS. The district should file amended Forms 1099 for past years.
- E. Enter into written agreements for all services and update all contracts. In addition, the Board should ensure copies are maintained of all contracts.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

- F. Adopt formal policies and procedures for credit card usage and ensure adequate support is maintained for all disbursements.
- G. Adopt formal policies and procedures related to travel.
- H. Establish a conflict of interest policy requiring disclosures be filed with the Ethics Commission and the district to solicit proposals and document the selection process if a potential conflict exists.

Auditee's Response

The Board understands and currently adheres to the competitive bidding process as required by section 321.220, RSMo. On May 1, 2010, the Board adopted a Standard Operating Procedure that identified Fire Department Supply Officers (Fire Marshal and Battalion Chief) to handle all requests for supplies, which in turn are given to the Fire Chief for final approval. When goods are received, the Supply Officers would sign the invoice after checking and confirming the condition of the goods received. All other recommendations in this regard have been implemented and/or are currently under consideration.

Status

- A. Implemented. We did not note any problems with bidding for disbursements reviewed under the new Board; however, a special master was appointed by the court to oversee the new Board.
- B. No significant instances of purchases which appeared to be unnecessary uses of public funds were noted.
- C. Implemented. The Fire Chief now reviews and approves all purchases prior to payment. In addition, the supervisor on duty at the fire house also reviews all purchases and documents on the packing slip that the district received the items.
- D. Not implemented. The district did not file amended Forms 1099 for prior years and the district did not prepare Forms 1099 for the following payments in 2009 for some services reviewed:

Type of Service	Amount
Legal services	\$ 10,688
Legal services	6,500
Electrical contractor	2,911
Snow removal	2,200
Contractor (remodeling)	2,190
Security guard	2,700
Security guard	1,200
Security guard	800
Security guard	700



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

- E. Partially implemented. The district has not updated its contract with the ambulance fees billing and collections company. The ambulance fees billing and collections company provided us with a letter dated October 2000, indicating it was raising the rates from 7.5 percent to 8 percent. Based on the contract between the district and the collections company, a document must be signed by both parties for it to be deemed an amendment to the contract. This letter was not signed by the district and would not be deemed as an amendment to the contract, even though the collections company has been billing the district at the higher rate.
- F. Implemented. The district approved a credit card policy in February 2010, requiring employees to submit original receipt slips for credit card purchases and invoices be maintained as supporting documentation.
- G. Not implemented. The district has not established a travel policy. No reimbursements for travel were noted.
- H. Not implemented. The district has not established a conflict of interest policy. No apparent conflicts of interest were noted.

6. Cellular Telephones

- A. The district did not have a cellular telephone policy and provided cellular telephones to the Directors, Fire Chief, Assistant Chief, Chief Deputies, and Chief Medical Officer. The district allowed employees to use district provided telephones for personal use, requiring such calls be kept to a reasonable minimum; however, the Office Manager indicated cellular telephone bills were not reviewed.
- B. The district did not follow IRS regulations regarding personal use of cellular telephones.

Recommendations

The Board of Directors:

- A. Develop a cellular telephone policy, including an assessment of which employees need a cellular telephone and procedures to monitor use, and periodically review cellular telephone plans to ensure the plans best fit usage. In addition, the Board should require cellular telephone bills be reviewed to ensure personal use is kept to a minimum.
- B. Report the personal usage of cellular telephones as wages on employee W-2 forms. The district should file amended W-2 forms for past years.

Auditee's Response

The Board is in the process of developing a written policy regarding cellular telephone use and guidelines to determine whether cellular telephones are needed, how many are needed, or if they benefit the Board.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

The Board has already reduced the number of cellular lines from 31 to 8 as of May 1, 2010. In addition, the Board endeavors to follow IRS regulations regarding personal use of cellular telephones. Effective procedures are being established by the Board to properly monitor cellular telephone use. The Board will endeavor to periodically evaluate the cost, cellular telephone plans (to determine which plan best fits the employee needs), and distribution of cellular telephones to employees to ensure all telephones are needed and are of benefit to the District.

