

COMPLIANCE AUDIT

Greater Pittston Ambulance and Rescue Relief Association

Luzerne County, Pennsylvania

For the Period

January 1, 2013 to December 31, 2016

July 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Frank D. Roman, President
Greater Pittston Ambulance and Rescue
Relief Association
Luzerne County

We have conducted a compliance audit of the Greater Pittston Ambulance and Rescue Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2013 to December 31, 2016.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2013 to December 31, 2016, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Failure To Deposit State Aid

Finding No. 2 – Undocumented Expenditures


Finding No. 3 – Failure To Maintain A Complete And Accurate Membership Roster

In addition, when a relief association does not meet the statutory definition of a volunteer firefighters' relief association, its eligibility to receive and expend state aid under Act 118 may be adversely impacted or discontinued unless the relief association takes the steps necessary to comply with the provisions of Act 118. Documentation showing the ambulance relief association's affiliation with a volunteer fire company during the period covered by this report was not provided to auditors during on-site fieldwork testing. However, subsequent to audit fieldwork completion but prior to the release of this audit report, the relief association provided updated bylaws specifying the relief association's affiliation with multiple fire companies. As such, the report includes an Observation notifying the relief association of our concerns. As further discussed in the Observation in this report, Act 118 provides definitions regarding a relief association's eligibility to receive and expend aid funds. Since the relief association's amended bylaws were provided subsequent to the period covered by this report and completion of our on-site fieldwork and based on the initially submitted relief association bylaws, which indicated that the relief association is affiliated with The Greater Pittston Ambulance and Rescue Association, not a fire company, the report includes an Observation that addresses concerns relative to the relief association's eligibility to receive and expend state aid under these provisions. Therefore, the relief association's compliance with the Observation will be reviewed through our next audit of the relief association.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

June 29, 2017


EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

A relief association is a charitable organization formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Volunteer firefighters' relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pittston City	Luzerne	\$15,564*	\$14,537	\$14,092	\$15,161

* The 2013 state aid allocation received from Pittston City was not deposited by the relief association until June 13, 2017 as disclosed in Finding No. 1 in this report.

The volunteer relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Greater Pittston Ambulance and Rescue Association

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit State Aid

Condition: The relief association did not deposit the 2013 state aid distributed by Pittston City in the amount of \$15,564, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 23, 2013, who forwarded this state aid to the volunteer firefighters' relief association on October 21 2013, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). However, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into an appropriate relief association account. The funds remained outstanding until notified by this department during the conduct of the audit engagement. The outstanding 2013 state aid was finally deposited into a relief association account on June 13, 2017.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner into an appropriate relief association account.

Cause: Internal control procedures were not adequate to ensure the timely deposit of the 2013 allocation.

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommend that relief association officials ensure that all future state aid is received in a timely manner and deposited appropriately into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued):

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will continue to comply with the recommendation.

Auditor’s Conclusion: Continued compliance will be subject to verification through our next audit.

Finding No. 2 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
11/12/2013	128	Individual member	\$ 551
11/04/2013	134	Individual member	402
Total			<u>\$ 953</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters’ relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to follow established internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$953 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all future expenditures. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated ambulance association reimbursed the relief association \$953 for the undocumented expenditures on June 19, 2017.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$953 was received. Compliance for maintaining appropriate documentation for expenditures made during the subsequent period will be subject to verification through our next audit.

Finding No. 3 – Failure To Maintain A Complete And Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association’s membership, as identified by criteria set forth in the relief association’s bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members’ mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications (including paid and/or volunteer status)

In addition, when warranted, a notation should be made on the roster identifying the date of a member’s resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of relief association members.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
OBSERVATION

Observation – Greater Pittston Ambulance And Rescue Relief Association May Not Have Complied With The Requirements Of Act 118 Because The Stated Purpose In Its Bylaws Was To Provide Volunteer Ambulance Personnel With Protection From Misfortune Suffered As A Result Of Their Participation In The Ambulance And Rescue Service. The Association Was Not Affiliated With A Fire Company And Did Not Provide Financial Protection To Volunteer Firefighters Against The Consequences Of Misfortune Suffered As A Result Of Their Participation In The Fire Service.

The Greater Pittston Ambulance and Rescue Relief Association stated in its bylaws submitted to auditors during audit fieldwork that its purpose was to provide volunteer ambulance personnel with protection from misfortune suffered as a result of their participation in the ambulance and rescue service. According to the initially submitted bylaws, The Greater Pittston Ambulance and Rescue Relief Association was not affiliated with a volunteer fire company and its primary purpose was not to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. While the Greater Pittston Ambulance and Rescue Relief Association was affiliated with the Greater Pittston Ambulance and Rescue Association, the same is an ambulance organization and not a fire company as required under Act 118. Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act.

Act 118 at 35 Pa.C.S. § 7412 states in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose. (Emphasis added.)

We are further concerned that the members of the Greater Pittston Ambulance and Rescue Relief Association, who primarily provided services to the general public, did not meet the definition of “Volunteer Firefighter” as defined in the Act. Because the primary purpose did not comport with the requirements of Act 118, we must question their status as a relief association under the Act.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
OBSERVATION

Observation – (Continued):

Act 118 at 35 Pa.C.S. § 7412 further states, in part, that the Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. (Emphasis added.)

As such, based upon bylaws submitted during the audit, The Greater Pittston Ambulance and Rescue Relief Association did not meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future. The association should consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take the steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the Greater Pittston Ambulance and Rescue Relief Association with this determination.

Subsequent Event:

Subsequent to audit fieldwork completion but prior to the release of this audit report, The Greater Pittston Ambulance and Rescue Relief Association submitted updated relief association bylaws specifying their affiliation with one or more fire companies and stating that their primary purpose was in line with requirements set forth in Act 118. Therefore, the relief association's compliance with the Observation will be reviewed through our next audit of the relief association.

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 32,148
Fair Value of Investments	<u>191,021</u>
Total Cash and Investments	<u>\$ 223,169</u>

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Relief benefits	\$ 2,039
Ambulance Services:	
Equipment purchased	\$ 58,415
Equipment maintenance	732
Training expenses	3,722
Total Ambulance Services	\$ 62,869
Administrative Services:	
Other administrative expenses	\$ 1,475
Investments Purchased	\$ 260,599
Other Expenditures:	
Miscellaneous	\$ 5,150
Undocumented expenditures	953
Total Other Expenditures	\$ 6,103
Total Expenditures	\$ 333,085

GREATER PITTSTON AMBULANCE AND RESCUE RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Greater Pittston Ambulance and Rescue Relief Association Governing Body:

Mr. Frank D. Roman
President

Mr. Michael Lombardo, III
Vice President

Ms. Laura Mudlock
Secretary

Mr. Mark Simko, Jr.
Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Mr. Joseph Moskovitz
Secretary
Pittston City

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.