

Harbor City Volunteer Ambulance Squad Audit Report

May 13, 1994

Board of County Commissioners
Brevard County, Florida
Post Office Box 1496
Titusville, Florida 32781-1496

Commissioners:

Pursuant to the provisions of Section 125.01(1)(s), Florida Statutes, Article V, Section 16 and Article VIII, Section 1(d) of the Constitution of the State of Florida, we conducted an audit of the contract between Brevard County Board of County Commissioners and Harbor City Volunteer Ambulance Squad, Inc. (hereinafter referred to as HCVA).

PURPOSE

This audit was conducted to assess compliance with the contract between HCVA and Brevard County as administered by the Public Safety Department (hereinafter referred to as the Department). We also assessed compliance with applicable chapters of the Florida Statutes, Florida Administrative Code, Florida Special Acts, and Board of County Commissioners' policies and procedures. We also evaluated the adequacy and effectiveness of the Department's internal administrative control over the HCVA contract. Additionally, we performed other auditing procedures which we considered necessary in these circumstances.

BACKGROUND

On January 17, 1989, an agreement (hereinafter referred to as the Contract) between HCVA and the Board of County Commissioners was entered into to furnish ambulance service for the central service area of Brevard County. The term of the Contract has been extended to September 30, 1995. HCVA is a not-for-profit Florida corporation whose principal office is in Melbourne, Florida. The County's funding of HCVA comes from an annual special assessment levied on improved property within the service area.

SCOPE

We tested compliance by examining HCVA's and the Department's records for the period of October 1, 1991, through September 30, 1992. In particular, we examined HCVA's expenses, cash flow analyses, ambulance maintenance records, employee medical certifications, and station staffing records.

We also examined HCVA's budgets and audited financial statements for fiscal years ended September 30, 1990, 1991, and 1992, to assess HCVA's funding needs.

OVERALL CONCLUSION

Contract Compliance, Florida Statutes, Florida Special Acts, Florida Administrative Code, Board of County Commissioners' Policies, Procedures, Resolutions, and Ordinances Except as noted below, the results of our tests indicate that, with respect to the items tested, the Department and HCVA complied with the Contract and applicable Florida Statutes, Florida Special Acts, Florida Administrative Code, and the Board of County Commissioners' policies, procedures, resolutions, and ordinances. With respect to the items not tested, nothing came to our attention that would cause us to believe that the Department and HCVA had not complied with the Contract and those provisions.

Internal Administrative Control

In our opinion, the Public Safety Department's system of internal administrative control over the HCVA contract is inadequate. As noted below, contract provisions and written procedures are needed to review and monitor HCVA's funding, expenses, certain transactions, controls, and to ensure compliance with Florida laws and regulations.

Other

As noted below, an amendment of the Contract is needed to eliminate conflicting provisions related to nonemergency medical transports.

FINDINGS AND RECOMMENDATIONS

Contract Compliance

FINDING 1 - The Department is not complying with its contractual obligation to dispatch all nonemergency calls.

The Department is not dispatching nonemergency calls as required by Section 10 of the Contract. Also, the Department does not have written procedures to ensure that HCVA's nonemergency service does not affect emergency ambulance service. Specifically, the Contract states that the Department is to provide an exclusive central communications system for the dispatching of all emergency and nonemergency calls. This provides a means to effectively coordinate the provisions of both emergency and nonemergency service within Brevard County. Since HCVA is dispatching their own nonemergency calls, the County is prevented from obtaining the desired level of control over units available for ambulance service.

RECOMMENDATION - We recommend the Department comply with Section 10 of the Contract. If the Department's management determines that the desired level of control can be accomplished by HCVA's continued dispatching of their nonemergency calls, the Contract should be presented to the Board for amendment.

MANAGEMENT'S RESPONSE - In a letter (see Exhibit D) dated June 1, 1994, Chief Donald Boykin, Director, Public Safety stated, in part, that "HCVAS and the Department both agree that HCVAS should continue to dispatch

nonemergency calls and the Department will adjust the contract to reflect the existing service when the contract is next amended."

&NBSP&NBSP&NBSP&NBSP&NBSP**REBUTTAL** - Since the current contract will not expire until September 30, 1995 and because we have recommended other changes to the contract, we feel the Department should present the proposed amendment to the Board with these other changes before the end of this fiscal year.

Internal Administrative Control Over HCVA Contract

&NBSP&NBSP&NBSP&NBSP&NBSP**FINDING 2** - Contract provisions needed to review and monitor funding, expenses, certain transactions, and controls.

The Contract does not contain provisions nor do controls exist to ensure that HCVA annually demonstrates a need for funding, its expenses are for bona fide goods or services consistent with the purpose of the contract, its transactions are executed at arms length, its financial information and internal controls are adequate, and its vehicle maintenance and fuel usage issues are addressed. One objective of internal control is to ensure the safeguarding of assets. Also, resources should be employed efficiently and economically. However, without sufficient provisions in HCVA's contract, the ability to establish controls and adequately employ resources is limited. In our audit we noted the contract did not provide for the following:

&NBSP&NBSP&NBSP&NBSP&NBSPa. A provision to require HCVA to demonstrate a need for funding on an annual basis during the term of the contract. Also, the Department does not have written procedures outlining criteria for the review and evaluation of HCVA's annual budgets for the contract term. The amount budgeted as County reimbursement by HCVA under the Contract was the same amount needed for HCVA'S projected deficit (expenses in excess of revenues). For the three fiscal years ended 1990, 1991, and 1992, Brevard County contributed nearly \$2 million in excess of the amount HCVA needed to operate, as shown in Exhibit A.

