

Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

Good morning, Chairman Vigesaa and members of this committee,

My name is Ann Hafner and I am a resident of Dunn County, District 26. I am a Paramedic and Operations Chief of Killdeer Area Ambulance Service, a rural ambulance taxing district in western North Dakota.

Today I represent myself and our ambulance district board regarding HB 2004.

I originally wrote this testimony for HB 1129. I was present on January 12 to present it to the House Political Subdivision Committee when I was informed by Chairman Longmuir that the bill had been withdrawn for unknown reasons. I was later informed Auditor Gallion urged the bill to be withdrawn as it was not good for his office and a deal had made to refund audit fees to Gwinner Rural Fire Protection District and Killdeer Area Ambulance Service. Today I present my revised testimony.

As background, our rural ambulance taxing district with a current population of 2800 was established in 2005 and granted a levy of 5 mills. We serve nearly 1000 square miles in Dunn, McKenzie, and Billings Counties. There is no physician, no hospital, and no emergency room within the area we serve. Since 2014 we had proudly been one of the smallest Advanced Life Support



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Ambulance Services in the state, meaning we guaranteed our area at least one Paramedic staffed ambulance at all times.

In January 2022 our ambulance district was notified by the Office of ND Auditor that we were delinquent in providing financial statements, a requirement we were previously unaware of. They advised that we should immediately have an audit completed and that we could hire the Office of ND State Auditor to perform an audit for us at a price of approximately \$17,000.

Our “clean audit” was finally received in December. We were awarded an “unmodified opinion” and were told that was “awesome” and the “best you can get” by our audit team. The total cost of the audit was \$54,374; \$48,650 directly to the ND State Auditor’s Office, \$399 attorney fees for letters required by the Auditor’s Office, \$5325 to the local CPA for requested records and meetings with the audit team.

Since this is a committee concerned with finances, I’d like to give a quick word on how an ambulance taxing district might budget and support themselves. Our district considers wages, fuel, patient expenses like medications and bandages, maintenance needs and training expenses and all the costs of running a business. Next, we attempt to determine how many times the ambulance service will be needed during the year. The amount of money



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needed to run the service is divided by our guess of the number of responses we might have and a cost per response is determined. This biennium, the House Human Services Committee determined (for purposes of grant funding) that the cost of an ambulance run is \$1750.00, and reimbursement would ideally be \$750.00. Our actual average cost per run is about \$2100.00. Depending on the year, 30-40% of our runs result in zero income. Over half of our responses are covered under Medicare which pays less than %50 of the amount that we bill (amount that the run costs). I've attached specific instances for your review. The point I am trying to make is that a rural ambulance taxing district is a business that no businessman in his right mind would want to own. It is almost impossible to budget, the income is unpredictable and unreliable. We can charge whatever we want but can only earn what the insurance company wants to pay, which is never enough to make ends meet.

Every ambulance service I know has been struggling with inadequate insurance reimbursements and the exodus of qualified care givers to other fields. Rural services pay low wages and lack employee benefits that are readily available in other jobs. The gas station and Dairy Queen in Killdeer pay several dollars more an hour than we can pay our licensed EMTs.



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Because of these reasons, our ambulance district board decided to ask the voters to increase our mill levy from the 5 mills set in place in 2005 (about \$255,000). As I am sure most of you have heard, an employee of the ND State Auditor's Office was feeding incorrect and biased information to the public about our audit while the audit was still underway, in violation of laws and standards (NDCC 54-10-22.1 and 54-10-26). As a result of the actions of this employee of the auditor's office and the community outcry it caused, our requested mill levy increase failed at a cost of \$255,000 per year. Because of the damage we were delivered through this audit, we could no longer afford to pay sufficient staff to maintain our Advanced Life Support Designation. After eight years as the smallest Advanced Life Support Ambulance in the state we were forced to downgrade our services to Basic Life Support.

Section 3 of this bill discusses refund of audit fees. When testimony for HB 1129 was preempted by removal of the bill from committee consideration, I was assured that Killdeer Area Ambulance would receive a refund of the exorbitant fees we paid in full to the auditor's office. Later, I was provided with a spreadsheet of proposed reimbursements based on charging 1% of revenue. Accordingly, our service would be charged equivalent to 1% of our revenue received for each year that was audited



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(\$46,629).

