



**OSAGE AMBULANCE DISTRICT  
YEAR ENDED JUNE 30, 2002**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2003-27  
March 25, 2003  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2003

The following problems were discovered as a result of an audit conducted by our office of the Osage Ambulance District.

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Actions taken by the board chairman during his current term of office appear to indicate that nepotism may have been committed. The May 18, 2002, meeting minutes indicate the chairman voted to approve the salaries of all district employees, including the recording secretary (his son) and the billing clerk (his daughter-in-law). The minutes of the July 23, 2002, board meeting indicate the board chairman presented the question of retaining his son as the district's recording secretary, and all six members of the board, including the chairman voted in favor. However, the minutes of the subsequent meeting held on August 27, 2002, indicate the chairman withdrew his vote for the recording secretary position.

The board approves purchases from businesses owned by related parties, which may represent potential conflicts of interest. Some board members either own businesses or have family members associated with businesses that are vendors of the district. The board minutes do not show any indication that the related board members abstain when approving expenditures to related-party businesses. Since July 1, 2001, the district spent \$988 on ambulance supplies and maintenance from a business owned by a board member and \$879 on insurance from an agency for which a board member's wife is employed.

The district did not adequately document plans for the new building project costing approximately \$600,000. No minutes were maintained for meetings held by the district building committee, and the district did not prepare comprehensive cost estimates for the project. An appraisal was not obtained for the land purchased for the building site, and plans for financing the project costs were not documented.

The district does not have a formal bidding policy. Bids were either not solicited or bid documentation was not retained for some purchases, including a used ambulance (\$8,000), ambulance repairs (\$2,000) and radio purchase/installation (\$2,500). In addition, the board has not established procedures to ensure its review and approval of disbursements is done on a timely basis and receipt of goods or services is not always indicated on invoices prior to payment.

The district did not solicit proposals for engineering services as required by state law. The district selected an engineer for the construction of the new headquarters building without soliciting proposals from other firms. The district has paid the engineer approximately \$56,000 for services.

(over)

YELLOW SHEET

Some district expenditures do not appear to be a prudent use of taxpayer money. These include \$3,680 for employee incentive payments, \$100 for flowers, \$50 for an employee service award, and \$438 for the annual Christmas banquet for district officials and employees.

Deposits are not made on a timely basis. The billing clerk's and recording secretary's duties are not adequately segregated and there are no independent reviews of the billing clerk's or recording secretary's accounting records. Improvement is needed in controls over the petty cash fund. The billing clerk was not bonded as required by state law and the district does not maintain complete records to account for all district fixed assets.

The district's budgets do not include some information required by state law. The budgets do not include a budget message, beginning available resources, estimated ending available resources, and prior years' actual revenues and expenditures. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool.

District bylaws and state law require annual audits of the district's accounting records; however, the district has not obtained an audit since the year ended June 30, 1999. In addition, financial statements are not submitted annually to the State Auditor's office as required by state law.

The board does not keep minutes of closed meetings, and the minutes of open meetings do not indicate the specific reasons for closing the meetings. In addition, the district has not adopted formal policies for public access to district records.

Also included in the audit are recommendations related to payroll, personnel matters, and bylaws.

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OSAGE AMBULANCE DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS .....	4-17
<u>Number</u>	<u>Description</u>
1.	Nepotism and Related-Party Transactions.....5
2.	New Building Project.....6
3.	Accounting Control and Procedures .....8
4.	Expenditures .....10
5.	Meetings and Bylaws.....13
6.	Budgets and Financial Reporting.....14
7.	Payroll and Personnel Matters .....16
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	18-21

STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Directors  
Osage Ambulance District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Osage Ambulance District. The scope of our audit of the district included, but was not necessarily limited to, the year ended June 30, 2002. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the district.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

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

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

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

October 23, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer , CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Christina Brown

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

OSAGE AMBULANCE DISTRICT  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

**1. Nepotism and Related-Party Transactions**

Actions taken by the board chairman during his current term of office appear to indicate that nepotism may have been committed. In addition, the board approves purchases from businesses owned by related parties, which may represent potential conflicts of interest. Our review noted the following:

- A. The minutes of the July 23, 2002, board meeting indicate the board chairman presented the question of retaining his son as the district's recording secretary, and all six members of the board, including the chairman, voted in favor. However, the minutes of the subsequent meeting held on August 27, 2002, indicate the chairman withdrew his vote for the recording secretary position. In addition, the May 18, 2002, meeting minutes indicate the chairman voted to approve the salaries of all district employees, including the recording secretary (his son) and the billing clerk (his daughter-in-law). During his previous term of office, the minutes of the July 11, 2000, meeting indicate the board chairman voted in favor of the appointment of his son as recording secretary.