Status

Partially implemented. The district is in the process of developing a cellular telephone policy. There have been reductions in cellular telephone usage and personal use, and bills are reviewed by the Fire Chief.

7. Ambulance Fund

- A. There was no documentation to support the Board's decision or its justification to raise the mileage rate charged for ambulance calls from \$5.25 per mile to \$7.25 per mile in April 2008.
- B. Some citizens were billed for ambulance fees not covered by insurance, Medicare, or Medicaid, while others were not.

Recommendations

The Board of Directors:

- A. Perform and document formal reviews of ambulance rates periodically to ensure receipts are sufficient to cover all costs of providing these services and to support any rate increases.
- B. Establish procedures to ensure district citizens are billed consistently for ambulance services.

Auditee's Response

The Board established Ambulance fees by vote and affirmation before the current administration took charge. Members of the current administration along with support staff met with Proclaims, Inc. (the Board's third-party billing agency) to discuss strategies and ideas to improve billing. The Auditor's recommendations have been incorporated into these discussions. Implementation of these recommendations are underway.

Status

- A. Not implemented. The district has not performed a cost analysis to ensure property taxes and fees cover only the costs of operating the ambulance.
- B. Not implemented. Per discussion with the Fire Chief, she was not aware of this ordinance, but plans on looking into this further. A Board Director indicated the Board has discussed this issue and determined it will either have to enter into a new contract with the third party ambulance service or repeal the ordinance.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

8. Payroll Records and Procedures

- A. The Board of Directors did not approve payroll disbursements.
- B. Some payroll disbursements were not properly supported by time sheets prepared and signed by employees or reviewed and approved by supervisors. Salaried employees (Fire Chief, Assistant Fire Chief, Chief Deputies, Chief Medical Officer) and administrative staff did not prepare time sheets.
- C. Records were not maintained of sick leave balances per employee. Unused sick leave balances were not always paid to employees leaving employment.
- D. Payroll deductions were not disbursed timely, and were not withheld or disbursed in the proper amount.
- E. The Board paid additional compensation or bonuses to employees totaling \$51,000 (\$1,500 per employee) and \$34,000 (\$1,000 per employee) in December 2008 and 2007, respectively.
- F. Complete personnel files were not maintained for each employee.
- G. The cost of performing office functions increased from approximately \$15,600 during the year ended June 30, 2007, to \$85,520 during the year ended June 30, 2009, excluding overtime costs, in addition to the costs of hiring a CPA firm to help with accounting functions.
- H. The district's personnel policy manual did not address administrative employees. The district did not have formal procedures for hiring and dismissing employees or regarding the years of service credited to a new employee for previous experience as a firefighter. The district did not have a policy regarding the personal use of district equipment.
- I. The district did not have a written policy regarding training, nor was it in compliance with IRS guidelines regarding job-related education.

Recommendations

The Board of Directors:

- A. Review and approve all payroll registers prior to disbursement of payroll.
- B. Require employees to prepare and submit time sheets, which are signed by the employee, approved and signed by the applicable supervisor, and filed with the Office Manager.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

- C. Ensure up to date sick leave records are maintained. In addition, the Board should ensure employees are paid for unused sick leave upon separation from service in accordance with district policy.
- D. Ensure all payroll withholdings are disbursed to the appropriate party in a timely manner. In addition, the Board should ensure payroll deductions are withheld from employee checks timely and calculated correctly.
- E. Discontinue the practice of paying employee bonuses.
- F. Require complete personnel files be maintained for all district employees.
- G. Review increasing administration costs to ensure the current procedures are the most economical for the district.
- H. Develop personnel policies regarding administrative employees, hiring and dismissing employees, years of service, and the personal use of district property.
- I. Establish a training policy that includes when the district will pay for training, which employees are eligible for training, what type of training employees are eligible to attend, and what type of training is considered taxable compensation.

Auditee's Response

The Board has adopted a process by which the payroll register is reviewed and approved prior to disbursements. Payroll disbursements are properly supported by time sheets. Other payroll recommendations are underway.

