

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

THE MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
FINANCIAL AUDIT

A U D I T R E P O R T

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FINANCIAL AUDIT

A U D I T R E P O R T

The Internal Audit Department audited the accompanying statements of assets, liabilities, and net assets of the Manatee County Emergency Medical Services (EMS) Auxiliary, Inc. as of December 31, 2000 and as of December 31, 2001, and the related statements of revenues, expenses and changes in net assets; functional expenses; and cash flows for the years then ended. We conducted our audit in accordance with auditing standards generally accepted in the United States. The audit was also performed in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Manatee County EMS Auxiliary is a non-profit corporation, which supports the Emergency Medical Services Department of Manatee County. The role of the EMS Auxiliary is to promote and assist Manatee County Emergency Medical Services by voluntarily providing state certified emergency medical technicians to help crews with medical treatment and basic life support coverage for special events, large gatherings, and disaster operations. In addition, the EMS Auxiliary provides educational programs to the public concerning emergency medical treatment as well as providing educational training for auxiliary members.

The EMS Auxiliary receives contributions from individuals and donations for services performed at various events. In addition, they accept donations earmarked for the Manatee County EMS Special Activities Bicycle Emergency Response (SABER) team and Honor Guard. Their expenditures include, but are not limited to, continuing education, donation supplies, equipment for the SABER and Honor Guard teams, and general office expenditures for their day-to-day operations.

PURPOSE/OBJECTIVES:

The audit purpose/objectives included, but were not be limited to, the following:

Audit the financial statements for the years ended December 31, 2000 and 2001.

Verify accuracy and input timeliness of financial data and reports processed by the EMS Auxiliary.

Verify an adequate system of internal control exists to safeguard assets, maintain the integrity of reports on operations, and provide adequate evaluation of the EMS Auxiliary's objectives and responsibilities.

Verify compliance with Florida Statutes, IRS reporting requirement, by-laws, and contracts.

SCOPE:

The financial audit scope consisted of a review of all financial statement accounts used by the EMS Auxiliary for a two-year period through December 31, 2001. Controls over cash handling and safeguarding of assets were also evaluated.

METHODOLOGY:

The accounts were reviewed by examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Internal control evaluations were accomplished through discussions with management and observations.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

For the year ended December 31, 2000, there were some minor transactions that could be indicative of abuse as indicated in this audit report. However, under new management, there were no indications of irregularities, abuse, or illegal acts discovered for the year ended December 31, 2001.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial audit of the EMS Auxiliary for the two-year period ending December 31, 2001, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we noted some matters involving internal control weaknesses.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be given for each Area for Improvement. Management Action Plans are corrective actions with implementation dates developed in cooperation with the EMS Auxiliary's Management Team and the Internal Audit Department. The Management Team included the president of the EMS Auxiliary and representative officers of the Manatee County EMS Division.

MANAGEMENT SUMMARY:

The EMS Auxiliary reorganized in January 2001 with a complete change in management. Prior to that date, the management had limited accountability and controls over revenues and expenditures. Since that time, the new management team has improved accountability over operations significantly. Internal controls appear to have been strengthened by increasing the segregation of duties and removing the incompatible functions that once existed. At the Board of Directors' meetings, important decisions are discussed, approved and documented in the Board minutes. In addition, management is working on expanding their purpose, so that they may provide more benefits and support to Manatee County's EMS Division.

Based on the audit performed, it appears that the majority of the "Areas for Improvement" occurred in the year ending December 31, 2000. With the new management in January 2001, most of these areas have been corrected with few outstanding areas requiring management's attention. The following summarizes our areas of concern:

- Information contained in the Board of Directors' minutes for the year ending December 31, 2000 did not provide sufficient information to ensure that a quorum was present. In addition, major expenditures were not discussed or approved and not all of the minutes could be located. In the subsequent year, significant improvement was noted in the information contained in the Board of Directors' minutes. Improvement is still needed in the documentation to confirm that a quorum is present. The Management Team, through its Management Action Plan, is in the process of requiring the documentation of a quorum at its Board meetings. In addition, the Board of Directors will also ratify, confirm, and approve those decisions made at meetings where a quorum was not present.
(See Area for Improvement #1 on page 6.)
- Revenue received during the year ending December 31, 2000 was not separated by source and, therefore, could not be sufficiently confirmed; although there appeared to be more money deposited than could be identified. In the subsequent year under new management, all of the revenue was confirmed and properly accounted for. The Management Team, through its Management Action Plan, will continue to require and maintain the necessary detail for continued accountability over revenue.
(See Area for Improvement #2 on page 6.)
- The EMS Auxiliary has allowed SABER and the Honor Guard to deposit donations in the EMS Auxiliary bank account and request disbursements for the benefit of these groups. These groups would directly solicit donations in their names and make their own purchases. The solicitation of donations appears to be in conflict with the agreement between Manatee County and the EMS Auxiliary. In addition, the disbursements of funds out of the EMS Auxiliary's accounts did not comply with by-laws requiring approval by the Board of Directors. The Management Team, through its Management Action Plan, will have a member from each of the groups be honorary EMS Auxiliary members for fundraising purposes. Purchases for these groups will be made by the EMS Auxiliary and comply with current by-laws.
(See Area for Improvement #3 on page 7.)