Article VII, Section 6, of the Missouri Constitution provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

- B. Some board members either own businesses or have family members associated with businesses that are vendors of the district. The board minutes do not show any indication that the related board members abstain when approving expenditures to related-party businesses. Since July 1, 2001, the district has spent \$988 on ambulance supplies and maintenance from a business owned by a board member and \$879 on insurance from an agency for which a board member's wife is employed.

Section 105.454, RSMo 2000, prohibits an employee or official, serving in an executive or administrative capacity of any political subdivision, or the spouse of the employee or official, from selling, renting, or leasing any property, to the district for more than \$500 per transaction or \$1,500 per year unless the transaction is made by competitive bidding and the lowest bid is accepted. To help prevent actual conflicts of interest or the appearance of conflict of interest, the board should solicit bids for purchases from board members' and related parties' businesses as required by law, and the board should ensure that applicable expenditures are approved in a way in which board members are not approving payments to related parties.

Because of the serious consequences which result by hiring or appointing a relative, the board should ensure its members abstain from any decision to hire a relative and ensure that action is fully documented in the board minutes. Board members who have an ownership or management interest in companies or who are related to individuals who have interests in companies which transact business with the district should also abstain from any related decisions. In addition, the board should consider establishing policies, including a code of conduct for district officials, which address these types of situations.

**WE RECOMMEND** the Board of Directors ensure board members abstain from voting when a relative's employment or appointment is involved, and when approving expenditures to related parties. Purchases from companies owned by district officials or employees or their spouses should be made by competitive bidding as required by state law. Such matters should be completely documented so the public has assurance that no district official or employee has acted improperly. The board should also consider adopting a code of conduct for officials and employees.

### **AUDITEE'S RESPONSE**

*While there is some difference of opinion within the board, the majority of the current members agree with the audit findings relative to the nepotism issue. While ignorance is certainly not a defense, the lack of knowledge of the Missouri law by board members contributed to the illegal activity.*

*The board, aware of the potential problems and appearances of related party transactions, has tried to eliminate such conflicts. However, because of the size of the community and the uniqueness of the districts operations, interaction with such parties has not always been avoidable. As recommended, the board will re-examine the previously utilized practices, and improve the documentation of such actions to assure there is no impropriety.*

**2.**

### **New Building Project**

In 1999, the district formed a committee, consisting of three board members, to develop plans for construction of a new ambulance base; however, it appears the district has not performed adequate planning for the project or sufficiently documented actions taken. Although district officials indicated the building committee held several meetings to discuss plans, no minutes were prepared for the meetings. The district has not prepared comprehensive formal plans or cost estimates for the project. Based on expenses that have already been incurred and the contracts that have been awarded, it appears the project will cost approximately \$600,000 and be finished in early 2003.

Per conversations with some board members, the district viewed about 8-10 different site locations; however, these visits were not documented. The district purchased a piece of property for \$40,000 in October 2001 on which to locate the new base. The district did not obtain an appraisal on the property. Previously, the district had obtained appraisals on two sites with existing buildings that had been considered for purchase in June 1999

and February 2001. The district did not document all the properties that were considered, the reasons for selecting the property purchased, or the reasons for deciding to construct a new building verses converting an existing building into the base.

On January 8, 2002, the board approved the building committee to create plans for construction of the new building, including bid specifications, and present the final plans to the board for approval. On February 12, 2002, upon public questioning of some issues regarding the new building, the board decided to obtain an engineer for the project, and on February 23, 2002, the board selected an engineer without obtaining proposals from other engineers. The contract with the engineer was amended to include required on-site building inspections.

Bids for site grading were due to be opened at a board meeting held on April 25, 2002; however, minutes were not maintained for this meeting. Although the district provided documentation of two bids received and the lower of the two bids was selected, the bid opening and selection process was not documented by the district.

