



Susan Montee, JD, CPA  
Missouri State Auditor

---

# Andrew County Ambulance District



---

October 2010  
Report No. 2010-129

---

[auditor.mo.gov](http://auditor.mo.gov)



**Susan Montee, JD, CPA**  
Missouri State Auditor

## YELLOW SHEET

### Findings in the audit of the Andrew County Ambulance District

#### Payroll Records and Procedures

Significant amounts of overtime have been paid to the Director, at varying rates, and some payments for overtime were made without Board approval and without a time sheet to support the hours worked. Over \$19,000 in overtime was paid to the Director from January 2008 through May 2010. Vacation and sick leave payouts totaling \$19,712 were made to the Director and vacation leave payouts totaling \$5,689 were made to some other employees; however, the payments were not authorized by personnel policies or employment contracts, or otherwise approved by the Board. Payroll taxes were not paid timely, resulting in penalties and interest. The Board approved and paid incentives to the Director and other employees, but these payments were not subject to tax withholdings and were not reported on W-2 forms. Some employees were allowed to earn more annual and sick leave than allowed by the district personnel policy or employment contracts. Travel advances are given occasionally to employees when traveling on district business, but no supporting documentation is later submitted to show how monies were spent.

#### Debit and Credit Cards

Controls do not exist over credit and debit cards to ensure purchases are reasonable and proper. Supporting documentation was not available for some credit and debit card transactions. Support for reimbursements of non-district personnel charges on credit and debit cards is insufficient.

#### Disbursements

The Board does not adequately document its review and approval of all disbursements and acknowledgment of receipt of goods or services is not always documented on invoices. Documentation is not always retained demonstrating how particular vendors are selected when bids are taken. The district made three purchases during 2009 and 2008 from a business owned by Board Member Schneider each of which exceeded \$500 and should have been bid per state law. In addition, the district did not issue some Forms 1099-MISC when required.

#### 401(k) Plan

The district has participated in a 401(k) retirement plan since 2005; however, the district has not paid the 3 percent employer match obligation to the broker since the inception of the plan. In addition, the district did not adequately ensure all 401(k) employee contributions were submitted and made timely, and in one instance, employee contributions from the payroll period December 10, 2008, totaling \$608, were not submitted at all.

#### Policies and Budgets

Accounting duties are not adequately segregated, and the Board does not provide oversight of the accounting functions. All accounts receivable write-offs are entered into the system as non-monetary adjustments in order to clear the balance owed, but these adjustments are not reviewed or verified by an independent person. Although the employee personnel policy manual indicates it was updated in March 2009, there is no evidence the Board formally approved the new manual. Policies regarding sick leave for



**Susan Montee, JD, CPA**  
**Missouri State Auditor**

# YELLOW SHEET

---

employees were left out of the manual and the manual does not address the employee evaluation process. Budgets approved by the Board do not contain all elements required by state law.

---

## Meetings

The district did not always ensure compliance with the Sunshine Law, Chapter 610, RSMo. Minutes from some closed meetings were not sufficient to demonstrate that issues discussed were allowable under the Sunshine Law, and open meeting minutes did not always document the reasons for going into closed meetings.

**All reports are available on our Web site: [auditor.mo.gov](http://auditor.mo.gov)**

---

# Andrew County Ambulance District

## Table of Contents

---

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

---

Management Advisory Report - State Auditor's Findings	1. Payroll Records and Procedures.....4 2. Debit and Credit Cards.....9 3. Disbursements ..... 11 4. 401(k) Plan ..... 13 5. Policies and Budgets ..... 15 6. Closed Meetings ..... 19
---	---

---

Organization and Statistical Information	21
---	----



# **SUSAN MONTEE, JD, CPA**

## **Missouri State Auditor**

To the Board of Directors  
Andrew County Ambulance District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Andrew County Ambulance District. The district engaged Westbrook & Company, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2009. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2009. The objectives of our audit were to:

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

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

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

We obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. Abuse, which refers to behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances, does not necessarily involve noncompliance with legal provisions. Because the determination of abuse is subjective, our audit is not required to provide reasonable assurance of detecting abuse.

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

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

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



Susan Montee, JD, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tania Williams, MBA
Audit Staff:	Eartha Taylor, MBA, CPA

---

# Andrew County Ambulance District Management Advisory Report State Auditor's Findings

---

## **1. Payroll Records and Procedures**

Time sheets are not maintained by the Director, and supporting documentation for overtime paid to the Director was either insufficient or not maintained. In addition, some overtime payments were not presented to the Board for approval. There are also concerns regarding significant unapproved payouts for unused leave, delinquent payroll taxes, incentive payments, the amount of leave earned by some employees, and travel advances. During the year ended December 31, 2009, the district disbursed over \$740,000 for payroll.