An approval process for overtime has been implemented. For example, an officer must obtain approval from the fire chief prior to calling in overtime. Schedule verification sheets are now signed by the shift officer, office manager and fire chief. Leave (such as sick, vacation and overtime) are documented on the schedule verification sheets. For the month of April 2010, the verification sheets were checked against the fire department records and kept on the firehouse computers for accuracy. Sick and vacation times will be reflected in a journal as well as on the employee's payroll stub. On January 1, 2010, the Board established a maximum of 950 hours of sick time will accrue for all fire department personnel. Logs are being maintained to monitor usage of sick time.

Lastly, employee contributions worksheet are currently being sent to Jim Fontenot (Daily Access) and pension payments are sent the Tuesday after payroll. All other recommendations are currently under consideration.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

Status

- A. Partially implemented. While the district has implemented a payroll review system, this review is prior to the information being entered in the payroll system. There was no documentation of the Board's review of payroll registers. During our review of the district's payroll system and review process, two errors were noted that were not detected by the district during its review. In May 2010, the Human Resource Specialist/Administrative Assistant's pay rate was decreased from \$29 per hour to \$19.25 per hour (see Status 8G). On the June 18, 2010, and July 2, 2010, pay periods, the Human Resources Specialist/Administrative Assistant's pay rate was increased from \$19.25 to \$30.50 per hour. During these pay periods the employee also incurred overtime, and her overtime rate increased from \$28.87 to \$45.75 per hour. This increased her gross paycheck by \$1,237 per pay period for a total overpayment of \$2,475. After the July 2, 2010, pay period her pay rate was reduced to the correct rate. When we brought this to the Fire Chief's attention, she indicated she was unaware of the pay increase for these two pay periods, and after discussion with the Fire District Analyst, stated this was an error. The Fire Chief indicated the decrease in the employee's rate must not have been saved to the payroll system.
- B. Partially implemented. The Fire Chief and supervisors review and approve payroll verification sheets, which are summaries of employee hours per shift; however, the office staff and salaried employees are not required to prepare time sheets nor are they included on the verification sheets.
- C. Partially implemented. The district began maintaining sick leave records in January 2010; however, employees are not paid for unused sick leave in accordance with district policy. A Board Director indicated the Board plans to change the policy to no longer include payment of sick leave upon termination.
- D. Not implemented. District personnel indicated they now disburse payroll deductions the Tuesday after payroll; however, no employee pension withholding payments were made between July 2 and August 24, 2010.
- E. Implemented. No bonuses were noted during our current audit.
- F. Implemented. The district now maintains complete personnel files.
- G. Not implemented. The district terminated the administrative assistant position in February 2010, and reclassified the Office Administrator position to Human Resources Specialist/Administrative Assistant. The Human Resources Specialist/Administrative Assistant attends board



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

meetings, prepares meeting minutes, and performs other duties as assigned. The salary for this position was reduced from \$29 per hour to \$19.25 per hour in May 2010. A Fire District Analyst/Administrative position, established in January 2010, handles all accounting duties and is paid a salary of \$60,000 per year. The total yearly administrative costs increased from \$85,520 for the year ended June 30, 2009, to approximately \$119,800 for the year ended June 30, 2010, (excluding the costs of the accounting firms the district hired to help with the accounting records).

H. Not implemented. The policy manual has not been updated.

I. Not implemented. A policy has not been implemented.

9. Website Designer/ Special Projects Consultant

A. The district contracted for website design and maintenance in April 2007, to provide, build, and maintain a website for the district, without soliciting proposals. In addition, the district hired the same individual as the special project consultant in March 2008, without soliciting proposals.

B. Disbursements for website design and maintenance did not appear to be necessary uses of public funds and some appeared excessive.

C. Supporting documentation for computer services and consulting disbursements were insufficient.

Recommendations

The Board of Directors:

A. Ensure professional services are obtained through a competitive selection process and documentation of the process is maintained.

B. Ensure disbursements are necessary.

C. Ensure adequate supporting documentation is submitted and retained for all disbursements.

Auditee's Response

The District no longer employs Website Designers or Special Projects Consultants. There are no plans in the future to engage such employment. Should the Board's position change, the Auditor's recommendations will be fully implemented.