District officials indicate that no overall plans have been prepared of the total project costs or how the project will be paid. The district intends to pay for the project in part with surplus funds that have been held in certificates of deposit, and obtain some type of financing to cover the remainder of the project costs; however, the district has not documented its intentions. The district's cash balance at June 30, 2002, was \$489,754, and with total project costs expected to be around \$600,000, it appears the district's operating reserves will be significantly reduced when the project is completed.

These events indicate a lack of planning for this project and overall inadequate documentation to support actions taken and reasons for making certain decisions. Good business practices require that adequate planning be performed and public input be obtained prior to approving a significant capital improvement project such as this. The various plans should have included building needs and designs, total estimated costs, and proposed financing arrangements. Adequate planning for major capital expenditures is necessary to ensure the project is financially feasible and supported by the taxpaying citizens, and to help prevent potential problems or misunderstandings during completion of the project.

**WE RECOMMEND** the Board of Directors thoroughly review the current building project and document plans for completion of the project, including necessary financing arrangements. The board should ensure adequate planning is performed and documented and public input is obtained prior to undertaking future capital expenditure projects. All actions taken and decisions made should be fully documented during all phases of future projects. In addition, independent appraisals should be obtained prior to all real property purchases.

### **AUDITEE'S RESPONSE**

*The need for improved facilities for the efficient and future operations of the district cannot be disputed. However, in retrospect, better disclosure and communication with taxpaying citizens could have resulted in better understanding of the intended objectives, and possibly reduced cost. The state's prevailing wage laws upwardly impacted the original costs, however that did not eliminate the need as stated previously. The additional funding requirements were reviewed and financing, though not formalized, had been discussed and agreed to in principle. Improved communications with taxpayers could have eliminated the ill-founded perception that the project and the district were lacking financial integrity. As of this date, funding has been secured through the local bank, and discussed in open session. The recommendations regarding the building project are duly noted and agreed with.*

### **3. Accounting Controls and Procedures**

- A. Deposits are not made on a timely basis. Monies are received and are input into the computer system by the billing clerk and the board treasurer makes bank deposits. The board has not adopted a policy on frequency of deposits, and the billing clerk indicated she notifies the board treasurer when a significant amount of receipts is on hand. During a cash count conducted on September 12, 2002, the billing clerk had approximately \$3,841 in checks on hand, some which were dated as early as August 28, 2002, and were subsequently deposited on September 17, 2002.

In addition, receipts are not reconciled to deposits. This could be accomplished by printing a receipt report from the computer system and reconciling recorded receipts, including the composition of receipts (i.e., cash, checks, money orders) to bank deposits.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be deposited intact daily or when accumulated receipts exceed \$100. Reconciliation of receipts to bank deposits is necessary to ensure all monies are deposited and to detect errors and omissions on a timely basis.

- B. The billing clerk's and recording secretary's duties are not adequately segregated. The billing clerk inputs billing information into the computer system, generates and mails bills, receives and records all the payments, records credit adjustments made by Medicare/Medicaid, and tracks patient billings. The recording secretary prepares the monthly disbursements, payroll, bank reconciliations, and financial statements for the board. There are no independent reviews of the billing clerk's or recording secretary's accounting records.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by

segregating the duties of receipting monies from that of preparing bills, recording payments and following up on delinquent accounts. In addition, the duties of preparing disbursements and reconciling the bank account should be segregated. If a proper segregation of duties cannot be achieved, at a minimum, there should be independent reviews of reconciliations between recorded receipts and deposits and the bank reconciliations, and independent reviews and approval of credit adjustments and patient account balances.

- C. The district's petty cash fund is not maintained at a constant predetermined balance and no independent reviews of the records are performed. During fiscal year 2002, district receipts totaling \$83 were withheld from deposits and added to the petty cash fund, while district checks to replenish the fund totaled \$225.

Petty cash funds should be maintained on an imprest basis, meaning the fund should be maintained at a constant predetermined balance, and the cash on hand plus the total of all paid invoices should always equal the predetermined balance. The fund should be reimbursed only by district checks equal to the amount of paid invoices, and other district receipts should not be added to the fund. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to help prevent these monies from being misused.