- A significant number of the expenditures made during the year ending December 31, 2000 lacked adequate supporting documentation and approval. In the subsequent year, purchasing procedures improved with a significantly smaller amount of expenditures lacking adequate supporting documentation. The Management Team, through its Management Action Plan, has already implemented procedures to ensure that supporting documentation is maintained and required approvals are obtained. **(See Area for Improvement #4 on page 8.)**
- The EMS Auxiliary has been expanding their mission by providing more benefits and support to Manatee County's EMS Division through the purchasing of small equipment, uniforms and supplies. The current agreement between the EMS Auxiliary and Manatee County does not address the subsidizing of County EMS operations nor is it specifically addressed in the EMS Auxiliary by-laws. The Management Team, through its Management Action Plan, will amend the agreement between the EMS Auxiliary and Manatee County, and will also change the EMS Auxiliary by-laws to cover these activities. **(See Area for Improvement #5 on page 8.)**

We appreciate the efforts of the management in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plans included in this report, controls will be strengthened, improving accountability.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA FOR IMPROVEMENT #1

Subject: Information Contained in the Board of Directors' Minutes

According to the EMS Auxiliary's by-laws, the Board of Directors shall hold monthly business meetings on the second Tuesday of each month. A quorum, which is defined as a majority of the Board of Directors and at least five other active members of the EMS Auxiliary, is required for voting on business decisions and approving purchases over \$200.

For the 2000 minutes, there was neither a list of attendees nor an establishment of a quorum for any of the 11 monthly Board of Directors' minutes reviewed for 2000; the December 2000 minutes could not be located. In addition, the prior month's minutes were not noted as approved. There was neither a regular discussion regarding revenues and expenditures at each meeting, nor was much detail provided when these transactions were discussed.

The 2001 minutes improved significantly; however several areas still required improvement. Of the 12 Board of Directors' minutes reviewed, 5 (or 41.7%) did not list the attendees. When a separate listing of attendees maintained by the Secretary was obtained, it was noted that 3 (or 25%) did not have a quorum. Therefore, the significant purchases and other decisions voted on at these meetings were not properly authorized, and the approval of prior month's minutes was not valid.

Management Action Plan:

- Management is in the process of requiring that the Board of Directors' minutes list all attendees along with their position or relationship to the Board of Directors and document whether a quorum has been established. If there is not a quorum, then the meeting will be rescheduled. The Board of Directors will also ratify, confirm, and approve the items passed in the April, May, and August 2001 minutes, which were the meetings that lacked a quorum. Management anticipates implementation beginning with the August 2002 board minutes.

AREA FOR IMPROVEMENT #2

Subject: Revenue Procedures

Revenue deposits could not be sufficiently confirmed for the year ended December 31, 2000, due to poor record keeping that did not identify individual deposits by source. Although the individual confirmation amounts could not be traced to the deposits, there appeared to be more money deposited than could be identified. Under new management, all of the revenue in 2001 was confirmed and properly accounted for.

AREA FOR IMPROVEMENT #2Continued

Management Action Plan:

- Management was aware of the poor record keeping for the year ending December 31, 2000. Management has worked diligently to improve accountability in 2001. As a result, management kept documentation of the deposit detail and identified individual deposits throughout 2001. They will continue to require and maintain this detail for ongoing accountability.

AREA FOR IMPROVEMENT #3

Subject: Fundraising for SABER and Honor Guard

SABER and the Honor Guard are recognized groups within the Manatee County EMS Division. The EMS Auxiliary has allowed SABER and the Honor Guard to deposit donations, solicited by them for their specific groups, into the EMS Auxiliary account, identifying the money by each group. In addition, each group would request disbursements or reimbursements for purchases made for the benefit of the group.

