



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## Internal Audit Department

### Audit Report

### Manatee County EMS Auxiliary Financial Audit

As of December 31, 2016

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October 13, 2017

Audit No. 21710400

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.  
AUDIT OF THE YEAR ENDED DECEMBER 31, 2016

A U D I T R E P O R T

TABLE OF CONTENTS

Background; Purpose/Objectives .....	1
Scope; Methodology; Irregularities, Abuse or Illegal Acts; Test of Compliance; Statement on Internal Control Structure.....	2
Management Team and Management Action Plan; Management Summary.....	3-4
Audit Report Authorization.....	4
Areas for Improvement and Management Action Plans .....	5-7

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
INTERNAL AUDIT DEPARTMENT

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.  
FINANCIAL AUDIT

A U D I T R E P O R T

The Internal Audit Department has conducted a financial audit of the Manatee County Emergency Medical Services (EMS) Auxiliary for the year ended December 31, 2016. The audit was performed in accordance with generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States, and the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

**BACKGROUND**

The EMS Auxiliary is a nonprofit organization that supports the EMS Division of the Manatee County Public Safety Department. The role of the EMS Auxiliary is to promote and assist Manatee County EMS by 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. The EMS Auxiliary also provides educational programs to the public concerning emergency medical treatment in addition to providing educational training for its members.

The EMS Auxiliary is a volunteer organization in which its members elect officers annually to manage the affairs and business of the organization. The EMS Auxiliary receives donations from the public and contributions for providing services at special events and gatherings (standby events). According to the EMS Auxiliary by-laws, 70% of all standby revenues are allocated to the Auxiliary's General Fund to be used for general operating expenses, such as fundraising costs and office supplies, and 30% of standby revenues are allocated to the Auxiliary's Compensation Fund. Compensation Fund money is used by Auxiliary members to pay for continuing education expenses or to purchase items related to their work with the EMS Auxiliary (equipment, uniforms) and is distributed to the members based on the hours they have volunteered.

The EMS Auxiliary also receives support from the EMS Division, including the use of an ambulance, utility vehicle, mini emergency response vehicle (MERV), and radios; maintenance and fuel for the vehicles; and medical supplies. This support totaled approximately \$20,900 during calendar year 2016.

**PURPOSE/OBJECTIVES**

The audit objectives included verifying the following:

- Financial data was processed accurately by the EMS Auxiliary.
- The EMS Auxiliary's controls were adequate to safeguard assets and maintain the integrity of financial data.
- The EMS Auxiliary was in compliance with certain Florida Statutes, IRS reporting requirements, EMS Auxiliary by-laws, and agreements.

### SCOPE

The scope of our testing included examining the EMS Auxiliary's controls over cash, fixed assets, revenues, and expenses, and determining compliance with certain IRS reporting requirements, EMS Auxiliary by-laws, and Florida Statutes for the year ended December 31, 2016.

### METHODOLOGY

We tested the accuracy of financial data by verifying, on a test basis, the financial reports prepared, revenues received, and expenses paid by the EMS Auxiliary. Controls and compliance were evaluated by reviewing EMS Auxiliary financial records and conducting interviews with EMS Auxiliary officers and Manatee County staff.

### IRREGULARITIES, ABUSE, OR ILLEGAL ACTS

No indications of irregularities, abuse, or illegal acts were discovered during the audit of the EMS Auxiliary for the year ended December 31, 2016.

### TEST OF COMPLIANCE

Internal Audit tested compliance with certain laws, regulations, and the EMS Auxiliary's by-laws and policies and procedures. Tests performed were limited to the specific areas included in the Purpose/Objectives section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. The results of these tests disclosed that the EMS Auxiliary does not always appear to be complying with its mission, as stated in its by-laws (See Area for Improvement #1). Additionally, the EMS Auxiliary did not comply with provisions of its by-laws or policies and procedures related to expense authorizations (see Area for Improvement #3).

### STATEMENT ON INTERNAL CONTROL STRUCTURE

In planning and performing the financial audit of the EMS Auxiliary for the year ended December 31, 2016, 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 note matters involving internal control weaknesses, including unauthorized expenses and bank account reconciliation weaknesses (see Areas for Improvement #3 and #5).

## MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN

A Management Action Plan has been provided for each Area for Improvement identified. 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 EMS Auxiliary President, Manatee County Public Safety Director, Manatee County Assistant EMS Chief, and the County Liaison to the EMS Auxiliary.