2017 income	\$1,186,807	expense	\$1,052,834	Balance	\$133,973
2018 income	\$1,068,910	expense	\$1,164,878	Balance	(\$95,968)
2019 income	\$1,230,202	expense	\$1,406,566	Balance	(\$176,364)
2020 income	\$1,177,013	expense	\$1,212,262	Balance	(\$35,249)

The spreadsheet makes it look like we have plenty of cash and transferring 1% of our tax-based income into the coffers of another tax supported agency is no big deal. When you look at the entire financial picture, \$46,629 is more than we could afford. I would like to point out that over half of the revenue received each year was tax dollars either from mill levy, legislative funds through REMSA grants or as assistance received from Dunn County.

Audit fees should be reasonable, applied without prejudice and be determined by the legislature. The Auditor should not have the authority to apply discounts or upcharge on a whim. Auditor spokeswoman, Emily Dalzell is quoted in the Bismarck Tribune on February 21, 2023. She states audit fees of \$112 per hour are charged by the Auditor's office. One could assume then that the audit of our service necessitated 434 hours of work. As of this date, we do not know the hourly rate we were charged for this audit nor the number of hours we were charged for. We received



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three individual invoices for \$6000, \$11,000 and \$31,650 due for “Political Sub Audits, 1 each” no other unit of measure or detail.

In the same article, Mr. Gallion states audits range from \$10,000 to \$20,000 depending on size and scope. On January 10, 2023 we received an estimate from his office for \$23,000 – \$26,000 for a repeat audit of a rural ambulance taxing district which received an unmodified opinion 4 months ago.

Mr. Gallion asserts that his agency does not receive state tax dollars because the money comes from a “special fund” and he is required to charge local governments for audit services. HB 2004 directs appropriations for the Auditor’s office to come from the General Fund, and from special funds derived from federal funds and other income. The ND OMB lists more than ten tax types that provide revenue to the general fund. Killdeer Area Ambulance is a rural ambulance taxing district therefore, all funds received and dispersed by the organization are “taxpayer funds”. Nine months into the audit process our audit team told us that all work on our audit had been **suspended** and would not be resumed until we made an \$11,000 payment on the audit. We were told the **state did not fund the Auditor’s office and this is what they had to do to make money.**



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I am a scientist, a medical professional and usually not a conspiracy theorist, but audits were initiated based on an anonymous complaint against Killdeer Area Ambulance which led to huge revenue for the auditor's office. There appears to be no set billing policy or structure for audits in this state. An entity may be charged by the hour at an undisclosed rate, multiple invoices for "audit, 1 each" as a unit of measure, by the audit depending on "size" and "scope", or as 1% of revenue.

We willingly and eagerly participated in the audit not just because it was required by the century code but also because we had nothing to hide and hoped to improve our policies and processes. However, our experience with the audit process has left us disillusioned and with significant concerns.

At last count there were 112 licensed ambulance services in the state of North Dakota. Of those 112, only 25 are rural ambulance taxing districts and are therefore subject to NDCC 54-10-14. Currently, the auditor's office has the unchecked power to cause enough damage that any one of these services would have no choice but to surrender their license, decrease their level of service as we were forced to do or cease service all together.

I am a Paramedic. I run an ambulance service. I am well versed in the chapter of the Century Code (NDCC 23-27) that governs



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licensed ambulance services in the state. I do not know how to perform an audit nor am I familiar with what official or agency governs the Office of ND State Auditor. But I have faith that you, our elected representatives do know. I urge you to hold the Auditor and his office accountable. Perform an audit of their billing practices and require standardization and fair billing.

As you continue to debate House Bill 2004, I urge you to keep in mind the dire straits our district was placed in because of the actions and the audit processes of the ND Auditor's Office.

On behalf of those I represent and myself, as a voter of District 26, I thank you for your service to our state. I will be glad to remain and answer any questions you may have.