Status

A. The district did not employ any additional services of this kind.

B. The district no longer has a Website Designer or Special Projects Consultant. However, upon reviewing additional supporting documentation for payments made to the Website Designer/Special



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

Projects Consultant, we saw several invoices paid to the consultant for the delivery of water at varying rates from \$48 to \$120, the delivery and pick up of documents at a local fire house for \$80, and reimbursements for lists of registered voters purchased from Election Boards for \$100 and \$80. The supporting documentation provided did not provide enough evidence to ensure the obligations had actually been incurred by the district and represented appropriate uses of district funds.

- C. Not implemented. The district was not able to locate invoices from 2008, totaling \$8,218, for this service. In addition, some invoices did not provide adequate detail to determine the project performed for the hours charged, or the final report/product of the project could not be located. For example, in 2009, the district paid approximately \$52,700 to a consultant for a Land Acquisition Manual and a pension project; however, the manual could not be located and current officials were not familiar with the pension project.

10. Election Issues

- A. Prior to the April 2009 election, it appeared the district used equipment and personnel to promote a bond issue and a candidate for the Board.
- B. The Board placed a \$10.3 million bond issue on the ballot for four consecutive elections, at continued cost to the citizens, although it continued to be defeated. The total cost over the 2 year period was \$53,413.

Recommendations

The Board of Directors:

- A. Cease spending district funds to advocate, support, or oppose any ballot measure or candidate for public office.
- B. Consider the costs of continuing to place the bond issue on the ballot.

Auditee's Response

The Board understands that section 115.646, RSMo, provides that public funds should not be used to advocate, support, or oppose any ballot measure or candidate for public office. The Board intends to strictly comply with this law.

Status

Implemented. The district has not placed the bond issue on the ballot since April 2009. In addition, we did not observe any disbursements related to elections during this audit.

11. Ordinance No. 97

District Ordinance No. 97, which authorized the Board of Directors to fine and ban individuals from future meetings for contempt, disorderly



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

conduct, peace disturbance, and trespassing, did not appear to comply with state law.

Recommendation

The Board of Directors repeal Ordinance No. 97. In addition, the Board should ensure all ordinances comply with state law.

Auditee's Response

The Board has repealed Ordinance No. 97 as recommended. Ordinance No. 100 and 101 were also repealed in the same action. The Board will ensure that all Ordinances comply with state law henceforth.

Status

Implemented. The Board repealed Ordinance No. 97 on April 20, 2010.

12. Meeting Minutes

Reasons for closing meetings were not specifically indicated in open meeting minutes or notices posted of closed meetings. Minutes for closed sessions were not prepared. In addition, some open meeting minutes did not include sufficient detail of matters discussed.

Recommendation

The Board of Directors ensure specific reasons for closing meetings are documented in the open meeting minutes as required by state law and court order and a complete and detailed record of meetings is prepared, including all discussion and reports. In addition, the Board should require minutes for closed meetings be prepared and clearly document how subjects discussed in closed session comply with state law.

Auditee's Response

The Board understands that Missouri's Sunshine Law, Chapter 610, RSMo, requires governmental bodies to prepare and maintain minutes of open and closed meetings. The Board agrees that complete and accurate minutes provide an official record of the Board's actions and decisions. It is understood that the minutes are the only official record of the actions of the Board. Time and attention is taken to ensure minutes are complete. The law requires the Board to clearly record the actions of the Board. Documenting details of all Board discussions is not required by law, however, the Board will endeavor to provide adequate and clear minutes in order to eliminate confusion as to the Board's intentions, possible incorrect interpretation of the Board's actions, and the inability to demonstrate compliance with legal provisions.

Moreover, section 610.021, RSMo, allows the Board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The Board restricts such discussions in closed sessions to specific topics listed in Chapter 610, RSMo, and has clearly documented which section of law the meeting is governed by. It is the Board's position that minutes of closed sessions meetings are considered closed records by law and, as such, are not disclosed to the public. The Board has been, and will continue to be, open



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

to public scrutiny and oversight by certain governmental agencies. The Board embraces a strong sense of openness.