## MANAGEMENT SUMMARY

The EMS Auxiliary is comprised entirely of volunteers whose mission is to support the community and Manatee County EMS in a way that provides quality care to community members. Excluding Manatee County support, in 2016, EMS Auxiliary revenues were \$19,686, which was 46% higher than revenues reported during the previous audit period ending December 31, 2014. EMS Auxiliary expenses decreased, allowing it to increase its cash reserves. In 2016, expenses totaled \$14,108, which is 32% lower than expenses reported during 2014. The EMS Auxiliary's bank balance as of December 31, 2016 was \$24,652, compared to \$17,957 for the year ending December 31, 2014.

Since the prior audit, the EMS Auxiliary has addressed several of the audit findings previously reported. The Auxiliary has been properly completing the Cash Flow Tracking and Accountability Form for cash received at events, has improved its reporting of member compensation funds, and has been obtaining supporting documentation for expenses. However, we noted several previously identified issues which continue to exist for the organization (see Areas for Improvement #1, 3, 4, and 5). We have also identified additional areas where the EMS Auxiliary can improve its operations. Our testing found the following:

- The EMS Auxiliary paid two charitable donations totaling \$1,100 to other nonprofit entities not related to EMS. These donations appear to be inconsistent with the Auxiliary's mission. The Management Team will reconsider how it spends EMS Auxiliary Funds. (Area for Improvement #1, page 5)
- The EMS Auxiliary can accept online PayPal donations through its website. The authorized user on the PayPal account is a former Auxiliary President, who resigned in 2010. A \$970.70 balance in the account was transferred to the Florida Department of Financial Services by PayPal in March 2016 because the account had been dormant for at least three years. The Management Team will reclaim the funds from the Florida Department of Financial Services and close the PayPal account. (Area for Improvement #2, page 5)
- 8% of EMS Auxiliary purchases made during 2016 lacked evidence of proper approval. The Management Team will review the monthly member meeting minutes to verify that all expense approvals have been documented in the minutes. (Area for Improvement #3, page 6)
- The EMS Auxiliary did not follow its receiving policy as it relates to documenting when purchases are received. The Management Team will update its receiving policy to now require that Auxiliary members who receive purchases sign the supporting invoices to evidence receipt. (Area for Improvement #4, page 6)

MANAGEMENT SUMMARY (CONTINUED)

- As noted in a Management Action Plan of the previous audit, the Auxiliary has documented instructions on how to prepare the monthly Cash Flow Report; however, the instructions contained an error. As a result, errors were noted on the Cash Flow Reports. The Management Team will correct the documented Cash Flow Report instructions and require that the reports be reviewed for accuracy each month. (Area for Improvement #5, pages 6, 7)
- The EMS Division occasionally receives unsolicited donations from residents, and although the Division is authorized to accept gifts and donations on behalf of the County, they have been forwarding these donations to the EMS Auxiliary for the organization's benefit. The EMS Division will begin accepting and processing all donations intended for it on behalf of Manatee County, in accordance with Manatee County Procedure 602.001. (Area for Improvement #6, page 7)

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

AUDIT REPORT AUTHORIZATION

This audit report has been reviewed and authorized by:

  
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Lori Stephens, CPA, CFE  
Chief Audit Executive

  
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Angelina "Angel" Colonnese  
Clerk of the Circuit Court & Comptroller

AREA FOR IMPROVEMENT #1 .....CHARITABLE DONATIONS

The mission of the EMS Auxiliary is to:

"Support our community and Manatee County EMS in a way that provides quality care to community members.

Recruit qualified members who are interested in supporting their community and/or pursuing a career with Manatee County EMS.

Aid and assist Manatee County EMS in funding items needed for training, operation, and facility needs.

To provide support and assist in public relations initiatives."

During the prior audit, we found that the Auxiliary paid charitable donations to other individuals and organizations in the amount of \$6,546 in 2013 and \$9,354 in 2014. These donations did not appear to support the Auxiliary's mission. Per the audit's Management Action Plan, the Auxiliary was to reconsider how it spends its funds to ensure all spending supports its mission.

Although we noted a decrease in the amount of donations made by the Auxiliary, we found that \$1,100 of charitable donations were paid to organizations not related to EMS during 2016: \$400 to the Manatee Law Enforcement Games and \$700 to Manatee Children's Services.

Management Action Plan

The EMS Auxiliary will consider how to expend its funds to ensure all spending supports the organization's mission. The EMS Auxiliary's policies and procedures will be updated to reflect any relevant policy changes. Implementation is anticipated by December 31, 2017.

AREA FOR IMPROVEMENT #2 .....PAYPAL ACCOUNT

Per review of the EMS Auxiliary's website, we noted that the Auxiliary can accept online donations through PayPal, an online payment service. Upon further investigation, we found that the account had been open since 2009. The authorized contact on the account is a former Auxiliary President who resigned in 2010. The current Auxiliary officers are not listed on the account and did not have online access to the account until they requested the password from the former President during the audit.

