
INTERNAL AUDIT DEPARTMENT

AUDIT REPORT

**MANATEE COUNTY
EMERGENCY MEDICAL SERVICES
AUXILIARY, INC.**

AS OF DECEMBER 31, 2008



MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

THE MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
2008 FINANCIAL AUDIT

AUDIT REPORT

TABLE OF CONTENTS

I. INTERNAL AUDIT REPORT

A.	Background; Purpose/Objectives	1
B.	Scope; Methodology; Irregularities, Abuse or Illegal Acts, Test of Compliance; Statement of Internal Control Structure;	2
C.	Management Team and Management Action Plan.....	3
D.	Management Summary	3 - 4
E.	Audit Report Authorization	4
F.	Areas for Improvement and Management Action Plan	5 - 7
G.	Report of Independent Accountants for the Financial Statements.....	8
H.	2008 Financial Statements with Footnotes	9 -13

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, 2008, 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, 2008.
- 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, 2008. 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, 2008.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. In this report, it was noted in Audit Finding #1 & #2 that the Auxiliary did not comply with their By-laws regarding the approval of expenditures and segregation of officers' responsibilities. In addition, this report includes other policy violations found in Audit Findings #3 and #5.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the financial audit of the EMS Auxiliary for the twelve-month period ending December 31, 2008, 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 and the County Liaisons of the EMS Auxiliary.

MANAGEMENT SUMMARY:

The EMS Auxiliary is comprised of all volunteers, including the Officers, who provide exceptional service to Manatee County, and their time and dedication is greatly valued. Since the prior audit report issued May 8, 2008, the Auxiliary continues to be in violation of their own by-laws regarding the approval of prior regular board meeting minutes and expenditures. It appears that quorums were not met when official business was conducted. In addition, the policy relating to the acceptance of goods is still not followed and a policy relating to the documentation of sales tax paid has been developed, however, is not being followed effectively. Financially, the Auxiliary experienced an increase in operating revenues by approximately 17% from 2007. Expenses decreased in 2008 by approximately 3%. The Auxiliary had a loss of \$1,728, reducing their unrestricted net assets at the end of the year. This Audit covered the period beginning January 1, 2008 through December 31, 2008 and identified the following five areas where the EMS Auxiliary could improve its operations:

- The EMS Auxiliary members did not appropriately approve three out of twelve regular monthly Board Minutes for 2008 and failed to approve \$4,263.00 in expenditures in violation of their By-laws' expenditure approval requirements. In addition, it appears that some new policy and procedure changes did not receive proper membership approval. The Management Team through the management action plan will retroactively approve the minutes, those expenditures not appropriately approved, and will vote on the changes to their policy and procedures.
(See Area for Improvement #1 on page 5.)
- During May of 2008, the Auxiliary's executive board resigned and new elections were held. The new Board filled all the officers' positions except for the treasurer. From May until November 2008, the president assumed the responsibilities of the treasurer. This essentially disables a key internal control separating the access to cash and the recordkeeping function. While the audit did not find any problems with the accounts, this was a serious internal control weakness. A treasurer was finally elected in November and proper controls were reinstated. The Management Team through the management action plan pledges to be more proactive in getting any vacant officer positions filled on a timely basis.
(See Area for Improvement #2 on page 6.)
- It was noted that some purchases were charged sales tax without any documentation of why the purchases were charged tax. Management, through the Management Action Plan, will ensure that expenditures are properly documented in

MANAGEMENT SUMMARY: Continued

the current year and all reasons why purchases are charged sales tax will be documented. **(See Area for Improvement #3 on page 6.)**

- During the review of the policies and procedures, it was noted that no formal Capitalization policy for assets exists. The Auxiliary acquired \$2,044 of furniture and fixtures in 2008 that should have been capitalized. The Management Team through the Management Action Plan is in the process of developing a capitalization policy. **(See Area for Improvement #4 on page 7.)**
- The EMS Auxiliary continues to violate 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 was not documented for the purchases shipped to the Auxiliary. No documentation exists regarding whether the items were actually received. Management, through the Management Action Plan, will begin using a form that they had developed for this documentation. **(See Area for Improvement #5 on page 7.)**

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:



Millie Blevins, CPA
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 regular monthly 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 meet the proper approval requirements under the EMS Auxiliary By-laws. 20 out of 79 (25%) of the expenditures totaling \$4,263, were never mentioned in the Board minutes for approval.

In addition, the Board of Director's minutes from the prior months were not approved by their members as required by the By-laws. These Board minutes included May, June, November, and December 2008. Two of these four meetings were not approved as a result of a lack of a quorum present. The Auxiliary policies and procedures were also amended and were not properly approved by the membership and documented in the minutes. These months included April, July and October.

Management Action Plan:

- The EMS Auxiliary will retroactively approve the minutes, those expenditures not appropriately approved, and will vote on the policy and procedures as required by September 2009. In addition, the EMS Auxiliary has at its February 2009 meeting, made a change to their by-laws that redefined a quorum to a majority of the Directors and at least one present from the membership. By-law changes were also made in May 2009 to allow the executive committee to create policy and procedure for the day to day operation of the Auxiliary. This should ensure a quorum is met at every meeting and alleviate the need for membership approval of new policies and procedures.