Status

Partially implemented. The Board began stating specific reasons for closing meetings and has documented those reasons in the open meeting minutes. The Board does not prepare minutes of closed meetings. Per the district's Legal Officer, the Board will not maintain separate closed minutes, but will include the actions taken in closed session in the open minutes.

13. Receipt Controls

- A. Bank reconciliations were not performed in a timely manner.
- B. Monies received were not deposited in a timely manner. Monies were collected each business day, but monies were only deposited approximately once a week. In addition, checks were not restrictively endorsed immediately upon receipt.
- C. A ledger documenting receipts, disbursements, and the balance of the petty cash fund was not maintained. The Office Manager periodically requested reimbursement to replenish the petty cash fund; however, vendor receipts or other documentation were not submitted to support some requests. The petty cash fund was not reviewed by a person independent of the accounting process. Some purchases made with petty cash did not appear to be prudent and necessary uses of public funds including candy, cookies, and a candle.

Recommendations

The Board of Directors:

- A. Ensure bank reconciliations are performed in a timely manner.
- B. Ensure monies are deposited on a timely basis and checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure the petty cash fund is periodically counted and reconciled to the imprest balance by an independent person. In addition, the Board should require a ledger documenting receipts, disbursements, and the balance of the petty cash fund be maintained to properly document the financial activity of the fund, and vendor invoices or receipts be submitted to reimburse the petty cash fund.

Auditee's Response

The Board understands that, without adequate supporting documentation, the Board cannot evaluate the necessity and reasonableness of petty cash disbursements. Good internal controls have been implemented which will require petty cash be set at an established amount and reimbursed when expended. In addition, the Board requires receipts and disbursement records to be maintained to ensure the expenditures reflect their intended purpose.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

Bank reconciliations and deposits are performed timely. It is understood that timely preparation of monthly bank reconciliations is necessary to ensure bank accounts are in agreement with accounting records and to detect and correct errors.

In April 2010, the Board hired an accounting firm to assist with performing bank reconciliations, among other things. With this assistance, the District is operating under strict fiscal controls and management.

Status

- A. Implemented. The district prepared complete bank reconciliations for June 2010 in a timely manner.
- B. Implemented. Monies are now deposited daily and checks are endorsed immediately upon receipt.
- C. Implemented. In April 2010, the district established a new petty cash policy and a \$500 petty cash fund. In addition, the district began maintaining receipt slips and a petty cash ledger for the new fund.

14. Capital Assets and Vehicle Usage

- A. The district did not maintain current, complete, and detailed records of capital assets, including land, buildings, vehicles, equipment, and furniture. In addition, property was not tagged for specific identification and an annual physical inventory of the property was not performed. Written authorization was not obtained from the Board for the disposition of capital assets, nor were bids solicited from the public for the disposal of items.
- B. A fuel log was maintained which included the date, driver, vehicle number, odometer reading, and gallons pumped for all district vehicles in the order fueled; however, the log was not reviewed for reasonableness or reconciled to fuel purchased.

The district also had fuel cards, which allowed the Fire Chief, Assistant Chief, and Deputy Chiefs to fuel district assigned vehicles at local gas stations. Mileage or fuel logs were not maintained for these vehicles. In addition, employees did not submit credit card slips to be compared to monthly invoices.

A review of 15 fuel card transactions in October 2007 and April 2008, indicated 14 of these transactions were made within 30 miles of the firehouse. One vehicle was fueled at a local gas station within two miles of the fire house, instead of using one of the bulk fuel tanks located at the fire station.

- C. The Fire Chief, Assistant Fire Chief, and Deputy Chiefs were allowed to use district vehicles to commute between home and work; however,



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

the amount of personal (commuting) mileage was not recorded on the employees' W-2 forms as required by IRS guidelines. As noted above, vehicle logs were not maintained for these vehicles.

IRS reporting guidelines indicated personal commuting mileage is a reportable fringe benefit. Clearly marked vehicles are exempt from this guideline. However, district vehicles were not clearly marked.

