

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

THE MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
2005 FINANCIAL AUDIT

A U D I T R E P O R T

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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, 2005, 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 accepted 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. As of September 2005, the Manatee County EMS Special Activities Emergency Bicycle Response (SABER) team and the Honor Guard were transferred to Manatee County Public Safety Department.

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, 2005.
- 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, 2005. 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. A 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, 2005.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial audit of the EMS Auxiliary for the twelve-month period ending December 31, 2005, 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.

STATEMENT ON INTERNAL CONTROL STRUCTURE: Continued

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 a representative officer of the Manatee County EMS Division.

MANAGEMENT SUMMARY:

The officers who serve the EMS Auxiliary are volunteers. We appreciate the time and dedication these Auxiliary members have given to serving Manatee County. The Auxiliary continues to provide a valuable service; however, accountability over financial transactions does not appear to be a high priority. Consequently many improvements can be made in the Auxiliary's internal controls over financial operations. This Audit covered the period beginning January 1, 2005 through December 31, 2005. This audit identified the following five areas where the EMS Auxiliary could improve its financial operations:

- The EMS Auxiliary did not perform monthly bank reconciliations for all months in 2005. The EMS Auxiliary, through its Management Action Plan, will develop a policy requiring monthly bank reconciliations beginning in September 2006.

(See Area for Improvement #1 on page 7.)

- The EMS Auxiliary did not consistently keep good records of donations received from various sources and revenues were not always deposited timely. In addition, Board Minutes did not always state whether standby events were compensated events. The Management Team, through its Management Action Plan, is in the process of developing procedures that will improve documentation of donations received and will implement a policy requiring donation checks to be deposited within 30 days of receipt of the check. In addition, the Board Minutes will now include whether the events are paid or non-paid events.

(See Area for Improvement #2 on page 7.)

- The EMS Auxiliary did not always meet the By-laws' expenditure approval requirements, and their members did not appropriately approve five monthly Board Minutes for 2005. 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 8.)
- The EMS Auxiliary does not have procedures detailing the proper documentation required to support expenditures and 11% of the expenditures for the audit period did not have proper documentation. In addition, sales tax continues to be paid without documenting the reasons why the vendor is charging sales tax for this tax-exempt organization. Expenditures and revenues that are tracked on monthly Treasury Reports and the Member Compensation Reports were not always accurately prepared and some of these monthly reports could not be located for 2005. The Management Team, through its Management Action Plan, will retain proper documentation for expenditures and document reasons for sales tax being charged to the EMS Auxiliary. A new format for the Treasury and Member Compensation Reports will be adopted and the reports will be reviewed to ensure that prior month's activity is accurately reflected.
(See Area for Improvement #4 on pages 8 and 9.)
- The EMS Auxiliary does not currently have a proper segregation of duties. A single person is responsible for all cash functions at this time. The Management Team, through its Management Action Plan, will develop a policy for cash handling, which will include proper delegation of responsibilities between the President and the Treasurer of the EMS Auxiliary for cash handling.
(See Area for Improvement #4 on page 9.)

We would like to thank the EMS Auxiliary's personnel for the cooperation and courtesy afforded to our auditors throughout the audit. We believe through the implementation of the Management Action Plans included in this audit report that controls can be strengthened and accountability improved.

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 during 2005. 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 will develop a policy requiring monthly bank reconciliations to be done by the Treasurer beginning September 2006.

AREA FOR IMPROVEMENT #2

Subject: Donation Revenues

The EMS Auxiliary receives donations either from civilian donors or by participating in some standbys at events sponsored by various organizations. While standby events are discussed in the Board meetings, the Board Minutes do not always state whether the events are compensated events. Our review of revenues during 2005 showed that EMS Auxiliary did not always keep detailed records of donations received from various sources. Confirmation from donors and review of check copies from the bank showed that the 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. As of June 2006, EMS Auxiliary has started to distinguish between paid and non-paid events in their Board Minutes. The EMS Auxiliary will also implement a policy requiring deposits be made within 30 days of 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 the 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, April, May, September, and November 2005 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 in August 2006.

AREA FOR IMPROVEMENT #4

Subject: Auxiliary Reports and Required Documentation

The EMS Auxiliary By-laws require all expenditures to have adequate documentation to support the expenditures incurred. Our review of expenditures found that 5 out of 47 or 11% of the expenditures did not have proper documentation. In addition, a policy was implemented in April of 2005 segregating the duties of purchasing and receiving functions by having the receiver sign the delivery receipt and have the President or Vice President distribute the goods. Since this policy was implemented, delivery receipts have neither been retained nor signed by the receiver of the goods.

The EMS Auxiliary continues to pay state sales tax on some purchases. The purchases that were charged sales tax did not contain documentation for why a particular purchase was charged sales tax.

The EMS Auxiliary is required to track and report revenues and expenditures through monthly Treasury Reports and Member Compensation Reports. These reports are discussed and approved as part of the monthly Board Meetings. Our review of these reports showed that there were some inaccuracies in the data contained in the reports and some of the reports could not be located.

Management Action Plan:

- The EMS Auxiliary will obtain and retain the appropriate supporting documentation to support all expenditures. For purchases that are delivered, a packing slip and/or invoice will be signed and dated by the person receiving the merchandise.

The EMS Auxiliary will educate members in the use of the tax-exempt certificate when making purchases. In addition, management will revisit those businesses that have not accepted their tax-exempt certificate. In those circumstances when state sales tax is charged, the EMS Auxiliary will provide an explanation for the charges as part of the expenditures supporting documentation.

The EMS Auxiliary has elected a new Treasurer and has adopted a new format for Treasury Reports and Members Compensation Reports. A review of the reports will be made for the new year of 2006. This review and any necessary corrections should be completed by September 2006.

AREA FOR IMPROVEMENT #5.....

Subject: Segregation of Duties

Currently the EMS Auxiliary President has sole responsibility of receiving cash and checks, preparing the deposit slips, making the deposits, and reviewing the bank statements. In addition, the EMS Auxiliary President also receives the invoices, writes and signs the checks, and makes the payments. As a result, the EMS Auxiliary does not have adequate segregation of duties with regards to cash handling.

Management Action Plan:

- The EMS Auxiliary will develop a policy for cash handling to reflect an adequate segregation of duties. The policy will include designated functions to be performed by the Treasurer so that one person is not responsible for receiving cash and checks, depositing cash and checks, writing and signing checks for expenditures, and reconciling the bank statements.

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, 2005, 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, 2005, 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.

2005 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: August 4, 2006

RE: EMS Auxiliary Financial Audit

Enclosed is the Internal Audit Report for the EMS Auxiliary Financial Audit for December 31, 2005.

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, 2005

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. These four defibrillators were housed in the Annex office that has been closed since October 2004 due to mold contamination. The four defibrillators have been written off in the current year, because they have been determined to be worthless due to the contamination. The removal of the defibrillators and their associated accumulated depreciation has decreased the EMS Auxiliary's equipment balance to \$354 as of December 31, 2005.

NOTE C –TRANSACTIONS WITH AFFILIATED PARTIES

The EMS Auxiliary accepted donations and made purchases specifically earmarked for the Special Activities Bicycle Emergency Response (SABER), Manatee Search and Rescue Team (MSAR) and Honor Guard teams until September of 2005. After September 2005, SABER and the Honor Guard teams were no longer a part of the EMS Auxiliary. Instead, these teams became part of Manatee County. The EMS Auxiliary still accepts donations and makes purchases specifically earmarked for the Manatee Search and Rescue Team (MSAR).