



# Angelina “Angel” Colonnese

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

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## Division of Inspector General

### Audit Report

### Manatee County EMS Auxiliary Financial Audit

As of December 31, 2018

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May 18, 2020

Audit No. 21910700

MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
DIVISION OF INSPECTOR GENERAL

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.  
AUDIT OF THE YEAR ENDED DECEMBER 31, 2018

**A U D I T   R E P O R T**

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT  
DIVISION OF INSPECTOR GENERAL

MANATEE COUNTY EMERGENCY MEDICAL SERVICES AUXILIARY, INC.  
FINANCIAL AUDIT

**A U D I T   R E P O R T**

The Division of Inspector General has conducted a financial audit of the Manatee County Emergency Medical Services (EMS) Auxiliary for the year ended December 31, 2018. 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**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 EMS 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 EMS Auxiliary's Compensation Fund. Compensation Fund money is used by EMS 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, and radios; maintenance and fuel for the vehicles; medical supplies; and uniforms. This support totaled approximately \$22,500 during calendar year 2018.

**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, agreements and Florida Statutes for the year ended December 31, 2018.

## **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.

## **STATEMENT ON INTERNAL CONTROL STRUCTURE**

In planning and performing the financial audit of the EMS Auxiliary for the year ended December 31, 2018, 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 segregation of duties concerns, unauthorized expenses, lack of a receiving policy, bank account reconciliation weaknesses, cash collection exceptions, and late deposits (see Areas for Improvement #3 - #8).

## **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, EMS Division management, and the Division of Inspector General. The Management Team included the EMS Auxiliary officers, Manatee County EMS Chief, Public Safety Chief Administrative Officer, 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. A comparison of the revenues and expenses audited in 2018 and 2016 is below:

	<u>2018</u>	<u>2016</u>	<u>Percentage Change</u>
Revenue	16,809	19,686	15% decrease
Expense	<u>20,288</u>	<u>14,108</u>	44% increase
Net Income	(3,479)	5,578	
Bank Balance	18,373	24,652	25% decrease

The Areas for Improvements noted during the audit are issues which were also identified in previous audits. Our testing found the following:

- The EMS Auxiliary paid a \$2,000 donation to a nonprofit organization, a \$1,400 donation to an individual, and \$455 for gift cards for its members. These payments appear to be inconsistent with the EMS Auxiliary’s agreement with Manatee County dated April 10, 2012. The Management Team will reconsider how EMS Auxiliary funds are to be spent. **(Area for Improvement #1, page 5)**
- The EMS Auxiliary did not retain documentation supporting Compensation Fund reports. Donations from individual Compensation Fund accounts also were not in compliance with the EMS Auxiliary’s by-laws. The Management Team will document a process for preparing and supporting the monthly Compensation Fund reports in its policies and procedures. The Management Team will also reevaluate its use of compensation funds in conjunction with Area for Improvement #1. **(Area for Improvement #2, page 6)**
- Subsequent to our testing period, the EMS Auxiliary lacked an appropriate segregation of duties over its financial processes. During 2019 and 2020, the Treasurer was also an authorized signer on the bank account. Additionally, the former President, who resigned from the EMS Auxiliary in 2018, is still an authorized signer on the bank account. The Management Team will open an account with a new bank or credit union and will update the account signers at that time. **(Area for Improvement #3, page 7)**
- 18 out of 40 (45%) of EMS Auxiliary purchases made during 2018 lacked evidence of proper approval. The Management Team will document the approval process and items pre-authorized for purchase in the EMS Auxiliary’s policies and procedures. **(Area for Improvement #4, page 7)**
- Documentation was not adequately maintained to support 3 out of 40 (8%) of purchases made during 2018. Supporting documentation provided also did not indicate who received the purchases. The Management Team will ensure that supporting documentation has been maintained for all transactions and will require signatures to evidence receipt of purchases. These processes will be documented in the EMS Auxiliary’s policies and procedures. **(Area for Improvement #5, page 7)**
- Errors were noted in the EMS Auxiliary’s Cash Flow Reports, which serve as the EMS Auxiliary’s bank reconciliations. The Management Team will clarify the Cash Flow Report procedures to detail how the reports will be reviewed for accuracy each month. **(Area for Improvement #6, page 8)**

- The EMS Auxiliary's Cash Flow Tracking and Accountability Form is used to track cash currency collected at events and document that cash was counted under dual control. Two out of six entries during 2018 were only supported by one signature on the form. The Management Team will document instructions for completing the form in its policies and procedures. **(Area for Improvement #7, page 8)**
- Checks received by the EMS Auxiliary were not always deposited within 30 days of receipt as required by the EMS Auxiliary's policies and procedures. The County Liaison to the EMS Auxiliary will open the EMS Auxiliary's mail at the Public Safety Center, document the date checks are received, and notify the EMS Auxiliary officers when funds are available for deposit. **(Area for Improvement #8, page 9)**
- The Florida Department of Financial Services is holding \$970.70 of EMS Auxiliary funds as unclaimed property. The County Liaison to the EMS Auxiliary will assist the EMS Auxiliary officers with reclaiming these funds. **(Area for Improvement #9, page 9)**

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  
Inspector General



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

**AREA FOR IMPROVEMENT #1 ..... EXPENSE APPROPRIATENESS**

In the 2016 audit, we reported that charitable donations paid to individuals and other organizations (\$1,100) did not appear to support the EMS Auxiliary’s mission. In response, the EMS Auxiliary amended its mission to include donations to certain individuals. In 2018, the EMS Auxiliary donated \$3,400 to individuals and other organizations. The current mission is as follows:

“Compliment & Support the career department, Manatee County EMS, by providing ems coverage at special events and medical stand by events.