- D. The billing clerk was not bonded. Section 190.075, RSMo 2000, requires all officials and employees who handle district money to be bonded. Failure to properly bond all persons with access to assets exposes the district to risk of loss.
- E. The district does not maintain complete records to account for all district fixed assets. The only fixed assets which are inventoried are located in each ambulance owned by the district. Each work crew performs an inventory of the supplies and equipment kept in each ambulance prior to each shift change. Inventory records are not maintained for other district property, such as office furniture and equipment, radios, cell phones, and pagers.

Complete and accurate property records are necessary to secure better internal control over district property, provide a basis for determining proper insurance coverage, and provide assurance to the public that assets purchased with district monies are being utilized by the ambulance district. Physical inventories are necessary to ensure the property records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets. Prenumbered tags, when affixed to property items, allow for identification of property in the records and may deter the potential for personal use of district assets.

**WE RECOMMEND** the Board of Directors:

- A. Ensure all receipts are deposited intact daily or when accumulated receipts exceed \$100. In addition, recorded receipts should be reconciled to the bank deposits.
- B. Adequately segregate accounting and bookkeeping duties. If proper segregation of duties cannot be achieved, procedures for documented independent reviews of both the billing clerk's and recording secretary's accounting records should be implemented.
- C. Maintain the petty cash fund on an imprest basis and establish procedures for periodic independent reviews and reconciliations of the cash balance and paid invoices to the established petty cash balance. In addition, replenishments to the fund should be made only by district checks equal to the amount of paid invoices.
- D. Obtain bond coverage for all employees who handle district money as required by state law.
- E. Establish inventory records for all fixed assets and require annual physical inventories of all assets. Additions to the property records should be reconciled to purchases annually, and prenumbered inventory tags that label each item as "Property of Osage Ambulance District" should be attached to all fixed assets.

**AUDITEE'S RESPONSE**

*The accounting activities and procedures observed by the auditors office were susceptible to errors and inaccuracies and are no longer in place. The board further agrees that the recommendations outlined are not only valid, but represent sound accounting and business practice. In order to ensure that the procedures and practices are continued, an outside accounting firm has been hired to review the financial records, practices, and procedures on a regular basis.*

<b>4. Expenditures</b>
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- A. The district does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Bids were either not solicited or bid documentation was not retained for some purchases. For example, bids were not solicited for a used ambulance (\$8,000), and price quotes were apparently solicited but not retained for ambulance repairs (\$2,000) and radio purchase/installation (\$2,500).

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

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

- B. The district did not solicit proposals for engineering services as required by state law. The district selected an engineer for the construction of the new headquarters building without soliciting proposals from other firms. The district has paid the engineer approximately \$56,000 for services.

Sections 8.285 through 8.291, RSMo 2000, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The firms should be evaluated based on specific criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located.

- C. The following district expenditures do not appear to be prudent uses of public funds:

- 1. The district has adopted what is called an employee incentive policy which provides additional pay to eligible employees in December. In December 2001, the district paid \$3,680 in employee incentives to 14 employees. These payments are based on previous hours worked, employee length of service, and the employees have to be employed with the district in December to qualify for the payment. Anyone employed a majority of the year but not employed in December is not eligible for this benefit. Therefore, it is unclear how these "incentive" payments are not additional compensation for services previously rendered, or bonuses.

The board should review the employee incentive payments to ensure all employees are treated equitably and to ensure employees do not receive additional compensation for services that have already been performed and paid for.

- 2. During the year ended June 30, 2002, the district paid approximately \$100 for funeral floral arrangements for relatives of district employees and board members, \$50 for a gift certificate for an employee service award, and \$438 for the annual Christmas banquet for district officials and employees.

In addition, the district provides cable TV at the ambulance base for employees who are on 24-hour call. The district pays \$47 per month which includes five premium movie channels. The district should review

its cable TV service and determine whether it is prudent or necessary to provide any or part of the service to its employees.