### 1.1 Overtime

Significant amounts of overtime have been paid to the Director, at varying rates, and some payments for overtime were made without Board approval and without a time sheet to support the hours worked. The Director was paid over \$19,000 in overtime from January 2008 through May 2010, with the majority of the overtime being paid in December 2009 for overtime worked from April through October 2008. The Director works as a paramedic and sometimes receives overtime pay, at the same rate as her Director pay, if total hours worked as Director and paramedic exceed 40.

From January through March, November, and December 2008, the Director was paid for 54 hours of overtime (\$1,998) through the normal payroll cycles. Forty-two overtime hours were paid at time and one-half and the other 12 hours were paid at straight time. It is unclear why she was paid at different overtime rates. During 2009, the Director was paid for 93.25 hours of overtime (\$4,062), also at time and one-half of her normal pay. From January 2010 through May 2010, she was paid for 24 hours of overtime (\$1,102) at time and one-half. There was no documentation of how these overtime hours were computed, and it is not clear if they relate to paramedic hours worked by the Director. Additionally, in December 2009, the Board approved a settlement payment to the Director of \$12,630, which represented payment for 415 accumulated overtime hours accrued from April to October 2008. This overtime was paid at time and one-quarter of her normal pay. The only documentation submitted to support the settlement payment was an absentee calendar which indicated total hours worked for certain days and the days she was scheduled to work as a paramedic.

The Director's contract does not state the salary or rate of pay, or if overtime is to be paid to the Director and at what rate. There is no indication the current contract was approved by the Board. To prevent any misunderstandings and ensure overtime is paid correctly, the Board should ensure compensation and any overtime provisions are included in the Director's contract and review the overtime provisions of the Fair Labor Standards Act of 1938 (FLSA). In addition, the contract should be formally approved by the Board, and the Director should submit a time sheet to the Board for approval prior to the payment of overtime.



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

## 1.2 Vacation and sick leave pay-out

Vacation and sick leave payouts made to some employees were not authorized by the personnel policy, employment contracts, or otherwise approved by the Board.

- The district made vacation and sick leave payouts totaling \$19,712 to the Director during 2008 and 2009, and through May 2010 for 528 hours of vacation and 292 hours of sick leave. During this period, no vacation hours were used by the Director for time off, and only 8 sick leave hours were used. While the most recent employment contract provided to us between the district and the Director does allow for payout of annual leave, it states the payout must be approved by the Board, and the contract does not allow for payout of sick leave benefits. We saw no documentation that any of the leave payouts were presented to the Board and approved. These payouts were either included on a regular paycheck or a supplemental paycheck was issued.
- Several employees received approval from the Director for payouts of unused vacation leave, totaling \$5,689. These payouts were not presented to or approved by the Board. The district personnel policy does not authorize payouts of unused vacation time to employees except upon termination or resignation and with some limitations.

To ensure equitable treatment of all employees and to prevent misunderstandings, payouts for unused vacation and sick leave should be made in accordance with the established personnel policy.

## 1.3 Payroll taxes

The District did not pay all payroll taxes timely. Taxes withheld from compensation paid to employees are reported quarterly to the Internal Revenue Service (IRS) on a Form 941 wage report and the withholdings are to be submitted to the IRS. The district failed to pay all payroll taxes withheld timely, resulting in an assessment of \$1,397 in penalties and interest.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of Social Security and Medicare taxes withheld from the employee and the employer's share, as well as federal income taxes withheld. Similarly, Chapter 143, RSMo, includes requirements for reporting wages and withholding state income taxes. Good business practices require the district to make timely deposits of tax withholdings to avoid unnecessary penalties and interest.

## 1.4 Pay incentives

The Board approved and paid incentives to the Director and other employees, totaling \$3,650, during emergency medical services week in 2009 and 2008. While these incentive payments were approved by the Board, they are not part of formal pay plans. In addition, these payments were not subject to tax withholdings and were not reported on employee





---

Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

---

W-2 forms. The monies are given as an incentive to employees as recognition and appreciation of their service. The amounts ranged from \$25 to \$150 based on years of service.

To ensure the incentive plan is in compliance with state and federal laws and all employees are treated equitably, the provisions of the incentive plan should be clearly defined in a formal policy and reviewed by legal counsel. In addition, the district should ensure all employee compensation is subject to payroll tax withholdings and reported on employee W-2 forms.