Aiding and Assisting them with funding items needed for training, operations, and fundraising.

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

Supporting our members with training and continuing education. **As well as supporting them or ems families financially in times of great need.**

Supporting our community in a way that provides quality care and education as well as providing support in public relation initiatives.”

This amended mission does not appear to be in accordance with the agreement between the EMS Auxiliary and Manatee County, approved by the Board of County Commissioners on April 10, 2012. This agreement specifies that the EMS Auxiliary will provide volunteer staffing and material support to Manatee County, including voluntarily purchasing materials for the EMS Division and donating funds raised to Manatee County to support the operational needs of the EMS Division. The current EMS Auxiliary officers were not aware of the agreement and the EMS Division was not aware of the changes made to the EMS Auxiliary’s mission.

2018 Expenses in Accordance with Agreement

	<u>Expense</u>	<u>Percentage of Expenses</u>
Appreciation gifts for EMS employees	6,720	33%
Support for the EMS Division	5,447	27%
EMS Auxiliary Member Training and Certification	2,228	11%
Uniforms and Equipment	801	4%
Supplies/Admin/Other*	<u>1,237</u>	<u>6%</u>
	16,433	81%

\*Supplies/Admin/Other includes expenses such as ambulance and office supplies, refreshments, sympathy gifts, and public relation costs.

2018 Expenses Not in Accordance with Agreement

	<u>Expense</u>	<u>Percentage of Expenses</u>
Donation to a nonprofit organization	2,000	10%
Donation to an individual	1,400	7%
Gift cards for EMS Auxiliary members	<u>455</u>	<u>2%</u>
	3,855	19%

In addition, making payments of charitable donations to other organizations and individuals, or altering the EMS Auxiliary’s mission, could have Internal Revenue Service (IRS) implications that need to be considered.

**Management Action Plan**

*The EMS Auxiliary and EMS Division will review the agreement and determine whether it reflects the current purpose of the EMS Auxiliary. The EMS Division will consult with the County Attorney's Office if the parties agree to amend the agreement. Additionally, the EMS Auxiliary and EMS Division will ensure that both parties have the current version of all organizational documents. The EMS Auxiliary will also consult with a tax professional before paying additional charitable donations to nonprofit organizations or individuals to ensure compliance with any relevant IRS regulations. Implementation is anticipated by December 31, 2020.*

**AREA FOR IMPROVEMENT #2 ..... COMPENSATION FUND REPORTS AND COMPLIANCE**

According to the EMS Auxiliary by-laws, for each event in which standby revenue is generated, 70% of the revenue is to be allocated to the General Fund for expenses that benefit the EMS Auxiliary as a whole, and 30% is to be allocated to the Compensation Fund. The Compensation Fund money is available for members to purchase items related to their EMS Auxiliary work (uniforms, equipment) or to pay for continuing education, and is divided between the volunteers who worked at the related event.

We tested the last Compensation Fund report from each quarter of 2018, noting the following exceptions:

- The Auxiliary received donations for three standby events in 2018. For one event tested, the standby revenue was properly allocated in total (30%) to member accounts; however, the EMS Auxiliary provided no documentation to support how the funds were allocated between the member accounts. Additionally, revenue received from another event in October 2018 was not allocated to member accounts until February 2019. The total percentage allocated for this event could not be tested due to a lack of supporting documentation.
- EMS Auxiliary members donated funds from their Compensation Fund accounts to the family of a former EMS Auxiliary member. Documentation supporting one out of six (17%) member donations was not available. Additionally, paying donations from individual member accounts does not appear to comply with the EMS Auxiliary's by-laws, which require that members spend their compensation funds on items related to their work with the EMS Auxiliary (equipment, uniforms) and/or continuing education. Although the by-laws do specify that individual account balances greater than \$500 will be transferred to a "donation fund" at the end of June and December, with the donation recipient to be determined by the membership, the by-laws do not allow for donations from individual accounts.

**Management Action Plan**

*The EMS Auxiliary officers will retain event sign-in sheets to support how compensation funds are divided between member accounts. This requirement, as well as a process for timely and accurately allocating compensation funds, will be documented in the EMS Auxiliary's policies and procedures. In conjunction with Area for Improvement #1, the EMS Auxiliary and EMS Division will determine whether donations are an appropriate use of EMS Auxiliary funds. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #3 .....SEGREGATION OF DUTIES**

We analyzed the segregation of duties involved in the EMS Auxiliary’s financial procedures. Proper segregation of duties helps reduce the risk of fraud and error by involving multiple employees in financial processes. Ideally, the duties of custody, recordkeeping, and authorization should not be performed by the same person. When this is not practical, compensating controls should be implemented.