The district's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

- D. The board has not established procedures to ensure its review and approval of disbursements is done on a timely basis. Disbursements are normally reviewed and approved by the board at the monthly meetings upon preparation of expense and payroll reports by the recording secretary. However, the expense reports were not always prepared on a timely basis. For example, an expense report for March 10 through June 30, 2002, was approved by the board on July 6, 2002, and a payroll report for April through June 2002 was approved in August 2002. Board approval of expense and payroll reports should be performed monthly to help ensure the validity and propriety of all disbursements.
- E. Receipt of goods or services is not always indicated on invoices prior to payment. To help ensure goods or services were actually received by the district, all invoices should be reviewed prior to payment and initialed by applicable supervisors indicating receipt of goods or services.

**WE RECOMMEND** the Board of Directors:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justifications for the bid selected, and ensure bids are solicited for all significant purchases.
- B. Solicit proposals for engineering services as required by state law.
- C. Ensure all expenditures of district monies are a prudent use of public funds and ensure bonuses are not paid to employees.
- D. Ensure expense and payroll reports are prepared and approved by the board on a monthly basis.
- E. Require documentation of receipt of goods or services on all invoices prior to payment.

**AUDITEE'S RESPONSE**

*While a formal bidding policy is not in place, one has been proposed and is in the process of being re-written. Agreeing that a bidding policy would provide some framework for purchasing, it may not always be possible. For example, in the case of the used ambulance, because of the limited availability of good used vehicles in this industry, requesting bids does not make sense. As for the selected engineering firm for the new building, we should have done a better job.*

*Part C is critical of the board's practices regarding employee relations. The board is dedicated to providing the best emergency care to the taxpayers of the district. In our opinion, that requires recruiting and retaining the best personnel. When competing for the top people in this industry, we are no different than any other "business". We must provide a basis for effective recruitment and retention. Our legal counsel has reviewed our practices for employee recognition, incentives, and benefits offered. We feel the implication that we have acted imprudently in this area is incorrect.*

*The points about disbursements and receipt of goods are well taken and our new accounting practices address these issues. The recommendations outlined are appreciated.*

### **AUDITOR'S COMMENT**

Unlike a "business," governmental entities control taxpayer money and need to spend the money prudently.

**5.**

#### **Meetings and Bylaws**

- A. The board regularly conducts closed meetings. Minutes are not prepared to document the matters discussed in closed meetings. In addition, while the meeting agendas indicate the reasons the board may go into closed session, the minutes of open meetings do not indicate the specific reasons for closing the meetings.

Section 610.021, RSMo 2000, allows the board to close meetings to the extent the meetings relate to certain specified subjects, including litigation, real estate transactions, and certain personnel issues. Section 610.022, RSMo 2000, requires a closed meeting, record, or vote be held only for the specific reasons announced publicly at an open session. This law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

Without the preparation of closed minutes, there is less evidence that the provisions of the Sunshine Law, Chapter 610, RSMo 2000, regarding closed meetings have been followed.

- B. The board does not have a formal policy regarding public access to district records. A formal policy regarding access to records would establish guidelines for the board to make records available to the public. This policy should establish a contact person, an address for mailing such requests, and the cost for providing access to and copies of public records.

Section 610.023, RSMo 2000, lists requirements for making district records available to the public. Section 610.026, RSMo 2000, allows the city to charge

fees for copying public records, not to exceed the city's actual cost of document search and duplication.

- C. District bylaws have not been updated since 1995 and some bylaws do not appear to comply with state law. For example, the bylaws do not adequately document district election policies and procedures. Although noncompliance with state law regarding board elections was not noted, the bylaws do not include some required election procedures and provisions. The bylaws do not state when newly-elected board members take office, while current board policy requires new board members to take office in July following the election in April. In addition, the bylaws have a provision which allows special board meetings to be held without public notice, which does not comply with the Missouri Sunshine Law.

Section 190.055, RSMo 2000, requires the district to adopt bylaws to govern board elections, meetings, and rules for transacting district business. To increase the usefulness of the bylaws as a management tool for establishing district policies and procedures, the bylaws should be updated on a regular basis and all bylaws should comply with applicable laws and regulations.

**WE RECOMMEND** the Board of Directors:

- A. Prepare minutes for closed meetings and ensure the reasons for closing the meetings are documented in the open board minutes as required by law.
- B. Establish formal written policies and procedures regarding public access to district records and establish fees for record search and duplication in accordance with state law.
- C. Update district bylaws on a timely basis. In addition, the board should perform a review of its bylaws to ensure all bylaws comply with applicable laws and regulations.