### 1.5 Excess leave

Some employees were allowed to earn more annual and sick leave than allowed by the district personnel policy or employment contracts. When annual and sick leave payouts are made to employees, the district sometimes issues an additional paycheck for the payout rather than including the additional pay on a regular paycheck. These extra checks cause the payroll system to accrue additional leave over the regular amounts. We identified that some employees earned an additional 3 to 10 hours of leave from January 2008 through May 2010, while the District Director earned an additional 56 hours of vacation leave and 40 hours of sick leave. The district was unaware of this problem until we brought it to the attention of the Director. The district should follow its leave accumulation policies and/or employment contracts to ensure equitable treatment for all employees and make adjustments to the appropriate employees leave records to correct the situation.

### 1.6 Travel advances

Travel advances are given occasionally to employees when traveling on district business, but no supporting documentation is later submitted to show how monies were spent and it is unclear if these advances are given as a per diem for travel expenses. The Director and employees sometimes receive a travel advance of \$30 per day for the planned number of days of the trip to pay expenses. This advance is intended to cover meals, but the district has not established travel policies which state this advance is a travel per diem. Monthly expense sheets are not required to be submitted to support travel advances and these advances were not reported on W-2 forms. In 2009 and 2008, travel advances totaling \$561 and \$732, respectively, were paid to employees. None of these advances were supported by documentation.

The IRS specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. To ensure travel cost are adequately controlled, the district should consider reimbursing documented travel expenses rather than providing travel advances. If travel advances are intended as a per diem, this should be clearly established by the Board.



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

---

## Recommendations

The Andrew County Ambulance District Board of Directors:

- 1.1 Review the situation to determine if paying the director overtime is necessary and ensure the provisions of the employment agreement, including compensation and benefits, are clearly stated, approved, and followed. In addition, time sheets supporting hours worked by the Director should be submitted, reviewed, and approved by the Board.
- 1.2 Ensure the provisions of the personnel policy and employment contracts regarding vacation and sick leave payouts are followed.
- 1.3 Ensure payroll taxes are remitted to the appropriate taxing entity on a timely basis.
- 1.4 Establish formal policies for incentive payments to employees and ensure taxes are properly withheld and payments are reported on W-2 forms. The district should also contact the IRS and the Missouri Department of Revenue to determine if amended information returns should be submitted for the unreported compensation.
- 1.5 Monitor the payroll system to ensure leave is earned and accumulated in accordance with the personnel policy. In addition, leave balances for all employees affected by this situation should be corrected.
- 1.6 Ensure complete documentation of travel advances is submitted and reviewed by the appropriate party. If sufficient documentation is not submitted, the district should ensure the advances are properly reported for tax purposes.

## Auditee's Response

*The Andrew County Ambulance District Board of Director's provided the following written responses:*

- 1.1 *The detailed schedules supplied during the course of the audit well document the hours worked by the Director. The District has implemented time sheets for the Director per this audit.*

*The District concedes that to pay the Director an hourly amount and overtime for non-exempt work appears to be a mere option and not mandated by the FLSA. On the face of the regulations (29 CFR s 541.700(b)) it appears also to be an attractive option to forego. On April 01 2006 "new" regulation 29 CFR 541.700(b) removed the no more than 20% non-exempt standard for maintaining exempt status and changed it to a much more employer friendly 50% guideline.*



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

*However, based on the recent audit by the Federal Division of Wage and Hour of the Osage Ambulance District, the Board made the judgment that trying to take advantage of 29 CFR s 541.700(b) was not worth the legal risk. The Division of Wage Hour for both of the Osage Ambulance District administrators ABSOLUTELY insisted on calculating a blended rate of pay (see 29 CFR 778.115) for both EMT and administrator positions (Osage Ambulance District has two) and paying time and one half on ANY overtime thereby incurred. If private FLSA litigation were to ensue, of the course, the exposure is double the unpaid overtime, attorney's fees, interest, and court costs. FLSA damages are an uninsurable liability.*

*The Board is willing to re-examine this issue, but quite frankly unless the State Auditor's Office is willing to act as a Surety for this potential liability exposure, it is unlikely that the Board will reach a different conclusion after making this reassessment.*

*The District can amend the Director's contract to reflect overtime provisions but wishes to be cautious in so doing so as not to collapse the two functions (exempt and non-exempt) so that the District does not get hit with a blended rate calculation for overtime per 29 C.F.R. 778.115 (as did the Osage Ambulance District).*

*The reference to paramedic in the employment agreement is a reference to educational and professional requirements to be considered eligible for the position and is not a reference to duties to be performed per the agreement. (Experience has shown if you have non-paramedics supervising paramedics difficulties surrounding authority quickly ensue). Furthermore mere contractual formalities would not suffice to convince the Division of Wage and Hour not to apply 29 CFR 778.115. The Board will be updating the Director's agreement for clarification.*

