

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

THE MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
2004 FINANCIAL AUDIT

A U D I T R E P O R T

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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

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, 2004, and the related statements of revenues, expenses and changes in net assets; functional expenses; and cash flows for the year then ended. We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of 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 their members.

The EMS Auxiliary receives contributions from individuals and donations for services performed at various events. In addition, it accepts donations earmarked for the Manatee County EMS Special Activities Bicycle Emergency Response (SABER) team, the Manatee Search & Rescue (MSAR) group, and the Honor Guard. Their expenditures include, but are not limited to, uniforms, continuing education, donation supplies, equipment for the SABER, MSAR, 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 year ended December 31, 2004.

Verify the 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, EMS Auxiliary by-laws, and contracts.

SCOPE:

The financial audit scope consisted of a review of all financial statement accounts used by the EMS Auxiliary for the twelve-month period ending December 31, 2004. 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. Year-end bank reconciliation was performed. Internal control evaluations were accomplished through discussions with management, and observations.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

There were no indications of irregularities, abuse, or illegal acts discovered for the year ended December 31, 2004.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial audit of the EMS Auxiliary for the twelve-month period ending December 31, 2004, 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 officers of the EMS Auxiliary and representative officers of the Manatee County EMS Division.

MANAGEMENT SUMMARY:

EMS Auxiliary's operating revenues have increased 70%, from \$8,374 in 2003 to \$14,263 in 2004. During the audit period, the EMS Auxiliary also experienced minor setbacks that included frequent officer turnovers and the EMS Auxiliary's annex office closure in October due to mold contamination. These affected EMS Auxiliary's ability to maintain accountability over its improved operations. The audit identified areas where the EMS Auxiliary could further improve its operations. Based on the audit performed, the EMS Auxiliary is properly documenting and recording expenditures.

Our tests covered the period beginning January 1, 2004 through December 31, 2004. The audit identified the following four areas where the EMS Auxiliary could improve its operations.

- The EMS Auxiliary did not perform monthly bank reconciliations for all months in 2004 except for January. The EMS Auxiliary Treasurer, through its Management Action Plan, will start doing monthly bank reconciliations.

(See Area for Improvement #1 on page 5.)

- The EMS Auxiliary did not keep good records of donations received from various sources and deposits were not always deposited timely. The Management Team, through its Management Action Plan, is in the process of developing procedures that will improve documentation of donations received and will begin depositing donation checks within 30 days from receipt of the check.

(See Area for Improvement #2 on page 5.)

- The EMS Auxiliary did not always meet the By-laws' expenditure approval requirements, and their members did not appropriately approve three monthly Board minutes for 2004. The EMS Auxiliary members, through its Management Action Plan, will retroactively approve the minutes and those expenditures not appropriately approved.

(See Area for Improvement #3 on page 6.)

- The EMS Auxiliary does not have written policies and procedures for cash handling, expenditures, treasury reports, compensation fund, purchasing and sales tax exemption. The Management Team, through its Management Action Plan, is in the process of developing formal policies and procedures for these operational areas.

(See Area for Improvement #4 on page 7.)

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: Monthly Bank Reconciliation

The EMS Auxiliary receives monthly bank statements that provide information with regards to EMS Auxiliary deposits, and disbursements by means of check writing or credit card use. The bank statement also includes appropriate bank services charges as well as interest income received for the month. There were no monthly bank reconciliations performed from February through December 2004. The reconciliation of the bank statements is an important control to ensure that cash is properly accounted for.

Management Action Plan:

- The EMS Auxiliary understands the importance of performing bank reconciliations and the Treasurer will immediately start doing monthly bank reconciliation.

AREA FOR IMPROVEMENT #2

Subject: Donation Revenues

The EMS Auxiliary receives donations either from civilian donors or by participating in standbys at events sponsored by various organizations. These donations constitute the EMS Auxiliary's revenues. Our review of revenues during 2004 showed that EMS Auxiliary did not keep detailed records of donations received from various sources. Confirmation from donors showed that donations recorded in EMS Auxiliary's books were not always correctly classified, and donation checks were not always deposited timely.