Recommendations

The Board of Directors:

- A. Ensure complete and detailed capital asset records are maintained; annual physical inventories are performed and compared to detailed records; bids are obtained for assets sold; and proper approval is documented for the disposal of assets.
- B. Ensure vehicle fuel use is analyzed for reasonableness and complete usage logs and fuel inventory records are maintained and periodically reconciled to fuel purchased and on hand. In addition, the Board should establish procedures to require employees use the bulk fuel tanks whenever possible. Also, the Board should require all fuel card receipts be turned into the Office Manager for comparison to the invoice.
- C. Comply with IRS guidelines for reporting fringe benefits related to commuting in district-owned vehicles.

Auditee's Response

The District does not currently maintain a detailed list of capital assets. The Board of Directors will establish a capital asset policy to address these recommendations. The Board will continue to purchase gasoline and diesel fuel in bulk and will require employees to utilize the bulk fuel tanks whenever possible. A credit card policy has been recently adopted and the Board and the District's credit cards are used only for District business. Compliance with IRS guidelines is underway.

Status

- A. Not implemented. As of June 30, 2010, the district had not prepared a capital asset list, nor had a physical inventory been performed.
- B. Not implemented. The district does not prepare mileage logs. Fuel logs are prepared for the bulk fuel tank; however, the logs are not reviewed or complete, nor are they reconciled to fuel purchased.
- C. Implemented. The district has marked all vehicles with permanent decals to qualify as non-personal use vehicles in accordance with IRS guidelines.



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

15. Union Contract

- A. The district did not honor the Firefighters Union Contract. The Firefighters Union Contract required the Board to give notice of termination by December 1st of any given year to terminate the contract as of December 31st of that year. Since the Board gave notice in June 2007, the contract would have terminated December 31, 2007, not June 6, 2007.
- B. The Board did not pay out sick leave incentive plan monies in December 2007, as dictated by the Firefighters Union Contract.
- C. In 2007, the Board hired 14 individuals; however, only 4 had qualifications required by the Firefighters Union Contract.

Recommendation

The Board of Directors ensure it complies with provisions of contracts in the future.

Auditee's Response

The Board concurs with the Auditors recommendation in this regard and will implement same upon execution of any future contracts.

Status

No problems of this nature were noted during our current audit.

Auditee's Overall Response to Follow-up Section

The Board of Directors provided the following written overall response:

The Board has made it a priority to implement the recommendations of the State Auditor in its report issued in November, 2009, as well as the findings noted by the auditor during the audit of the financial statements for the year ended June 30, 2007 (most of which had not been implemented before 2010). If findings have not yet been fully implemented, they are either in process, procedures have recently been developed to address and are under consideration by the Board, or in some situations, such findings have been temporarily tabled because they relate to correcting the financial records prior to 2010, and more urgent findings have been given priority. Many specifics can be found in the District's responses to MAR 1.1 and MAR 1.2. The District will continue to address and implement the findings noted in the State Auditor's report issued in November 2009. However, the District has specific responses to the certain status updates not addressed in MAR 1.1 and MAR 1.2 as follows.

4. Legal Services

The District agrees in concept with the State Auditor's recommendation. As stated in the original response, legal services are expressly exempt from bidding requirements under state statutes. The District remains however conscientious of the practice of competitive bidding without agreeing to waive its statutory right to exercise the exceptions embodied in the law. The District notes that both Section 5.01 of its by-laws and Sections 321.220(4)



Northeast Ambulance and Fire Protection District
Follow-Up On Prior Audit Findings

and (9), RSMo, clearly exclude the notice requirement (and thereby implicitly the bid requirement) for attorneys, among others.

A review to determine whether the District's current legal-fee arrangement provides the most economical value has not been formally undertaken. A cursory review of the legal services however and the costs associated therein leads the District to conclude that it is receiving more than its fair value for legal services. Analysis of our professional services is constantly under review, including hours worked, fees charged, and the reasonableness of both.