- 1.2 *The District has written policies in place to cover the period cited (2008 & 2009).*
- 1.3 *We noted that this occurred and per the Westbrook & Company's CPA audit we have taken corrective measures to minimize this potential problem from occurring in the future.*
- 1.4 *The Pay Incentive and Recognition Plan for Longevity of Service is tied to actual services rendered and is earned prospectively as these services are rendered. Therefore, the Plan does not violate either Article III s 39(3) of the Missouri Constitution or section 105.454 RSMo which otherwise would prohibit additional compensation for*



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

*prior rendered services. The Board agrees to re-write the Plan more formally.*

1.5 *The District conceded that it had a software glitch that caused a problem in this area. However, the Director and the Board corrected the problem on a timely basis and the software was quickly upgraded which solved the problem.*

1.6 *The travel involved has been closely documented to be legitimately related to District purposes and needs by agendas, meeting notes, and earned CEU's timely supplied to the Board of Directors and now to the State Auditor's staff as well in the course of this audit.*

*Since these advances were to offset legitimate business expenses and in no case exceeded actual expenses there is no additional income to be reported on a 1040 or on a W-2.*

*The District will adopt a per diem allowance policy and a travel documentation form that is substantially based on if not identical to the Office of Administration's Form for travel expenses for state workers.*

## Auditor's Comment

1.1 Documentation was only provided for the overtime hours paid in December 2009. No detailed schedules were supplied during the course of the audit to document total hours worked. CFR 778.115 applies to an employee who in a single workweek works at two or more different types of work for which different non-overtime rates of pay have been established. The Director is paid the same rate for both types of work she performs. Furthermore, without a time sheet for the period in question, it is unclear how the district could track exempt vs. non-exempt work.

1.2 While the district has written policies, the policies were not followed in the instances noted.

1.6 Adequate documentation was not provided to demonstrate these advances were for legitimate business expenses and did not exceed actual expenses.

## 2. Debit and Credit Cards

Controls do not exist over credit and debit cards to ensure purchases are reasonable and proper. There are not adequate reviews of supporting documentation for card purchases, and detailed invoices for numerous purchases charged were not retained and compared to the billing statement. The district has four debit cards, one for each bank account, and three VISA credit cards.



---

Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

---

- Supporting documentation is not submitted to support all credit and debit card charges. Supporting documentation was not available for 66 of 84 (78 percent) credit and debit card transactions selected for testing between January 2008 and February 2010. The unsupported transactions totaled \$4,972 and the majority of the purchases were made by the Director. At our request, the district was able to obtain supporting documentation for many of these transactions directly from the vendor.
- Support for reimbursements of non-district personnel charges on credit and debit cards is insufficient. The Director took trips to Las Vegas in March 2008 and October 2008 to attend conferences and was accompanied by a friend who is not an employee of the district. Airline tickets and food charges for the non-employee were charged to the district credit and debit cards. The Director provided us with a handwritten note that a cash reimbursement of \$250 was given to a district employee for the March trip. She indicated to us an additional \$258 was reimbursed to the same employee for the October trip. We found no supporting documentation for these reimbursements and were unable to trace them to a bank deposit or entry in the district accounting system.

When receipts are not provided, or are provided in summary form, the district is unable to determine the charges are for approved purchases. Supervisory and Board approval should be documented and original invoices or other supporting documentation should be provided for all purchases prior to payment. To prevent credit and debit card use for personal purposes, the district should ensure the cards are used only for district employees and officials.

## Recommendation

The Andrew County Ambulance District Board of Directors adopt procedures to ensure supporting documentation is submitted and reviewed for all credit and debit card usage and to ensure the cards are used for official purposes only.

## Auditee's Response

*The Andrew County Ambulance District Board of Directors provided the following written responses:*

*The debit cards because of potential greater abuse and less detailed reporting when compared to credit cards have therefore been closed out.*

*The District is working with and implementing some of the suggestions made by the Westbrook audit for shoring up documentation in this area.*

*The credit card billings and charges have been available to the Board at every meeting of the Board and all questions have been answered to the satisfaction of the Board.*



---

## Auditor's Comment

While billings are available, individual receipts to support the billings are not maintained.

---

### 3. Disbursements

Several concerns regarding controls and procedures over disbursements were noted.

#### 3.1 Board review

The Board does not adequately document its review and approval of all disbursements and acknowledgment of receipt of goods or services is not always documented on invoices. The district expended approximately \$1.1 million for the year ended December 31, 2009. While a treasurer's report and a director's report are provided to the Board at the semi-monthly meetings, the reports do not include a list of bills and payroll disbursements, and the numerical sequence of checks is not accounted for properly. The Board Treasurer indicated she reviews all invoices over \$250; however, her review is not documented, and other board members do not review invoices unless a specific disbursement is questioned. In addition, a review of transactions posted to the system is not performed to ensure disbursements are posted to the appropriate categories. Payroll expenses totaling \$6,000 and \$8,880, incurred during 2009 and 2008, respectively, were coded in error to professional fees.