Manatee County and EMS Auxiliary have a written agreement that states that the “AUXILIARY shall... not represent itself as an agent or employee of the COUNTY to any person, governmental unit or corporate entity during fundraising.” It was noted, however, that fundraising activity for SABER and the Honor Guard has been done in the name of these groups, not the Auxiliary; therefore, it appears in violation of the agreement between the County and the EMS Auxiliary.

In addition, purchases made on behalf of the SABER and Honor Guard teams, using the money from this fundraising, did not follow EMS Auxiliary by-laws requiring approval by the EMS Auxiliary Board of Directors, and adequate documentation was not always maintained. The EMS Auxiliary did not view these groups as part of their operations and, therefore, did not follow the same standards as those required for EMS Auxiliary purchases.

Management Action Plan:

- By November 1, 2002, management will have at least one member from the SABER and Honor Guard teams become an honorary member of the EMS Auxiliary for fundraising purposes. The purchases for these teams will be performed by the EMS Auxiliary in compliance with the EMS Auxiliary by-laws. In addition, documentation will be required and maintained, as is consistent with all other EMS Auxiliary purchases.

AREA FOR IMPROVEMENT #4

Subject: Purchasing Procedures

For 2000, 37 of the 86 purchasing transactions were tested; the significant exceptions are summarized below:

- 22 (or 59.5%) did not have any supporting documentation;
- 11 (or 29.7%) that were over \$200 did not have the proper authorization;
- 4 (or 10.8%) could not be determined due to missing documentation; and
- 2 (or 5.4%) had an incorrect amount paid

The purchasing procedures improved significantly in 2001, with the following exceptions noted from testing 26 of the 64 transactions:

- 9 (or 34.6%) did not have any supporting documentation due to a month of documentation that could not be located.
- 3 (or 11.5%) that were over \$200 did not have the proper authorization.

Management Action Plan:

- Management has already implemented procedures that require the documentation for all expenditures be kept in a file at the Auxiliary's office. Also, management will continue to make sure that all expenditures more than \$200 are properly voted on at the monthly business meetings.

AREA FOR IMPROVEMENT #5

Subject: Purchases on Behalf of Manatee County EMS Division

The EMS Auxiliary makes purchases for the Manatee County EMS Division, such as equipment for the Honor Guard team and hats for all County EMS employees. The written agreement between Manatee County and EMS Auxiliary does not mention the EMS Auxiliary being used to subsidize part of the County EMS operations, nor does it specifically address the EMS Auxiliary purchasing equipment and uniforms for the County EMS employees. In addition, these types of transactions are not covered in the EMS Auxiliary's by-laws.

Management Action Plan:

- Management, in conjunction with Manatee County EMS Division, will amend the agreement between the EMS Auxiliary and Manatee County to allow for the EMS Auxiliary to make purchases for the County EMS. In addition, management will change the EMS Auxiliary by-laws to cover these activities. Management expects to have the agreement and by-laws changed by August 1, 2003.

REPORT ON THE FINANCIAL STATEMENTS:

We have audited the accompanying statements of assets, liabilities, and net assets of the Manatee County Emergency Medical Services Auxiliary, Inc. (the "EMS Auxiliary") as of December 31, 2000 and as of December 31, 2001, and the related statements of revenues, expenses and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the EMS Auxiliary's management.

We conducted our audit in accordance with the auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial presentation.

Except as noted in the Areas of Improvement, the financial statements referred to above present fairly, in all material respects, the financial position of the EMS Auxiliary as of December 31, 2000 and as of December 31, 2001, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States.

2000 FINANCIAL STATEMENTS

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Purpose – The Manatee County Emergency Medical Services Auxiliary, Inc. (Auxiliary) was formed as a nonprofit corporation for the purpose of providing supplemental emergency services, in addition to those provided by taxpayer funded emergency medical services operating in Manatee County, and to provide educational programs to the public concerning emergency medical treatment.

Basis of Accounting – The Auxiliary’s policy is to prepare its financial statements in accordance with generally accepted accounting principles in the United States. Consequently, revenues are recognized when earned, and expenses and purchases of assets are recognized when the obligation is incurred.

Equipment – The equipment is stated at cost, less accumulated depreciation. Depreciation is provided for in an amount sufficient to relate the cost of using up the future economic benefits or service potential of the long-lived assets over their estimated useful lives, principally on a straight-line basis. The equipment is depreciated over its estimated useful life of five years.