Through our testing and analysis, we found no evidence of any missing funds; however, it does not appear that an adequate segregation of duties exists. Although segregation of duties was sufficient during calendar year 2018, the Treasurer was an authorized signer on the EMS Auxiliary’s bank account (authorization/custody) and also prepared the EMS Auxiliary’s financial reports (recordkeeping) during 2019 and 2020. Additionally, the former President, who resigned from the EMS Auxiliary in 2018, is still an authorized signer on the bank account. According to the EMS Auxiliary officers, they have not been able to update the account signers because the account is not registered correctly with the bank.

**Management Action Plan**

*The EMS Auxiliary officers will close the current account and open an account at a new bank with the President and Vice President as authorized signers. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #4 .....EXPENSE AUTHORIZATION**

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

<b>Expense Amount</b>	<b>Approval Requirement</b>
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 18 out of 40 expenses (45%), totaling \$9,002.60, because the former Secretary did not document the approvals in the monthly meeting minutes. This was an increase in the exception rate noted in 2016 (8%).

**Management Action Plan**

*The Secretary will record expense approvals in the monthly meeting minutes. This process, and any items pre-authorized for purchase, will be documented in the EMS Auxiliary’s policies and procedures. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #5 .....EXPENSE DOCUMENTATION**

A review of purchases made by the EMS Auxiliary found that 3 out of 40 expenses paid during 2018 (8%) did not have adequate supporting documentation, such as an invoice, on file to ensure the purchases were made for a legitimate organizational purpose. Supporting documentation was not available because either invoices were not provided to the EMS Auxiliary or supporting documentation for the transaction was not maintained in the financial records.

Additionally, most of the supporting documentation provided did not indicate who received the purchases. A signature evidencing who received 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 officers will review expenses incurred each month to ensure that supporting documentation has been saved in the Treasurer's binder for all transactions. The EMS Auxiliary will also begin requiring signatures to evidence receipt of items. These processes will be documented in the EMS Auxiliary's policies and procedures. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #6 ..... BANK RECONCILIATION**

Each month, the EMS Auxiliary Treasurer prepares the Cash Flow Report, which serves as the EMS Auxiliary's bank reconciliation. The report lists the beginning bank balance, cleared transactions, outstanding transactions, and ending available funds for the month. Although the EMS Auxiliary has documented instructions on how to prepare the monthly Cash Flow Report, the instructions do not include guidance for reviewing the accuracy of the reconciliation.

As a result, we noted errors in 3 out of 4 Cash Flow Reports tested, which resulted in the incorrect balance being reported to the membership. These errors included 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 detail how the Cash Flow Report will be reviewed for accuracy each month. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #7 ..... CASH FLOW TRACKING AND ACCOUNTABILITY FORMS**

The EMS Auxiliary's Cash Handling Policy requires that members track cash currency at each event through the use of Cash Flow Tracking and Accountability Forms. The policy states that all cash will be counted by two people. Compliance with the policy is supported by documenting the day's beginning cash balance, ending balance, amount deposited, and the signatures of the members who counted the cash.

Of the six Cash Flow Tracking and Accountability form entries documented during 2018, four were completed correctly; however, two of the entries only included one member signature. The risk of loss or error increases when funds are not counted under dual control.

**Management Action Plan**

*The EMS Auxiliary will document the complete cash collection process, including instructions for completing the Cash Flow Tracking and Accountability Forms, in its policies and procedures. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #8 ..... DEPOSIT TIMELINESS**

EMS Auxiliary policies and procedures require that deposits be made within 30 days of receipt. During 2018, checks were not date-stamped when received; therefore, the check date was used to verify compliance with the 30 day deposit rule. For events where cash donations were collected, the event date was used to test compliance.

Our testing of all revenues found that 6 out of 18 payments received during 2018 (33%) were not deposited within 30 days. The late deposits were all checks and were made 34-102 days after the check date for each donation. All cash was deposited timely. The risk of loss or theft increases when funds are not deposited timely.

This was an increase in the exception rate noted in 2016 (20%).

**Management Action Plan**

*The EMS Auxiliary Liaison will open the EMS Auxiliary's mail at the Public Safety Center and will document the date the checks were received. The Liaison will then notify the EMS Auxiliary officers that funds are available for deposit. This process will be documented in the EMS Auxiliary's policies and procedures. Implementation is anticipated by August 31, 2020.*

**AREA FOR IMPROVEMENT #9 ..... UNCLAIMED FUNDS/CLOSED PAYPAL ACCOUNT**

During the 2016 audit, we reported that the Florida Division of Financial Services was holding \$970.70 of EMS Auxiliary funds as unclaimed property. These funds were from the EMS Auxiliary's inactive PayPal account, which has since been closed. PayPal submitted the \$970.70 to the State of Florida after the account had not been accessed for three years. The EMS Auxiliary has not yet reclaimed these funds.

**Management Action Plan**

*The EMS Auxiliary Liaison will assist the EMS Auxiliary officers with reclaiming the funds from the State of Florida. Implementation is anticipated by April 30, 2020.*