

Testimony in Support of HB 1508
Senate State and Local Government Committee – March 10, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

Good morning, Chairman Roers 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 and a member of North Dakota EMS Association.

Today I represent myself and our ambulance district to voice our strong support of House Bill 1508.

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it to the House Political Subdivision Committee when I was informed by Representative Longmuir that the bill had been withdrawn for unknown reasons. I was informed Auditor Gallion had urged the bill to be withdrawn as it was not good for his office and a deal had been made to refund audit fees to Gwinner Rural Fire Protection District and Killdeer Area Ambulance Service.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.

The past 3 years have been a struggle as our call volume has increased along with expenses, and health insurance reimbursements have dropped dramatically. The ambulance district board has been against a tax increase, so our levy remained as set in 2005, 5 mills (about \$255,000).

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. The first meeting was on January 24, 2022 by phone. At that meeting we were given a price of \$17,000 to complete the four-year audit. We were told that cost would be less if we did most of the work ourselves and did not require staff to travel to Killdeer. We agreed and engaged their audit team. We paid our first invoice of \$6000 in June. I would like to add that the entire audit was conducted online or by phone, at no time did any employee of the auditor's office travel to our location.

As summer approached, our Board made the decision to ask the voters for an increase of 5 mills. Prior to the election, an employee



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of the ND State Auditor's Office, CPA Dan Cox, began communicating about our district audit by phone and email with a local resident, Candyce Kleeman. She and others spread word that our service was "under audit by the state". A campaign was launched using social media to deny the mill levy increase until the district received a "clean audit" and the requested 5 mill increase that we so desperately needed failed miserably. By September we were struggling financially, our Paramedic – Bookkeeper had resigned from the stress of the audit, I volunteered to take a significant pay cut to make ends meet and 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. We got a loan against one of our ambulances to make payroll, had drawn all available funds and were still hesitant to approach the Dunn County Commission because our audit had not been completed.

It was also in September that we held our first in-person meeting (via Zoom) with members of our audit team. We explained that we were near shut down because of fallout from the audit and literally begged them to complete at least the first section of the audit so that we could petition Dunn County for financial assistance. The audit team told us that all work on our audit had



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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**. We were informed that at least an additional \$30,000 would be required prior to receiving the final audit report.

Community members continued to demand zero funding for the ambulance service until a "clean audit report" was delivered. Fortunately, County Commissioners Lundberg, Dukart and Pelton recognized the importance of our ambulance service and granted the needed financial support. We were provided no assistance by the auditors office in securing county funds although Mr. Gallion stated in previous testimony that his office helped us "secure a grant" from Dunn County. That statement is absolutely false. In contrast to Mr. Gallion's assertions of assistance, our employees spent nearly 200 hours compiling, faxing, and scanning records and attending meetings required by the audit team. Those 200 hours could have been spent writing grants or searching for funding and staffing options that would have allowed us to operate more efficiently.

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



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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.

I want to emphasize this point; we received a mill levy of \$255,000 and paid \$54,374 for the state required audit, 21% of the funds provided by local taxpayers. To their credit, the Auditor's Office has said future audits would be less expensive because they have laid all the groundwork. On January 10 we received an estimate of \$23,000 - \$26,000 for a biannual audit, a great expense for the 700 taxed households in our district to bear.

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.

Ethical Conduct. The Century Code allows the Auditor to conduct an audit of a political subdivision at his discretion for alleged improprieties. Auditor Gallion allowed an anonymous, disgruntled community member to weaponize his office (supported by tax dollars) against a registered nonprofit ambulance service owned by the taxpayers for reasons that we aren't allowed to know. I am a



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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. Despite multiple requests to review the complaints and be allowed to respond, the auditor's office still refuses to provide any information regarding the complaint or allegations. The Auditor's Office did not inform Killdeer Ambulance that there was an "allegation of improprieties" or a complaint against us prior to his testimony against HB1508 in February. Since that time, Mr. Gallion has continued to publicize false information regarding Killdeer Area Ambulance and our audit including the existence of allegations made variously by community members, County Commissioners of multiple counties, a past county commissioner and the wife of a commissioner. He continues to make false statements in the media against Killdeer Ambulance including stating one of our employees "quit and moved out of state (with financial records) and we (auditor's office) had to find them", a statement that is absolutely not true.

Lack of Confidentiality. The Century Code (54-10-22.1 and 54-10-26) makes working papers of the state auditor and draft audit reports confidential. An employee of the auditor's office chose to ignore these requirements, to the detriment of our community. CPA Dan Cox knowingly engaged in careless behavior by



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communicating confidential information to individuals unrelated to Killdeer Ambulance who were not authorized to receive such information. When questioned about an audit currently ongoing, Mr. Cox should have refused to discuss the audit and should not have offered his personal opinions of the audit's progress. Mr. Cox misrepresented the status of the audit which caused damage to the reputation of employees, the service, financial loss to the service and erosion of public trust which hindered the ability of Killdeer Area Ambulance to perform its function as an Advanced Life Support Ambulance Service.

Unfamiliarity with and Violation of Federal Law. Our letter of Engagement states that our entity is responsible for implementing systems designed to achieve compliance with applicable laws and regulations. Also in that letter is policy that files and information are to be sent to the auditor's office using the state's secure file transfer system. As our audit progressed, we were encouraged by the audit team *not* to use that system and email documents. I was never provided access to the secure system although I submitted many documents during the audit.