Internal Audit obtained a complete transaction history for the account. The first transaction was a donation received September 20, 2009. A total of \$205 in donations was received from September 2009 - January 2010. Internal Audit traced the transfer of these donations to the Auxiliary's bank account held with Bank of America. An additional \$1,000 donation was received on December 28, 2012, which equated to \$970.70 after subtracting PayPal's fees. Due to the PayPal account being dormant for at least three years, PayPal transferred the \$970.70 balance to the Florida Department of Financial Services on March 31, 2016.

Management Action Plan

The EMS Auxiliary will reclaim the \$970.70 from the Florida Department of Financial Services and will close the PayPal account. Implementation is anticipated by December 31, 2017.

**AREA FOR IMPROVEMENT #3 .....EXPENSE AUTHORIZATION**

The EMS Auxiliary’s policies and procedures define specific approval requirements for expenses based on the amount of each expense, as follows:

Expense Amount	Approval Requirement
Less than \$50	President or Vice President
Between \$50 and \$250	President and Vice President
Between \$250 and \$700	Majority of Board of Directors
Greater than \$700	Majority of Membership
Compensation Fund Purchases	Majority of Board of Directors

Evidence of proper approval was not available for 5 out of 64 expenses (8%), totaling \$1,032.53, during 2016. This was an improvement over the exception rates noted in 2013 (10.1%) and 2014 (17.5%).

**Management Action Plan**

The Auxiliary President will review the monthly member meeting minutes to verify that all expense approvals have been documented. Checks will not be written until approval has been documented in the minutes. The Auxiliary will document in its policies and procedures any items that are pre-authorized for purchase. Implementation is anticipated by December 31, 2017.

**AREA FOR IMPROVEMENT #4 ..... RECEIVING POLICY**

A review of all purchases made by the Auxiliary found that 54 out of 60 invoices or packing slips (90%) that were available for review were not signed and dated to evidence who received the purchases and when. The EMS Auxiliary has a Request for & Acknowledgement of Goods form in its policies and procedures, but it was not used by the Auxiliary during calendar year 2016, and an alternative receiving policy has not been created. Requiring members to sign for purchases is an important control to ensure that items were received and a proper segregation of duties exists between the purchasing, receiving, and payment functions.

**Management Action Plan**

The EMS Auxiliary will require that Auxiliary members who receive purchases sign the supporting invoices to evidence receipt. The Request for & Acknowledgement of Goods form will be removed from the Auxiliary’s policies and procedures, and the new procedure will be documented. Implementation is anticipated by December 31, 2017.

**AREA FOR IMPROVEMENT #5 ..... BANK RECONCILIATION**

Each month, the Auxiliary Treasurer prepares the Cash Flow Report, which serves as the Auxiliary’s bank reconciliation. The report lists the beginning bank balance, cleared transactions, outstanding transactions, and ending available funds for the month. As noted in a Management Action Plan from the previous audit, the Auxiliary has documented instructions on how to prepare the monthly Cash Flow Report; however, the instructions are not correct. Rather than using the beginning account balance as per the monthly bank statement, the instructions incorrectly state that the reconciliation be performed using the

account balance since the last Auxiliary meeting. Additionally, the instructions do not include guidance for reviewing the accuracy of the reconciliation.

As a result, we noted errors in the Cash Flow Reports which resulted in the incorrect balance being reported to the EMS Auxiliary membership. These errors included computation errors, using the incorrect bank balance, reporting transactions from the incorrect month, reporting transactions for the incorrect amount, and improperly excluding transactions from the report.

**Management Action Plan**

The EMS Auxiliary will clarify the Cash Flow Report procedures to require that: 1) the beginning bank balance on the Cash Flow Report equal the month's beginning bank statement balance and 2) the Cash Flow Report be reviewed for accuracy each month. Implementation is anticipated by December 31, 2017.

**AREA FOR IMPROVEMENT #6..... EMS DIVISION DONATIONS**

The EMS Division occasionally receives unsolicited donations from residents. It has been the Division's procedure to forward these donations to the EMS Auxiliary for the organization's benefit. However, Manatee County Resolution 11-058 authorizes the Board of County Commissioners and County Administrator to accept gifts and donations. Manatee County Procedure 602.001, Acceptance of Gifts and Donations, further specifies that Department Directors may accept donations valued at \$100 or less without the County Administrator's approval.

It appears that two donation checks deposited by the Auxiliary, totaling \$60, were intended for the EMS Division.

**Management Action Plan**

The EMS Division will accept and process all donations intended for it on behalf of Manatee County rather than forwarding the donations to the EMS Auxiliary. Implementation is anticipated by December 31, 2017.