&NBSP&NBSP&NBSP&NBSP&NBSPb. A provision to restrict HCVA's use of Brevard County funds to bona fide products or services for the purposes outlined in the contract and to require reimbursement to the County if this provision is violated. Also, the Department does not have written procedures to monitor and evaluate HCVA's operating expenses. For the audit period, we reviewed HCVA's budget, accounting records, and supporting documentation and noted certain expenses which were questionable as to serving the purpose of the contract. Without contract restrictions and written Departmental procedures to limit, monitor, and evaluate HCVA's expenses, HCVA is able to use its noncounty funding for these expenses which, in turn, increases the need for county funds.

&NBSP&NBSP&NBSP&NBSP&NBSPc. A provision to ensure that HCVA's transactions are executed at arm's length and to require reimbursement to the County if this provision is violated. Also, the Department does not have any controls or procedures which would allow for the review of HCVA's transactions (prior to execution) with other entities to determine the impact on Brevard County. On September 22, 1989, a building (see Exhibit C) was purchased by HCVA for \$500,000 (with a down payment of \$194,260) and then transferred the same day to Harbor

City Volunteer Ambulance Squad Foundation, Inc. (hereinafter referred to as the Foundation). HCVA then entered into a 10 year noncancelable lease on October 27, 1989, with the Foundation for the building which was later found to be unoccupiable because it did not meet applicable building codes. The Building is currently listed for sale at \$750,000. In another transaction, HCVA contributed \$330,000 of investments to organize the Foundation. Also, Foundation expenses incurred in 1990 totaling \$119,136 were paid by HCVA. Although these advances are shown as a receivable on HCVA's September 30, 1992, balance sheet, the notes to the financial statement disclosed that no terms for repayment have been set. We also noted that income and interest from certain donations, wills, and endowments which were earmarked for use by HCVA have been recorded by the Foundation and accordingly, are not included in HCVA's budget submitted to Brevard County. At September 30, 1992, HCVA's and the Foundation's fund balances totaled \$2,908,640 and \$473,213, respectively, as shown in Exhibit B. Without scrutinizing contractor's transactions with other entities, the risk of overstatement of funding needs and misrepresentation of funding sources and uses is not minimized.

&NBSP&NBSP&NBSP&NBSP&NBSPd. Provisions to require an annual independent audit by a Certified Public Accountant and to allow the Department or County the right to inspect, review, or audit HCVA's financial records, books, and procedures. Also, the Department does not have procedures to evaluate the adequacy of HCVA's financial information and internal control structure. We noted that HCVA does not have written procedures for processing and paying invoices which contributed to a duplicate payment of one invoice. We also noted that HCVA has not adequately monitored vehicle repair and maintenance. In particular, HCVA:

- was doubled billed (\$224 versus \$112) for four hours labor on ambulance maintenance
- paid for 14 tires replaced on the same 6-tire vehicle within 3 months and 7,000 miles
- replaced all drive belts on unit 721 after 149 miles of belt service
- replaced all 5 drive belts on unit 716 after 280 miles of belt service
- replaced all 4 drive belts on unit 720 after 433 miles of belt service
- replaced all 5 drive belts on unit 714 after 111 miles of belt service.

&NBSP&NBSP&NBSP&NBSP&NBSPe. A provision to address HCVA's ambulance maintenance, repairs, and fuel usage. These vehicles, titled to Brevard County, have been serviced at Brevard County's Central Fleet Shop and fueled at county fuel stations. Although HCVA has funded the cost of all maintenance, repairs, and fuel in the past, the Contract does not address who incurs the cost and under what conditions, if any, HCVA would be allowed to use these county vehicle resources. Also, the Contract does not specify a desired level of vehicle maintenance for HCVA to respond pursuant to the Contract.

The absence of these provisions does not minimize the risk of the improper and inefficient use of county funds.

&NBSP&NBSP&NBSP&NBSP&NBSP**PRECOMMENDATION** - We recommend that contracts with HCVA and Departmental written procedures include provisions to ensure that; 1) HCVA demonstrates annually that a need exists for funding, 2) HCVA expenses are for bona fide goods or services consistent with contract provisions, 3) HCVA transactions are executed at

arm's length, 4) HCVA's financial information and internal controls are adequate, and 5) HCVA's vehicle maintenance and fuel usage issues are addressed.

MANAGEMENT'S RESPONSE - In a letter (see Exhibit D) dated June 1, 1994, Chief Donald Boykin, Director, Public Safety stated:

We strongly disagree with any recommendation which would place the department in a position to monitor or evaluate the internal financial business of HCVAS. It is our position that the County and HCVAS have negotiated in good faith and agreed upon an amount to pay HCVAS for a service rendered. As with any contractor they are paid the contracted amount for providing the service as outlined in the contract. HCVAS has agreed to establish procedures to better monitor their vehicle maintenance cost.

