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Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Monarch Fire Protection District

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Monarch Fire Protection District

Follow-Up Report on Audit Findings

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THOMAS A. SCHWEICH

Missouri State Auditor

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

We have conducted follow-up work pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program on certain audit report findings contained in Report No. 2012-08, *Monarch Fire Protection District*, issued in February 2012. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has begun to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we discussed the status of significant findings with relevant district officials and any corrective action taken regarding our recommendation. Supporting documentation reviewed included letters from the district's attorneys, the contract with the district's new general counsel, and minutes of closed meetings. This report is a summary of the results of this follow-up work, which was substantially completed during May 2012.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Monarch Fire Protection District

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Retirement Incentive

The State Auditor's office (SAO) had concerns regarding the retirement incentive package approved by the Board. The incentive package provided for additional compensation to employees totaling \$231,000 during the 2 years ended December 31, 2011 and 2010. It is the position of the SAO that this is in violation of the Missouri Constitution. In addition, the district paid excessive additional health, vacation, and sick leave benefits to these employees.

District personnel indicated the retirement incentive was an effort to reduce salary and overtime expenses (due to the large amount of vacation earned and taken by the senior employees). The incentive package provided that the first employee to sign up would receive \$2,000 for each year of service and the next six employees to sign up would receive \$1,500 for each year of service. The package was limited to the first seven employees who signed up, with priority given to those with seniority, if multiple people signed up for the package on the same day.

The retirement incentive package also created additional health insurance benefits for these seven employees. Normally, a retiree of the district used funds from their Voluntary Employee Beneficiary Association (VEBA) account to assist in paying health insurance. For the seven employees in the incentive package, the district would pay up to \$2,000 per quarter for their health insurance for a maximum of 5 years or until they became Medicare eligible. If the employee's health insurance cost was less than \$2,000 per quarter, the district only reimbursed actual costs. This additional benefit has the potential of costing the district \$280,000 over 5 years.

The district's regular policy required employees to use vacation leave before they retired and sick leave was paid based on a percentage of the employee's normal pay rate dependent on when the sick leave was earned. Under the retirement incentive, all seven employees would be paid their vacation and sick leave in full. The employees continued to receive normal paychecks until they used their accumulated leave time, and since the employees were still on the district payroll, they also continued to receive district benefits such as health insurance. Our analysis of one employee participating in the retirement incentive indicated he was paid approximately \$34,000 for his leave time. Under normal retirement, he would have been paid approximately \$20,000 for this same leave time.

Recommendation

The Monarch Fire Protection Board ensure all retiree benefit expenditures are necessary and beneficial to district residents and comply with the constitution.

Status

Not implemented

The district has not approved another retirement incentive and has no plans of implementing one in the next couple of years. However, the Board



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declined to commit to not establishing future retirement incentives. The Board indicated it would apply more due diligence with how future retirement incentives are handled.

2.1 Legal Services

The district had not obtained proposals or written contracts for some legal services. In addition, there were no written agreements with the general counsel or the pension attorney specifying the terms of service and related compensation. The district discovered the pension attorney may have overcharged the district by approximately \$4,300, as a result of not having a written agreement documenting the hourly rate.

Recommendation

The Monarch Fire Protection Board periodically solicit proposals for legal services and maintain all related documentation, including reasons for the district's decisions. In addition, the Board should enter into written agreements for all services.

Status

Implemented

The district has obtained proposals for general counsel services. General Counsel duties now include personnel legal issues, which were previously handled by a different attorney. The district provided us with the contract with the new general counsel for the district and a letter from the pension attorney documenting the approved billing rates.

2.2 Award Banquet

The district spent approximately \$26,000 for a service awards banquet in September 2011, which was a questionable use of district funds.

Recommendation

The Monarch Fire Protection Board ensure all expenditures are necessary and beneficial to district residents.

Status

Partially implemented

The district indicated it had a promotion ceremony for fire fighters and was able to obtain donations for the event. The 2012 budget has no monies set aside for awards banquets. One Director indicated the district will have another awards banquet in 2013, but he wants to ensure the amount of district monies spent on the event is reasonable and a proper amount of review is performed on any items purchased to ensure taxpayer monies are spent prudently.

3.1 Open Minutes

From January 2010 through September 2011, the district did not document the reasons or the votes regarding meeting closure for 40 closed meetings as required by state law. In addition, the minutes of nine open meetings documented a closed meeting, but did not document the specific reasons for closing the meeting.



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Recommendation

The Monarch Fire Protection Board ensure a roll call vote to close a meeting and reasons for going into closed meetings are documented in open meeting minutes.

Status

Implemented

The district indicated it has changed procedures and the open meeting minutes related to the three closed sessions since the audit report was issued reflect the statute, reasons, and votes for going into closed session.

3.2 Closed Minutes

The closed meeting minutes did not sufficiently demonstrate issues discussed were allowable under Chapter 610, RSMo, the Sunshine Law.

Recommendation

The Monarch Fire Protection Board ensure reasons for closing a meeting are documented and only allowable topics are discussed.

Status

Partially implemented

The district indicated when it went into closed session, it was on the advice of district counsel. The closed minutes reviewed for the April 5, May 15 and May 29, 2012, closed meetings contained sufficient details of the discussions held by the Board.

Some topics discussed during these closed meetings may not be allowable under Chapter 610, RSMo. The Board discussed their bid process and the appointment of the Fire Chief as the custodian of closed meeting records.