It should be noted that the Board recognizes multiple hours of legal services that have not been billed by our current legal officer. Such donation of time has resulted in a savings for the District and the taxpayers. As noted previously, the District has not paid a retainer for legal services and does not intend to do so. Contractual rights pertaining to a retainer have been waived as previously expressed and as supported by the District's records. Viewed in the proper perspective and given the amount of legal activity the District has faced and continues to face, the District believes that the taxpayers are well served and receive good value for its contracted legal services. As previously noted, to the extent that any portion of the District's contract for legal services offend or violate Missouri law, such portions have not been enforced, including any termination clause. Legal officers serve at the pleasure of the Board. Termination of his/her services may occur at anytime by a simple majority vote of the Board. The District has discussed the need to review and potentially re-negotiate its current contract with the Legal Officer, who has agreed to such review and potential re-negotiation, and ensure that understanding is expressed and acknowledged throughout the current contract and any future contracts.

12. Meeting Minutes

The District accepts the status report of the State Auditor with some clarification. It is the District's position that minutes of closed meeting are properly recorded and separately indicated in the general body meetings. This practice comports with the Missouri Sunshine Law and creates the level of openness necessary to comply with same. To the knowledge of the District, no other legal mandate directs the District otherwise in this regard.

Northeast Ambulance and Fire Protection District

Organization and Statistical Information

Various changes have occurred within the district from July 1, 2008 through June 30, 2010. As a result of the lawsuit, Kevin Buchek vs Robert Edwards, Rhea Willis, and Joseph Washington Case No. 09SL-C04530, on October 20, 2009, the Circuit Court placed a preliminary injunction on the district and froze its bank accounts. The court appointed Booker T. Shaw on December 18, 2009, as the District's "Special Master" to enforce the injunction, oversee district funds, and report to the court "when he believes the district is able to act in a lawful manner."

Currently, the court has placed the district on a temporary test period, where the court allows the district to make decisions, without court approval. The court gave the district 90 days as a test period. On August 20, 2010, the court determined it would extend the injunction until October 8, 2010.

In March 2010, the district hired the accounting firm of Purk & Associate, PC to prepare its budget, and assist it in preparing and monitoring financial records and developing policies and procedures.

On April 5, 2010, the Board approved a budget for the year ending December 31, 2010, and a rolling budget for the year ended December 31, 2011, prepared by Purk & Associate, PC. Purk has requested the district change its fiscal year to a calendar year; however, this change has not been approved by the Board.

In May 2010, the Board restructured the district by removing two assistant fire chiefs and five deputy chief positions. In addition, the Board reduced salaries of all employees to try to improve its financial situation.

Board of Directors

An elected board serves as the policy-making body for district operations. The board's three members serve 6-year terms. Board members as of June 30, 2010, are identified below. Salaries for board members are established by state law. Members of the board are paid \$100 for each open and closed meeting (up to four meetings per month). In addition, the President is paid an additional \$50 per open meeting (up to two meetings per month), the Secretary is paid an additional \$1,000 a year, and the Treasurer is paid an additional \$1,000 per year.

Name	Title
Derek C. Mays	President
Bridget Quinlisk-Dailey	Secretary
Rhea Willis	Treasurer

In July 2009, Robert Lee was removed from the Board and Rhea Willis was appointed by the remaining board members to fill the vacant position. Immediately after appointing Rhea Willis to the Board, Joseph Washington resigned from the Board to become the Fire Chief. From July 2009, until



Northeast Ambulance and Fire Protection District Organization and Statistical Information

November 2009, the Board operated with just two board members, Robert Edwards and Rhea Willis. In November 2009, Bridget Quinlisk-Daily was appointed to the Board by the Circuit Court to fill the vacant position. In January 2010, the St. Louis Circuit Court removed Robert Edwards from the Board and in February 2010, the court appointed Derek C. Mays to the vacant position.

Fire Chief

The Fire Chief at June 30, 2010, was Angelia Elgin and her annual compensation was \$96,000. The Fire Chief's compensation is established by the Board of Directors.

In addition to the officials identified above, the district employed 31 full-time employees and 16 part-time employees as of June 30, 2010.