To adequately document the Board's review and approval of all disbursements, a complete list of bills with check numbers should be prepared, signed or initialed by the Board to denote its approval, and retained with the official minutes. In addition, acknowledgment of receipt of goods or services is necessary to ensure all disbursements represents valid operating costs of the district. Detailed reviews of monthly reports by the Board will help detect errors in the accounting records.

#### 3.2 Bids

Adequate documentation was not maintained to demonstrate that bids were obtained for some purchases. While the Director indicated quotes were solicited for radios purchased in 2009 (\$15,677) and an ambulance purchased in 2008 (\$110,880), bid documentation was not maintained. In addition, while quotes were solicited from three vendors for an ambulance purchased in 2010 (\$123,730), documentation was not maintained to support why the model and vendor chosen were selected, and the bids were not solicited through advertisement. The district did adopt a bidding policy in March 2010.

To provide evidence of the bid process, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

#### 3.3 Conflict of interest

The district made three purchases during 2009 and 2008 from a business owned by Board Member Schneider, each of which exceeded \$500 and should have been bid per state law. The purchases included \$990 in



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

December 2008, \$1,054 in July 2009, and \$1,811 in December 2009 for uniforms and district apparel.

Section 105.454, RSMo, 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, unless the transaction is made by competitive bidding and the lowest bid is accepted.

### 3.4 Written agreements and 1099 reporting

The district did not always issue Forms 1099-MISC when required. The compensation paid to the Medical Director (approximately \$9,000 in 2009) was not properly reported on IRS Form 1099-MISC. In addition, IRS Forms 1099-MISC were not issued to the district attorney, who received payments totaling approximately \$1,232 and \$750 during the years ended December 31, 2009 and December 31, 2008, respectively.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099-MISC.

## Recommendations

The Andrew County Ambulance District Board of Directors:

- 3.1 Review and approve a listing showing all disbursements of district funds, which includes accounting for the numerical sequence of checks issued and ensuring disbursements are posted accurately.
- 3.2 Ensure documentation of bids or quotes received and justification for the bid selected is maintained.
- 3.3 Ensure state law is followed when making purchases from a board member's business.
- 3.4 Ensure IRS Forms 1099-MISC are issued as required by the Internal Revenue Code.

## Auditee's Response

*The Andrew County Ambulance District Board of Directors provided the following written responses:*

- 3.1 *The assertion that the Board as a whole does not have detailed disbursements reports is factually incorrect. Such reports are made at every Board meeting.*
- 3.2 *The District has a detailed Bidding Policy supplied during the course of the audit. True the District is not subject to the county bidding statute (50.660 RSMo) per AG Opinion # 90-96 issued to*



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

*Sears 01-01-96 (cited in footnotes #1 to the Policy). However, the District has availed itself of this loophole only very sparingly as recommended by the Policy itself and instead applies a detailed objective and legally defensible point system to all bids as to price (50 points max), business reputation (25 points max), and technical innovation or approach (25 points max). This is a methodology developed by the State Office of Administration Division of Purchasing.*

*More than \$500.00 is currently the threshold for bidding.*

*The District will adopt the GS 055 "Bid Records" three year record retention schedule developed by Division of Archives Secretary of State's Office General record retention schedule. The specific Secretary of State record schedule for ambulance districts does not address this issue. We would only note that these Record Retention Schedules are Guidelines only and not regulations and therefore do not have the full force and weight of law.*

3.3 *The Board understands that self dealing with board members involving disbursements of more than \$500.00 per transaction or \$5,000.00 annually have to bid and the board member's bid has to be the lowest bid not just lowest and best. This issue is addressed in the bidding policy footnote # 2, p. 3.*

3.4 *The District's legal counsel reports back that he did dutifully report the \$750.00 annual retainers as income on his 2008 and 2009 1040's but did not report the \$482 for 2009 in mileage and travel expense reimbursements as income as he made no business deduction claims for these same expenses. IRS mileage rates were charged to the District.*

## Auditor's Comments

3.1 While disbursement reports may have been made available to board members at meetings, we saw no evidence the detailed disbursement data was reviewed by the Board.

### 4. 401(k) Plan

The district has participated in a 401(k) retirement plan since 2005, but has not made the required matching payments to the plan and has not distributed employee contributions to the plan on a timely basis. The district has accumulated a significant amount of future liability related to the unpaid matching contributions.