PREBUTTAL - We do not contest that the contract between the County and HCVA was negotiated in good faith. However, the documentation we reviewed at HCVA and the Department indicated that the contract amount was based on HCVA's deficit and not "to pay HCVAS for a service rendered." When this basis exists, HCVA should demonstrate a financial need for annual funding and the Department needs to exercise strong administrative controls over HCVA's financial transactions and controls to safeguard assets and ensure that County funds are properly expended.

Furthermore, we believe that the Department has a responsibility to ensure that County funds are expended in the most efficient manner possible regardless of the basis of the contract. It is very apparent in this instance that HCVA, which derived significant levels of funding from Brevard County, was able to not only provide the service contracted with the County but to do it at substantially less cost as evidenced by accumulating large amounts of cash and reserves over a three year period. Further, they were able to use these funds to provide support to another entity which had no direct business relationship with the County. We contend that the Department has a responsibility to ensure the efficient use of County/taxpayer funds.

FINDING 3 - Department needs to ensure HCVA compliance with Florida Administrative Code.

No controls or procedures exist to ensure HCVA complies with Chapter 10D.66, Florida Administrative Code. We conducted an inventory of ambulance supplies and equipment required by Chapter 10D.66. Two of the three ambulances inventoried did not have a pediatric stethoscope; one was not carrying the I.V. infusion pump; and another did not have the required two blankets. We also performed a random check of personnel certifications which are required by Chapter 10D.66 to be carried by ambulance personnel at all times while on duty. One of the 21 medical personnel sampled, an Emergency Medical Technician, was not carrying the required EMT certificate while on duty.

Section 6 of the contract requires HCVA to comply with all provisions of Chapter 10D.66, Florida Administrative Code as well as standards set by Brevard County. Noncompliance could result in vehicles or personnel being removed from service as well as fines and penalties. This could impair HCVA's ability to provide the required service.

RECOMMENDATION - We recommend the Department establish a system to monitor HCVA's compliance with Chapter 10D.66 as well as other laws and regulations. This should include periodic random inventories of vehicles and certification checks.

MANAGEMENT'S RESPONSE - In a letter (see Exhibit D) dated June 1, 1994, Chief Donald Boykin, Director, Public Safety stated:

The State Department of H.R.S. conducts regular inspections of HCVAS ambulances for the compliance with 10D.66 as well as other related laws and regulations. The Department will request from HCVAS written confirmation that any and all findings as a result of these inspections are corrected or complied with.

REBUTTAL - We feel the Department's reliance solely on HCVA's written confirmation in resolving findings from compliance inspections conducted by HRS is inadequate. At a minimum, if personnel and vehicle certification checks by HRS reveal significant deficiencies, the Department should follow up with physical inspections to ensure that HCVA is in compliance. Furthermore, the Department should perform its own periodic inspections to avoid the risk of HRS removing one or more of HCVA's vehicles from service.

Other

FINDING 4 - HCVA Contract has conflicting provisions.

We noted that the wording in the current HCVA contract is inconsistent with respect to the nature of services to be provided. Section 5 of the Contract states in part that "...the Volunteers agree to provide not less than twelve (12) ambulances and vehicles suitable for nonemergency medical transport services (emphasis added)." However, the stated purpose of the HCVA contract is to "...award to the Volunteers an exclusive franchise...for the furnishing of ambulance services (emphasis added)..." The Contract defines ambulance services and nonemergency medical transport services in part as follows:

- "Ambulance Services" - ground transport on an emergency or nonemergency basis with the provisions of advanced and/or basic life support,
- "Nonemergency Medical Transport Service" - ground transport of persons confined to wheelchairs or stretchers and whose conditions are such that medical attention during transport is not likely.

A good contract should not require action(s) which is contrary to the stated objective of the contract. With the current conflicting contract provision on nonemergency medical transport services, a risk exists that the costs of the Contract will exceed the amount required to perform the stated purpose of the Contract.

PRECOMMENDATION - We recommend the Department request the Board to amend the HCVA contract by deleting the reference to "vehicles suitable for nonemergency medical transports" in Section 5 of the Contract.

MANAGEMENT'S RESPONSE - In a letter (see Exhibit D) dated June 1, 1994, Chief Donald Boykin, Director, Public Safety stated "The Department will recommend to the Board amending the language in the contract to clarify the definitions."

SUMMARY

An exit conference was held on May 13, 1994, at which time the findings and recommendations were presented to and certain post audit procedures were discussed with Chief Donald Boykin, Director, Public Safety. Chief Boykin's formal reply to the audit findings is attached as Exhibit D. Internal Audit's rebuttal of the response to the audit findings is attached as [Exhibit E](#).

Respectfully submitted,

**SANDY CRAWFORD, CLERK
CIRCUIT AND COUNTY COURTS**

J. Carl Smith, C.P.A.
Chief Internal Auditor

Conducted by:
Johnny R. Street
Senior Internal Auditor