**AUDITEE'S RESPONSE**

*Three members of the board were given the task of rewriting the bylaws in September 2002. The initial goal was to have them completed by January 2003. Due to a variety of circumstances, that target date was missed, however the board is still committed to updating the bylaws and the recommendations made in the auditor's report, including the recommendations regarding closed meetings and public access to records, will be reviewed as part of that process.*

**6.**

**Budgets and Financial Reporting**

- A. The district's budgets do not include some information required by state law. The budgets do not include a budget message and do not include actual or estimated revenues and expenditures for the two preceding years. The budgets do not

include beginning available resources and estimated ending available resources. Additionally, the budget for the fiscal year beginning July 1, 2001, was not approved by the board until October 2, 2001.

Section 67.010, RSMo 2000, requires the district to prepare annual budgets with specific information. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates by classification, and include beginning available resources and estimated ending available resources for all funds. The budget should also include a budget message and actual or estimated information for the preceding two years. Section 67.030, RSMo 2000, requires the board to adopt and approve budgets prior to the beginning of the applicable fiscal year.

- B. District bylaws and Section 190.075, RSMo 2000, require annual audits of the district's accounting records; however, the district has not obtained an audit since the year ended June 30, 1999. In addition, financial statements are not submitted annually to the State Auditor's office as required by Section 105.145, RSMo 2000. The most recent financial statement was filed on March 28, 2002, which was the audited financial statements for the year ended June 30, 1999.

Besides being required by state law, annual audits would better enable the district to ensure the proper handling of the financial resources of the district, determine the propriety and accuracy of its financial transactions, and ensure the revenues of the district are adequate to meet the expenses of providing ambulance services.

**WE RECOMMEND** the Board of Directors:

- A. Prepare budgets prior to the beginning of the fiscal year with the information required by state law.
- B. Obtain annual audits and submit annual financial reports to the State Auditor as required by state law.

**AUDITEE'S RESPONSE**

*The board has been utilizing a budget on a year-to-year basis. We have not however shown those budgets side by side over an extended period. The annual audit will be performed by the accounting firm that is currently reviewing our past performance and new procedures. The recommendations included with the auditor's report will be beneficial to the board and our accounting firm.*

- A. The district's former billing clerk was paid hourly wages for file management. She is also a volunteer first responder to aid in emergency situations. First responders do not get paid by the district for their services. We performed a comparison in October 2002 of district emergency call logs and her timesheets. Based on this review, it appears she responded to emergencies at times when she was being paid for file management. When this concern was brought to the attention of district officials, the district's response was that this matter was investigated and resolved. In January 2003, we again reviewed copies of the former billing clerk's timesheets, and it appears that her timesheets for September 19 and 23, 2002, were altered subsequent to the review we performed in October 2002.

The district should review this matter and adopt policies and procedures applicable to employees who also serve as volunteer first responders.

- B. Employees prepare timesheets twice a month; however, the timesheets are not always signed by the employees and do not always include documentation of supervisory review and approval. To help ensure the validity of payroll expenditures, timesheets should be signed by employees, reviewed by applicable supervisors, and contain documentation of supervisory review such as the supervisors' initials and date reviewed.
- C. While the district allows employees to make long-distance calls from district telephones and requires the employees to reimburse the district, a formal policy has not been established or approved by the board, and controls over employee telephone usage should be improved.

Each employee is assigned a code which is necessary to make long distance calls from a designated staff telephone line. However, these codes are not kept confidential and it appears some employees use the district office telephone, which can be accessed without a code. In addition, the recording secretary adopted a policy in which employee reimbursement was not required when the employee's monthly long distance charges were \$3 or less; however, this policy has not been approved by the board.

To ensure proper controls are established, the board should adopt formal policies and procedures regarding employee telephone usage. These policies and procedures should help ensure district funds are not used inappropriately and allow for timely detection of unauthorized use of district telephones.

**WE RECOMMEND** the Board of Directors:

- A. Review the circumstances regarding the former billing clerk's timesheets and first responder calls, and adopt policies and procedures regarding employees who also serve as volunteer first responders.
- B. Ensure timesheets are signed by the employee who prepares them, reviewed by applicable supervisors, and include documentation of supervisory review.
- C. Adopt formal policies and procedures regarding employees' use of district telephones.