#### 4.1 Employer match

The district has not paid the 3 percent employer match obligation to the broker since the inception of the plan in 2005. The Director indicated she decided to not make the matching contributions because it was determined the district should not be participating in a 401(k) plan, the plan should be dissolved, and the district should be participating in a 457(b) governmental





Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

plan. There have been several discussions of this issue in Board meetings and in May 2009, the Board voted to have the Director look into another plan; however, there is no documentation indicating a report or information was provided to the Board regarding another plan. A determination to not participate in the current plan was not documented.

To determine the amount owed each year for the match, the district is responsible for completing yearly employee census reports on-line to the broker; however, these were not completed and submitted timely. The employee census reports are used to assist the broker in determining the amount of and who is eligible for the match. Once the employee census is completed, the broker submits a Matching Contribution Report and requests payment for the match amount. The 2006 employee census report was not completed until October 2007, and the 2007 and 2008 census reports were not completed until August 2009. No matching payments were submitted. The Director indicated the Matching Contribution Reports were not submitted to her by the broker.

We obtained the Matching Contribution Reports from the broker. The following chart reflects the district's liability of matching amounts by year.

Year	Matching Amount
2009 <sup>(1)</sup>	\$ 10,804.00
2008	10,015.08
2007	11,322.62
2006	11,075.56
Total	\$ 43,217.26

(1) Personnel with the broker stated employee census reports had not been completed for 2009; therefore, we estimated the matching contributions for this year.

Reporting and payment of employer match contributions should be made timely in compliance with the approved district agreement. The district should consult with the broker and legal counsel to determine the appropriate type of retirement plan.

## 4.2 Employee Contributions

The district did not adequately ensure all 401(k) employee contributions were submitted timely. The 401(k) agreement states contributions are to be submitted semi-monthly. The district withheld employee contributions totaling \$9,900 and \$15,913 in 2009 and 2008, respectfully, and the contribution payments were submitted up to 4 months after being withheld from payroll. Additionally, employee contributions for the payroll period December 10, 2008, totaling \$608, were not submitted at all. The Director indicated this was a oversight and the contributions were submitted on July 22, 2010, after we brought this to her attention.



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

Employee contributions are employee monies and are held by the district in a fiduciary capacity. The district has a responsibility to ensure all employee contributions are transferred to the investment management account on a timely basis to ensure employees can maximize investment opportunities.

## Recommendation

The Andrew County Ambulance District Board of Directors evaluate options for changes to the retirement plan and discuss the issue with legal counsel. In addition, employee retirement contributions and employer matches to the district retirement plan should be remitted on a timely basis.

## Auditee's Response

*The Andrew County Ambulance District Board of Directors provided the following written responses:*

4.1&

4.2 *The insurance company administrating the plan has admitted that it marketed the wrong type of plan. This is one of the reasons why that Company's computer would not accept the District's attempted contribution match payments.*

*The Director has been totally vindicated in her judgment that the Board had selected a Company that marketed the wrong plan.*

*The Insurance Company did not admit its mistake or take corrective action until the State Auditor's Office got involved. The Company kept telling the District by e-mail to get an ERISA lawyer. The District is a political subdivision (190.010.2 RSMo) and consequently is not subject to the Employee Retirement Security Act of 1974 (see the specific exclusion in 29 U.S.C. s 1003(b). The Company was much more responsive to the State Auditor's Office requests for match reports than to those same requests when made by the district.*

*An alternative insurance broker was made available directly to the Board at Board meetings for exploration of obtaining bids from alternative companies. The Board chose to try to get the problems with the Company resolved first.*

*2006, 2007, 2008 employer match has been made. The District has replaced the 401(k) plan with a 457(b) plan. Enrollments are currently being done.*

## 5. Policies and Budgets

The Board has provided inadequate oversight of accounting functions and failed to adequately monitor non-monetary write-offs of accounts receivable. In addition, the personnel policy needs to be updated and formally approved and budgets lack some elements required by state law.



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

## 5.1 Segregation of duties

Accounting duties are not adequately segregated, and the Board does not provide oversight of the accounting functions. The office assistant and office manager receipt and record monies, while the Director generally performs most of the accounting functions, including performing bank reconciliations, maintaining payroll records, recording receipt and disbursement information, preparing monthly financial reports, and preparing and distributing checks. The Director also approves her own payroll, expense account, and cash advances or other travel related expenses. There is minimal evidence the Board provides adequate supervision or review of the work performed by the Director.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory or independent reviews of the records should be performed and documented.

