

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

THE MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
2006 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, 2006, 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, the Auxiliary accepts donations earmarked for the Manatee Search & Rescue (MSAR) group. Their expenditures include, but are not limited to, uniforms, continuing education, donation supplies, equipment for the MSAR, 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, 2006.
- 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, 2006. 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:

There were no indications of irregularities, abuse, or illegal acts discovered for the year ended December 31, 2006.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial audit of the EMS Auxiliary for the twelve-month period ending December 31, 2006, 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 President and the Treasurer of the EMS Auxiliary.

MANAGEMENT SUMMARY:

The EMS Auxiliary continues to provide exceptional service to Manatee County, and the time and dedication of their volunteers is greatly appreciated. Since our last audit report issued in August 2006, the Auxiliary has made several improvements to better their accountability over their finances and operations. These improvements included better record keeping of donations received from various sources, depositing revenues more timely, proper segregation of duties for the cash function, reconciling the monthly bank statements to the Treasurer reports, and detailing whether standby events were compensated events in the Board Minutes. Financially, the Auxiliary increased their operating revenues by 15% while decreasing their expenditures by 36%. This Audit covered the period beginning January 1, 2006 through December 31, 2006 and identified the following four areas where the EMS Auxiliary could improve its financial operations:

- The EMS Auxiliary did not always meet the By-laws' expenditure approval requirements, and their members did not appropriately approve seven monthly Board Minutes for 2006. The EMS Auxiliary members, through their Management Action Plan, will retroactively approve the minutes and those expenditures not appropriately approved.
(See Area for Improvement #1 on page 5.)
- The EMS Auxiliary did not retain the backup documentation to support 20.5% of their expenditures. The Auxiliary's By-Laws require that backup documentation be retained for all expenditures. Management, through the Management Action Plan, will ensure that expenditures are properly documented in the current year.
(See Area for Improvement #2 on page 5.)

- The EMS Auxiliary does not appear to be following their policy for the receiving and authorization of purchases. An invoice or packing slip with the signature of the person receiving the goods and the date could not be located for 12.8% of the expenses tested. The EMS Auxiliary, through their Management Action Plan, will start to have packages delivered directly to their new offices, which will allow them to enforce the policy for the receiving and authorization of purchases. The Auxiliary should be moved into their new offices by October 2007. **(See Area for Improvement #3 on page 6.)**
- The EMS Auxiliary amended their By-Laws in August 2006 and again in October 2006. The By-Laws that existed prior to these amendments stated that any changes to the By-Laws required a $\frac{3}{4}$ majority vote of the active members present at the meeting, however, neither amendment was approved in this manner. The EMS Auxiliary, through their Management Action Plan, will hold a vote at the June 2007 meeting to properly approve the amendments to the By-Laws. **(See Area for Improvement #4 on pages 6.)**

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 accountability can be further 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: 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 January, February, March, June, August, November, and December 2006 were not appropriately approved. In addition, no meeting was held in May 2006.

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 June 2006. In addition, the EMS Auxiliary will hold a Board of Directors meeting every month.

AREA FOR IMPROVEMENT #2

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 8 out of 39 or 20.5% of the expenditures did not have proper documentation.

Management Action Plan:

- Management has improved their documentation of expenditures with the election of a new Treasurer in September of 2006. The Auxiliary will continue to ensure that expenditures are properly documented.

AREA FOR IMPROVEMENT #3

Subject: Receiving and Authorizing Purchases

A policy has been approved for the receiving and authorization of purchases, however, it does not appear that all invoices or packing slips are being authorized and dated when purchases are received. For 5 out of 39 or 12.8% of purchases tested, documentation did not include an invoice or a packing slip with a date and a signature of the person who received the merchandise.

Management Action Plan:

- The Auxiliary's purchases are currently received by the Manatee County EMS. By the time the merchandise reaches the Auxiliary, the invoice and / or packing slip may have been misplaced. The Auxiliary will be getting their own offices in October of 2006, and they will be receiving their own packages. The Auxiliary will be able to enforce that the person receiving the purchases signs and dates the invoice and / or packing slip and forwards it to the Treasurer.

AREA FOR IMPROVEMENT #4

Subject: Approval of Amendments to By-Laws

The Auxiliary is required to hold a vote to approve any amendments made to the By-Laws. For the By-Laws to be properly approved, $\frac{3}{4}$ of the active members present at the meeting when the amendments are presented must approve the changes. The Auxiliary amended their By-Laws in August of 2006 and again in October of 2006 to include additions to the application process for membership and the addition of a section describing the disciplinary action that may be taken by the Board of Directors should a member fail to conduct themselves in a professional manner, however, these amendments were not properly approved by a $\frac{3}{4}$ majority vote of the active members at these monthly meetings.

Management Action Plan:

- The Auxiliary was not aware that the amendments to the By-Laws needed to be approved by a $\frac{3}{4}$ majority of the active members at the monthly meeting. The Auxiliary will hold a vote to approve the amendments at the June 2007 meeting and will ensure that any future amendments to the By-Laws are approved in this manner.

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, 2006, 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, 2006, 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.

2006 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: May 24, 2007

RE: EMS Auxiliary Financial Audit

Enclosed is the Internal Audit Report for the EMS Auxiliary Financial Audit for December 31, 2006.

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/MDB/ALW

Enclosures

cc: Chief Mark Edenfield, Emergency Medical Services

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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 – TRANSACTIONS WITH AFFILIATED PARTIES

The EMS Auxiliary accepts donations and makes purchases specifically earmarked for the Manatee Search and Rescue Team (MSAR).