AREA FOR IMPROVEMENT #2

Subject: Segregation of Officer's duties

During 2008 there was a turnover of all the officers of the Auxiliary in May. New elections were held, however the membership was not successful in filling the treasurer's position and Alice Hester, the elected President, essentially assumed both positions from May until November 2008. This compromised the segregation of duties and allowed an officer of the organization to have access to cash of the organization and full responsibility for the financial recordkeeping. In a small organization, such as the Auxiliary, this did put the assets of the organization at risk for misappropriation without proper checks and balances; however, the audit did not find any indications of misappropriation of the assets or funds.

Management Action Plan:

- In November, the membership did elect a treasurer and separated the recordkeeping and access to cash funds at that time. Only the President and Vice President have signatory on the checking account and access to the credit/debit cards. The Treasurer has access to the bank statement but has no account signatory access or authority. In the future, the organization pledges to be more proactive in getting any vacant officer positions filled on a timelier basis.

AREA FOR IMPROVEMENT #3

Subject: Payment of Florida Sales Tax

The Auxiliary continues to pay sales tax on purchases that should be exempt as a result of their tax-exempt status. 24 out of 79 (30.4%) of their purchases were charged sales tax during 2008 with no documentation of the reasons why. A total of \$68.74 was paid in sales tax during 2008. While mentioned in the prior audit report, a policy has been implemented detailing documentation requirements of purchases charged with sales tax. However, adherence to the policy has been problem for the organization.

Management Action Plan:

- Management will ensure that the policy implemented requiring documentation of the reasons any purchase is charged sales tax will be enforced. A greater effort will be made by those authorized to purchase items to present the proper tax exemption forms at the time of purchase. Implementation is anticipated by September 2009.

AREA FOR IMPROVEMENT #4

Subject: Lack of a standard Capitalization Policy

The Auxiliary does not have a policy defining when a purchase is a capital asset. Capital assets require tracking and accounting and currently these items have not been identified. In the current year, office furniture was purchased in excess of \$2,000 and should have been capitalized. A formalized policy insures the consistency of treatment and tracking of capital purchases.

Management Action Plan:

- Management will develop and implement a Capitalization policy by September of 2009.

AREA FOR IMPROVEMENT #5

Subject: Receiving of Shipped Goods

The Auxiliary approved a policy in 2005 requiring a person that receives goods shipped to the Auxiliary to sign the packing slip or invoice and date it. In 2007, a standard form was also instituted by management; however, the policy still does not appear to be followed. For 2008, 38 of 79 purchases (48.1%) that required a signature did not have an invoice or packing slip containing the signature of who received the goods, when the goods were received, and where the goods went. No documentation exists to determine whether the goods were actually received and who the items were given to. This is a continuing improvement item from the prior year.

Management Action Plan:

- Management agrees to re-introduce the policy to the membership and will be more diligent in the enforcement of the policy for 2009. Management agrees to accomplish this by September of 2009.

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, 2008, 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, 2008, 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.

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
 STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
 December 31, 2008

ASSETS

	2008
Current Assets:	
Cash	22,196
Donation Receivables	0
Total current assets	22,196
Long-Term Assets:	
Equipment	1,635
TOTAL ASSETS	23,831

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	824
Total current liabilities	824
Net Assets:	
Unrestricted net assets	23,006
TOTAL LIABILITIES AND NET ASSETS	23,830

See accompanying notes and financial statement report

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2008

Changes in unrestricted net assets:

Operating revenues:		
Stand by		10,198
Donations		<u>2,460</u>
Total operating revenues		<u>12,658</u>
Operating expenses:		
Program services:		
License expense		332
Continuing education		2,193
Uniforms		4,556
Supplies		120
Repair and Maintenance		<u>14</u>
Total program services		<u>7,215</u>
Supporting services:		
General and administrative		6,762
Depreciation		<u>409</u>
Total supporting services		<u>7,171</u>
Total operating expenses		<u>14,386</u>
Nonoperating revenues (expenses):		
Interest		<u>-</u>
Total nonoperating revenues (expenses)		<u>-</u>
Increase in unrestricted net assets		(1,728)
Unrestricted net assets - beginning of year		<u>24,734</u>
Unrestricted net assets - end of year		<u>23,006</u>

See accompanying notes and financial statement report

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended December 31, 2008

	Program Services	Support Services	Total
Supplies	\$ 120	\$ -	\$ 120
Continuing education	\$ 2,193	\$ -	\$ 2,193
Uniforms	\$ 4,556	\$ -	\$ 4,556
Licenses	\$ 332	\$ -	\$ 332
Repair and Maintenance	\$ 14	\$ -	\$ 14
Gifts	\$ -	\$ 3,679	\$ 3,679
Telephone	\$ -	\$ 745	\$ 745
Depreciation	\$ -	\$ 409	\$ 409
Office Supplies	\$ -	\$ 424	\$ 424
Fund Raising Expense	\$ -	\$ 1,423	\$ 1,423
Bank charges	\$ -	\$ -	\$ -
Miscellaneous	\$ -	\$ 491	\$ 491
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 7,215</u>	<u>\$ 7,171</u>	<u>\$ 14,386</u>

See accompanying notes and financial statement report

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

	<u>2008</u>
Cash flows from operating activities:	
Net decrease in unrestricted net assets	(1,728)
Adjustments to reconcile net increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation	409
Changes in assets and liabilities	
Increase in Fixed assets	(2,044)
Increase in Accounts Payable	728
Net cash used by operating activities	<u>(2,635)</u>
Net decrease in cash and cash equivalents	(2,635)
Cash and cash equivalents at beginning of year	<u>24,831</u>
Cash and cash equivalents at end of year	<u><u>22,196</u></u>

See accompanying notes and financial statement report

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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).