## 5.2 Accounts receivable

All accounts receivable write-offs are entered into the system as non-monetary adjustments in order to clear the balance owed, but these adjustments are not reviewed or verified by an independent person. The majority of these write-offs are related to Medicare or Medicaid patients. Thousands of dollars in write-offs are done monthly, but only non-Medicare non-Medicaid write-offs are presented to the Board for approval. While reports are provided from Medicare and Medicaid documenting the unallowable charges written off, the totals from these reports are not compared to the non-monetary adjustments posted for Medicare and Medicaid write-offs to ensure the correct amounts were written off. In addition, we also noted write-offs of accounts that stated the reason was because the patients were employees of the district. This is not an allowable reason for a write-off per the formal policy adopted by the Board in March 2010.

Write-offs of receivables are non-monetary transactions and should be verified and approved by a person independent of the postings of such transactions to ensure they are legitimate. Considering the risks associated with non-monetary adjustments to accounts, the Board should consider increasing its monitoring of write-offs of accounts receivable. In addition, to ensure equitable treatment of all patients the Board should ensure reasons for writing off accounts are allowable per the policy.

## 5.3 Personnel Policy

Although the employee personnel policy manual indicates it was updated in March 2009, there is no evidence the Board formally approved the new manual. Our review of the manual revealed the following concerns:

- Policies regarding sick leave for employees were left out of the manual when it was updated.



---

Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

---

- The manual does not address the employee evaluation process. Several employees in 2008 and 2009 did not receive employee evaluations or raises. It is unclear whether the lack of a raise in pay was due to a failure to be evaluated. The Director indicated evaluations are given every year on the employees hire date, but there are several reasons an employee may not receive a yearly evaluation, such as a change of job duties or leave of absences.

A current and comprehensive personnel policy manual is necessary to clearly outline the expectations and benefits of employment, and can also help ensure policies are fairly and consistently applied to all district employees. The Board should establish an evaluation policy to ensure employee performance is evaluated and clearly documented.

## 5.4 Budgets

Budgets approved by the Board do not contain all elements required by law. The budgets for 2010 and 2009 only include budgeted receipts and disbursements for the upcoming year. They do not include actual beginning cash balances, projected ending fund balances, the prior 2 years actual receipts and disbursements, or a budget message describing the important features of the budget and major changes from the preceding years.

Sections 67.010 to 67.040, RSMo, establish specific guidelines as to the format and approval of the annual operating budget. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of district operations and provides a means to effectively monitor actual costs and receipts.

## Recommendations

The Andrew County Ambulance District Board of Directors:

- 5.1 Segregate accounting duties to the extent possible. If proper segregation of duties cannot be achieved, timely supervision or independent reviews of the work performed and investigation into unusual items and variances is necessary.
- 5.2 Ensure all non-monetary transactions are verified by an independent person and ensure reasons for write-offs are allowable according to the formal write-off policy.
- 5.3 Maintain a complete, comprehensive, and up-to-date employee personnel manual. At a minimum, the issues mentioned above need to be clearly and adequately addressed in the district's policies.
- 5.4 Prepared complete and accurate budget documents which contain all elements required by state law.



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

## Auditee's Response

*The Andrew County Ambulance District Board of Directors provided the following written responses:*

- 5.1 *Further segregation of duties while desirable is not economically feasible. In fact more segregation of duties has occurred with this District than most ambulance districts of comparable size.*

*Documentation of requisite Board review of all financial reports including detailed reports of accounting of disbursements was supplied during the course of the audit. Further documentation of Board review of the detailed annual budget by the Board and related variance accounting reports made to the Board were also provided during the course of the audit.*

*The District and its board are willing to explore options to see if additional duties could be performed by a CPA firm or payroll service, but these options may not be cost efficient to the taxpayers.*

- 5.2 *The Board reviews all discretionary write-offs. The write-off policy as indicated in the report is relatively new, and the Board will take steps to make sure that all write-offs meet the hardship requirements of the Policy, and update Policy to include any write-offs for employees.*

- 5.3 *Although the Board previously approved the Manual, we will have the Board re-ratify the Manual so there is no ambiguity on this point of adoption. A policy Manual of course is a Guideline only and not a binding contract or regulation. In fact the Manual especially eschews such status for the Manual.*

*We will incorporate the long standing District sick leave policy into the Manual.*

*We will adopt a performance appraisal form and incorporate that into the Manual.*

*For those employees who do not receive raises the documentation of the reasons will exist in confidential personnel files.*

- 5.4 *The District prepares an annual budget and unlike many other political subdivisions actually reports this budget information annually to the State Auditor's Office per 105.145 RSMo. These reports are made on forms supplied by the State Auditor's Office. Hence, we are surprised that the District's budgetary information is now considered to be non-compliant with 67.010 through 67.040 RSMo. In fact looking at 67.010 through 67.040 RSMo we are*



Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

*unclear what data elements and format for budgets the District is not in compliance with.*

*We will start a written budget narrative process, although a verbal presentation to the Board has been and is made annually explaining differences from prior years and goals and objectives for the year. This process is done in open session and of course the process is repeated when the tax hearing is held per 67.110.1 RSMo.*

## Auditor's Comments

- 5.1 In addition to reviewing overall financial reports and budgets, the Board should review and approve all payments to the Director and various receipt and reconciliation reports.
- 5.4 The financial statements filed with the State Auditor's office as required by Section 105.145, RSMo, are a separate requirement from the budget requirements under Sections 67.010 to 67.040, RSMo. The financial statements do not require or include the information required in budget documents.

## 6. Closed Meetings

The district did not always ensure compliance with the Sunshine Law, Chapter 610, RSMo. Minutes from some closed meetings were not sufficient to demonstrate that issues discussed were allowable under the Sunshine Law and open meeting minutes did not always document the reasons for going into closed meetings. Some topics in closed meetings included discussion about the responsibilities of the Board and discussion of an overtime settlement for the Director.

The Sunshine Law, Chapter 610, RSMo, states the question of holding the closed meeting and the reason for the closed meeting (including the section of law allowing it to be closed) shall be voted on at an open meeting. In addition, the Sunshine Law provides that public government 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.

## Recommendation

The Andrew County Ambulance District Board of Directors ensure the items discussed in closed meetings are allowed by the Sunshine Law and adequately document reasons for closing meetings.

## Auditee's Response

*The Andrew County Ambulance District Board of Directors provided the following written responses:*

*All notice requirements (610.022.2 RSMo) for a closed meeting have been complied with and the appropriate and applicable exemption(s) from an open meeting as contained in 610.021 RSMo have been complied with and included in all agendas for the public and media.*



---

Andrew County Ambulance District  
Management Advisory Report - State Auditor's Findings

---

*The Attorney General's Office has informally advised in public presentations that minutes of closed meetings should preferably cover more than the requisite roll call votes but also include summaries of mere discussions. The rationale for this advice is presumably to aid in institutional memory for successive Board members as to why certain decisions may have been made. The State Auditor's Office in this Report has repeated this same advice.*

*The District is willing to re-examine its current practice of limiting the minutes of closed meetings to roll call votes only. However, quite frankly we think it unlikely we will be changing our current practice. In State ex rel. Board of Pharmacy v. Administrative Hearing Commission, 220 S.W.3d 822, 826 (Mo. App. W.D. 2007) it was ruled that records legitimately closed under the Sunshine Law were nonetheless discoverable under Rule 56 of the Missouri Rules of Civil Procedure. Consequently the District is currently on the advice of counsel restricting its closed meeting minutes to the minimum requirements of 610.020.7, i.e. the roll call votes. Unless, the State Auditor's Office is willing to act as a Surety to the District for any and all claims that might arise from additional documentation of closed meeting minutes (defamation, privacy and the constitutional liberty interests versions thereof brought under 42 USC 1983 to piece sovereign and official immunity) the Board is somewhat disinclined to accept the Auditor's Office's recommendation for more extensive minutes for closed meetings.*

# Andrew County Ambulance District Organization and Statistical Information

The Andrew County Ambulance District was established in 1988 to provide ambulance service to district residents. District revenues primarily consist of sales taxes, service fees, and Medicare/Medicaid reimbursements.

## Board of Directors

The elected board acts as the policy-making body for the district's operations. The board's six members serve 3-year terms. Members of the board during the year ended December 31, 2009 were:

Name and Title	Dates of Service During the Year Ended 2009
Tracy Stroud, President (1)	January-December 2009
Carol Johnson, Vice-President (2)	January-December 2009
Theresa Schneider, Secretary	January-December 2009
Anita Breit, Treasurer	January-December 2009
Marvin Chrisman, Member	January-December 2009
Jesse Stone, Member (3)	October-December 2009

- (1) Resigned in January 2010. Jeffrey Martin was appointed to fill this position in March 2010. Theresa Schneider was appointed President.
- (2) Resigned in January 2010. Sharon Howard was appointed to this position in March 2010.
- (3) Appointed to this vacant position in October 2009.

## Other Officials

Name and Title	Dates of Service During the Year Ended 2009	Compensation Paid for the Year Ended 2009
Vicki Groce, Director	January-December 2009	\$83,250 (1)

- (1) Compensation consists of annual salary of \$60,005, overtime pay of \$16,692, sick leave payout of \$1,289, and vacation payout of \$5,264.

In addition to the Director, the district employed 16 full-time employees and 10 part-time employees at December 31, 2009.