We made the auditing team aware that as an entity that provides treatment, payment and operations in healthcare, Killdeer Area Ambulance must meet HIPAA compliance guidelines. We



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requested that our audit team sign a Business Associate's Agreement as specified in federal statute. The auditor's office informed us that the federal HIPAA statute did not apply to them because of their confidentiality policy, the same policy CPA Cox previously broke. Refusal to sign a Business Associate Agreement is cause to end the relationship with the entity that refuses to sign. By this point, we felt we were struggling for survival and could not withstand the retaliation and community anger we would face if we stopped the audit. Based on failure of the auditor's office to sign this agreement, our confidentiality concerns and to protect ourselves from potential federal fines (as high as \$25,000 per incident) Killdeer Area Ambulance has filed a complaint with the United States Department of Health and Human Services, Office of Civil Rights against the Office of North Dakota State Auditor.

Transparency in Billing. Audit fees are fluid, unenforceable and the auditor grants discounts at will. Some entities can refuse to pay with no repercussions. Nine months into the audit process we were told that all work on our audit had been **suspended** and would not be resumed until we paid them \$11,000. The Gwinner Rural Fire Dept was granted a \$6000 discount and Griggs County only paid \$12,000 of the \$36,000 they were billed. Audit fees should be reasonable, applied without prejudice and be determined by the legislature. The Auditor should not have the authority to apply



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discounts or upcharge on a whim. 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 three individual invoices for \$6000, \$11,000 and \$31,650 due for "Political Sub Audits, 1 each" no other unit of measure or detail. Mr. Gallion claims the reason our fees were high is because our financial records were a mess, we did not have financial statements and his office had to redo them. Again, these claims are false. Monthly financial reports were presented and approved by the Board of Directors as recorded in the Monthly Minutes of the District. The District hired a CPA in 2020, prior to any contact from the auditor's office, to oversee our accounts. Our CPA made every correction and change recommended by the audit team and submitted the reports and documents to them exactly as they directed.

As you continue to debate House Bill 1508, 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.

Please vote in favor of HB 1508. 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.



Subject **RE: Killdeer Area Ambulance Audit**
From Cox, Daniel D. <dcox@nd.gov>
To [REDACTED]
cagleman@ndsupernet.com <cagleman@ndsupernet.com>
Date 2022-08-02 3:39 pm
Candyce ~

The actual audit takes place in two parts: 1) prepare the financial statements & get them to balance; & 2) review the records (support documentation like invoices & bank stmts) to make sure the numbers are accurate.

To date we have just finished part 1 of getting the financial statements prepared & balanced. I can't say anything about that outcome until the completion of the audit but I can tell you that it has taken way longer than it ever should have to receive the records from them in order to prepare their financial statements from 2017 thru 2020. Normally, when we request financial records it takes less than a month (from much larger clients) & they have taken almost 7 months.

We will be starting the part 2...the audit portion soon & hopefully those type of records are more readily available.

If you or any board member wants to know whether they should get additional money thru an increased mill levy then 1st determine how good of a job they're doing with the money they're currently receiving. Since the audit isn't completed yet you can't rely on that but what you can do is to ask for the December 31st, 2021 bank statement & see if it ties to their 2021 year end financial reports. If it doesn't or they can't provide it then you know all that you need to know.

* Any questions call ~

Dan Cox, CPA
Quality Assurance Audit Manager
ND State Auditor's Office
(701) 328-2745

August 3, 2022

KAAS Directors and Dunn County Commission:

→ I am writing this because of some false information that has surfaced since the discussions about the KAAS special election have developed. _____

First, the audit that the KAAS is going through has been brought up. The following email was sent to a resident by Tracey Dolezal stating the audit was for their use, not a "state audit". This is not true. I talked to another director about the audit and he also did not seem to feel there was any cause for concern. Josh Edwards posted that all ambulances and fire districts were being audited by the state as per Century Code. That is partially true. Once a department hits a specific threshold of operating dollars they are REQUIRED to furnish the ND State Auditor with either an annual financial report (if approved to do so), or furnish an independent audit every two years. This has not been done by KAAS. *— Armedic*

A couple years ago, Bob was presented with several complaints from several people about concerns with KAAS. Because several were personnel complaints, they were difficult to verify. However, several dealt with financial concerns so he called the ND State Auditor's office to see if the financial reports turned in showed any discrepancies. At that time we were told the Service had NEVER turned in any reports. Because of this we were informed there would be a state audit as soon as the schedule allowed it. That audit started about 7 months ago and is indeed an audit of KAAS finances by the state. The contact is Dan Cox and there is an email attached that he sent yesterday stating the status of the audit. He also told me in a phone call that the audit was being performed due to serious delinquency of reporting by KAAS and that he had been in contact with Tracey and Josh. _____

It troubles me that directors and the financial contact at KAAS seem to think this is not an audit by the State because of their failure to report. I am not sure where they got that idea and if necessary I was told we could request the letter from the State that initiated the audit to show it was state led, however, KAAS has that letter.

Attached is the partial printout of the list of Planned Audits for the State which includes the KAAS listing showing it is a "state audit". Also attached is the email I received from Dan Cox on the status of the audit.

I followed up on this because I feel there is miscommunication within the Service and because any entity getting tax money should be following the laws for State reporting. A copy of this is being delivered to all ambulance directors so everyone has firsthand knowledge of it, not rumors.

Thank you for your time.

Candyce Kleemann

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