Management Action Plan:

- Management is in the process of developing procedures that will improve documentation of donations received. The EMS Auxiliary also will begin depositing donation checks within 30 days from receipt of the check.

AREA FOR IMPROVEMENT #3

Subject: Board of Director's Minutes

The EMS Auxiliary By-laws require the Board of Directors to hold monthly business meetings, which are recorded in the Board of Director's Minutes. The By-laws also require the Board of Directors to authorize expenditures over \$50.00 and less than \$200.00, and require a majority vote of the members present to approve expenditures over \$200.00. Our review of the Board minutes showed that the expenditures did not always meet the proper approval requirements under their EMS Auxiliary By-laws. In addition, at each of the monthly meetings, the prior month's Board of Director's Minutes is required to be approved by their members. Our review showed that the Board minutes for February, June, and December 2004 were not appropriately approved.

Management Action Plan:

- The EMS Auxiliary will retroactively approve the minutes and those expenditures not appropriately approved at their next regularly scheduled meeting that will be held on July 12, 2005.

AREA FOR IMPROVEMENT #4

Subject: Policies and Procedures

Currently the EMS Auxiliary does not have written policies and procedures for the following operational areas:

- Cash handling – segregating duties between cash receipts, cash disbursements, bank reconciliation functions, and timely deposits.
- Expenditures – obtaining approval and authorization according to the EMS Auxiliary By-laws.
- Treasury Reports – improving the accuracy of reports and timely submission.
- Compensation Fund – improving the recording into the accounts and timely allocation of funds.
- Purchasing – shipping and packaging, and receiving purchased goods.
- Sales Tax Exemption – presentation of sales tax exemption form and documentation required when sales tax is paid.

Developing policies and procedures can improve internal control and provide consistency in EMS Auxiliary's operations.

Management Action Plan:

- The EMS Auxiliary is in the process of developing formal policies and procedures to codify the areas listed above in order to provide adequate guidance to Auxiliary members and officers. EMS Auxiliary will complete and implement by September 30, 2005.

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, 2004, and the related statements of revenues, expenses and changes in net assets, functional expenses, and cash flows for the period 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

The financial statements referred to above present fairly, in all material respects, the financial position of the EMS Auxiliary as of December 31, 2004, and the changes in net assets and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States.

2004 FINANCIAL STATEMENTS



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

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MEMORANDUM

TO: Francesca T. Rossi, EMS Auxiliary President

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

DATE: July 6, 2005

RE: EMS Auxiliary Financial Audit

Enclosed is the Internal Audit Report for the EMS Auxiliary Financial Audit for December 31, 2004.

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

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Purpose – The Manatee County Emergency Medical Services Auxiliary, Inc. (the EMS 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 EMS 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 EMS Auxiliary receives the majority of its operating revenue from program services provided such as standbys and from civilian donations.

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

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

NOTE B – EQUIPMENT DONATION

During 2003, the American Heart Association provided the EMS Auxiliary with \$13,600, specifically to purchase and distribute defibrillators and related supplies. The defibrillators (including accessories) cost the EMS Auxiliary \$12,340. The EMS Auxiliary in turn donated three of seven of the defibrillators to qualified local recipients, and held the balance of four for the use of the EMS Auxiliary’s SABER team. Because the assets were purchased with specifically earmarked funds, these funds were considered non-operating revenue. The four defibrillators remaining with the EMS Auxiliary, less accumulated depreciation, increased the EMS Auxiliary’s equipment balance to \$6,085 as of December 31, 2003 and \$4,614 as of December 31, 2004.

NOTE C – TRANSACTIONS WITH AFFILIATED PARTIES

The EMS Auxiliary accepts donations and makes purchases specifically earmarked for the Special Activities Bicycle Emergency Response (SABER), Manatee Search and Rescue Team (MSAR) and Honor Guard teams.