Revenues – The Auxiliary receives the majority of its revenue from program services.

Donated Services – The Auxiliary receives donated services from a variety of unpaid volunteers who are assisting the entity in providing supplemental emergency services and educational training to the citizens of Manatee County, Florida.

Income Taxes – The Auxiliary is exempt from federal income taxes under provision of Internal Revenue Code Section 501 (c) (3). Accordingly, no provision for income taxes is made in the financial statements.

NOTE B – ACCOUNTING CHANGES

The Auxiliary changed from the cash basis of accounting to the accrual basis of accounting for financial statement presentation beginning January 1, 2000. The change was made so that the Auxiliary would be in accordance with generally accepted accounting principles in the United States. Due to the nature of the organization, there would be no significant changes to the increase in net assets in the prior year. However, it does increase the expenses in the current year by \$194, thereby reducing the increase in net assets by \$194.

NOTE C – TRANSACTIONS WITH AFFILIATED PARTIES

The Auxiliary accepts donations and makes purchases specifically earmarked for the Manatee County EMS Special Activities Bicycle Emergency Response (SABER) team. There are no Auxiliary members on this team, only Manatee County EMS Division employees, and the Auxiliary does not have any authority over the team, as all revenue generated and purchase decisions are made outside of the Auxiliary.

See Financial Statement Report

2001 FINANCIAL STATEMENTS

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Purpose – The Manatee County Emergency Medical Services Auxiliary, Inc. (Auxiliary) was formed as a nonprofit corporation for the purpose of providing supplemental emergency services, in addition to those provided by taxpayer funded emergency medical services operating in Manatee County, and to provide educational programs to the public concerning emergency medical treatment.

Basis of Accounting – The Auxiliary’s policy is to prepare its financial statements in accordance with generally accepted accounting principles in the United States. Consequently, revenues are recognized when earned, and expenses and purchases of assets are recognized when the obligation is incurred.

Equipment – Equipment is stated at cost, less accumulated depreciation. Depreciation is provided for in an amount sufficient to relate the cost of using up the future economic benefits or service potential of the long-lived assets over their estimated useful lives, principally on a straight-line basis. The equipment is depreciated over its estimated useful life of five years.

Revenues – The Auxiliary receives the majority of its revenue from program services.

Donated Services – The Auxiliary receives donated services from a variety of unpaid volunteers who are assisting the entity in providing supplemental emergency services and educational training to the citizens of Manatee County, Florida.

Income Taxes – The Auxiliary is exempt from federal income taxes under provision of Internal Revenue Code Section 501 (c) (3). Accordingly, no provision for income taxes is made in the financial statements.

NOTE B – TRANSACTIONS WITH AFFILIATED PARTIES

The Auxiliary accepts donations and makes purchases specifically earmarked for the Manatee County EMS Special Activities Bicycle Emergency Response (SABER) and Honor Guard teams. There are no Auxiliary members on these teams, only Manatee County EMS Division employees, and the Auxiliary does not have any authority over the teams, as all revenue generated and purchase decisions are made outside of the Auxiliary.

NOTE C – EQUIPMENT DONATION

As of December 31, 2001, there were 13 bicycles included in the Auxiliary’s equipment. The Auxiliary plans to donate these bicycles to the Manatee County EMS Division within the next year. This transaction will reduce Auxiliary’s equipment balance to \$1,771.

See Financial Statement Report

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE D – EQUIPMENT VERIFICATION

The existence of the 13 bikes was not physically verified due to the difficulty in being able to get all of the bikes in one location at a particular time. The bikes were verified using the property records that are maintained by the SABER team leader.

NOTE E – SUBSEQUENT EVENTS

In November 2001, the Auxiliary was given a donation of \$65,000 from the American Heart Association to purchase 37 Automatic Electric Defibrillators (AEDs) to be distributed throughout Manatee County. As of December 31, 2001, the AEDs had been purchased and received but none had been distributed. During the course of the audit, all but 15 had been given to the pre-designated entities.

See Financial Statement Report

MEMORANDUM

TO: Mark Skukowski, EMS Auxiliary President

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: August 8, 2002

RE: EMS Auxiliary Financial Audit

Enclosed is the Internal Audit Report for the EMS Auxiliary Financial Audits for December 31, 2000 and December 31, 2001.

I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at 749-1800, extension 4170.

RBS/RJO

Enclosures

cc: Chief Mark Edenfield, Emergency Medical Services