**AUDITEE'S RESPONSE**

*The board's initial investigation of the discrepancy in the former billing clerk's time sheets revealed approximately one-half hour of overpayment had been made. After discovering the mistake, the district treasurer deducted that amount from subsequent payroll. Since the district no longer employs that person, the board has decided to close the matter. Rather than dwell on what exactly happened, we have chosen to focus on policies and procedures to prevent that situation or opportunity from happening again. The policies regarding the compilation of time sheets and the use of district telephones have been changed to reflect a more defined direction for district employees to follow.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

OSAGE AMBULANCE DISTRICT  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Osage Ambulance District, with ambulances based in Linn, Missouri, includes most of Osage County and a small part of Western Gasconade County. The district was incorporated in 1974 to provide ambulance service to district residents. District revenues primarily consist of property taxes, service fees, and Medicare/Medicaid reimbursements.

The district's operations are governed by a six-member Board of Directors. The six board members are elected for three-year terms, one from each six election districts, with two being elected each year. The chairman is elected by the board members, presides over the board, and votes on all matters. The elected and appointed officials at June 30, 2002, were:

Elected Officials	Term Expires	Compensation Paid for the Year Ended June 30, 2002	Amount of Bond
Carl Kixmiller, Chairman	July 2004	\$ 0	\$ 1,000
Carl Zeilman, Vice Chairman (1)	July 2002	0	1,000
Annabel Parkhurst, Secretary	July 2004	0	1,000
Glynn Dennis, Treasurer	July 2003	0	10,000
Mark Schaefer, Member (2)	July 2002	0	1,000
Donny Haslag, Member	July 2003	0	1,000
<u>Other Principal Officials</u>			
Randy Kixmiller, Recording Secretary (3)		3,000	1,000
Michelle Kixmiller, Billing Clerk (4)		2,600	0
Kerry Montgomery, EMS Supervisor (5)		500	0

- (1) John Kehoe was elected to the board and took office in July 2002. He served as Vice Chairman until December 2002 when he was elected Chairman and Glynn Dennis was elected Vice Chairman.
- (2) Dr. David Scott was elected to the board and took office in July 2002. He was elected Board Secretary and Annabel Parkhurst was elected Board Treasurer in July 2002.
- (3) Resigned in November 2002 and the position is currently vacant.
- (4) Became Billing Clerk in February 2002. Resigned in November 2002 and the position is currently vacant.
- (5) Colet Davis served as both EMS Supervisor and Billing Clerk. She was replaced as Billing Clerk in February 2002. She resigned as EMS Supervisor in March 2002 and received compensation totaling \$6,214 for the year ended June 30, 2002. Kerry Montgomery was appointed EMS Supervisor in May 2002.

On June 30, 2002, the district employed 5 full-time and 9 part-time employees.

Assessed valuations and tax rates for 2001 were as follows:

ASSESSED VALUATION

Real estate	\$ 62,444,925
Personal property	<u>32,620,883</u>
Total	\$ <u>95,065,808</u>

TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General revenue	\$ .29

A summary of the district's financial activity for the year ended June 30, 2002, is presented on the next page:

OSAGE AMBULANCE DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
YEAR ENDED JUNE 30, 2002

RECEIPTS	
Property taxes	\$ 271,608
Service fees	118,641
Other	410
Interest	20,227
Total Receipts	<u>410,886</u>
DISBURSEMENTS:	
Advertising	914
Insurance:	
General policy	7,935
Worker's compensation	5,699
Maintenance and purchases:	
Ambulance	20,392
Building	104,513
Equipment	19,601
Office	1,457
Miscellaneous	1,340
Rent and lease payments	10,950
Salaries	170,462
Services:	
Audit	3,000
Dispatch	17,502
Election	2,458
Legal	590
Medical Director	500
Supplies:	
Fuel	3,887
Medical	12,612
Other	5,262
Training	1,746
Travel	81
Utilities and telephone	10,083
Total Disbursements	<u>400,984</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	9,902
CASH, JULY 1, 2001	<u>479,852</u>
CASH, JUNE 30, 2002	<u>\$ 489,754</u>