

# COMPLIANCE AUDIT

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## Jefferson Township Volunteer Ambulance Association Relief Association Lackawanna County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

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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. Wayne A. Muir, President  
Jefferson Township Volunteer Ambulance  
Association Relief Association  
Lackawanna County

We have conducted a compliance audit of the Jefferson Township Volunteer Ambulance Association 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain independent confirmations of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2016, the relief association had a cash balance of \$3,304, we were not able to verify the cash balance.

Based on our audit procedures, we conclude that, for the period January 1, 2013 to December 31, 2016:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Undocumented Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure  
To Maintain Surety (Fidelity) Bond Coverage

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure  
To Maintain a Complete and Accurate Equipment Roster

Finding No. 5 – Inadequate Minutes Of Meetings

Finding No. 6 – Inadequate Financial Record-Keeping System

Finding No. 7 – Inadequate Signatory Authority For The Disbursement Of  
Funds

The seven findings contained in this report, which include all four of the previously communicated prior audit findings, cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report. Continued noncompliance and/or untimely corrective action to address the multitude of conditions noted in the above findings could result in a disruption of future state aid funding available as discussed above and in the Potential Withhold of State Aid section of this report or a shortage in funds available for other authorized operating expenses or for investment purposes and a greater risk that funds could be lost or misappropriated.

In addition, the relief association is not affiliated with a volunteer fire company. As further discussed in the Observation in this report, Act 118 provides definitions regarding a relief association's eligibility to receive and expend state aid funds. Because the relief association is affiliated with the Jefferson Township Volunteer Ambulance Association, not a fire company, the observation addresses concerns we have with the relief association's eligibility to receive and expend state aid under these provisions. Therefore, in addition to the potential withholding of state aid as a result of Findings No. 1 and 2, since the relief association does not meet the statutory definition of a volunteer firefighters' relief association, its eligibility to continue 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.

We are providing the results of this audit to the Lackawanna County, Pennsylvania District Attorney's Office to be used to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary.

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.

June 8, 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.

The relief association is an organization that was formed primarily to afford financial protection to volunteer EMS personnel of the township and to encourage individuals to participate in volunteer EMS 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>
Jefferson Township	Lackawanna	\$12,678	\$12,059	\$11,630	\$11,493

The relief association and the affiliated ambulance association are separate, legal entities. The relief association is affiliated with the Jefferson Township Volunteer Ambulance Association.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

Although the relief association received reimbursement amounting to \$540 from the affiliated ambulance company for the undocumented expenditures made in the prior audit period, the relief association again failed to provide adequate documentation to support all of the expenditures during the current audit period as further disclosed in Finding No. 1 of this report.

- Unauthorized Expenditures

Although the relief association received reimbursement of \$2,494 from the affiliated fire company for the unauthorized expenditures made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by Act 118 as further disclosed in Finding No. 2 of this report.

- Failure To Maintain Surety (Fidelity) Bond Coverage

Although the relief association obtained bond coverage covering the president and treasurer for \$50,000, the relief association cancelled their bond coverage during the current audit period as further discussed in Finding No. 3 of this report.

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated ambulance company for undocumented expenditures made in the prior audit period, the relief association again failed to provide adequate documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
06/26/13	231	Services vendor	\$ 50
01/09/14	248	Jefferson Township Ambulance Association	2,500
01/16/14	249	Individual member	500
02/19/14	166	Jefferson Township Ambulance Association	300
03/14/14	168	Individual member	200
03/24/14	169	Jefferson Township Ambulance Association	2,500
03/03/14	Debit	Vendor	659
04/08/14	170	Individual member	670
04/11/14	171	Vendor	309
08/13/14	174	Services vendor	489
09/20/14	256	Insurance carrier	2,447
10/09/14	175	Individual member	325
10/27/14	258	Jefferson Township Ambulance Association	2,000
10/27/14	259	Individual member	542
010/1/14	255	Vendor	86
12/01/14	180	Vendor	952
12/05/14	181	Jefferson Township Ambulance Association	2,000
10/29/15	270	Individual member	250
01/19/16	277	Vendor	300
01/20/16	278	Individual member	300
04/02/16	286	Individual member	300
04/07/16	288	Jefferson Township Ambulance Association	3,000
07/10/16	311	Individual member	300
10/27/16	295	Individual member	482

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
11/08/16	296	Jefferson Township Ambulance Association	1,500
11/14/16	297	Individual member	300
11/29/16	300	Individual member	500
12/06/16	302	Jefferson Township Ambulance Association	<u>1,000</u>
Total \$			<u>24,761</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: Even though notified of this condition during our prior audit, relief association officials again neglected to establish and implement adequate 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 continued failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association’s future state aid allocations may be withheld until the finding recommendation is complied with.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (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 \$24,761 for the undocumented expenditures. We also again 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 indicated they will take action to comply with the recommendation.

**Auditor’s Conclusion:** Due to the potential withhold of state aid, the relief association’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures**

**Condition:** As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated ambulance company for the unauthorized expenditures made in the prior audit period, the relief association again expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/15/13	243	Vendor-printed sweatshirts and tees	\$ 800
11/01/13	244	Vendor-printed sweatshirts and tees	1,955
01/11/16	276	Vendor-fuel services	953
12/21/16	312	Vendor-medical supplies for ambulance*	2,030
		Total	<u>\$ 5,738</u>

\* The relief association originally overpaid this invoice by \$1,000; however, a subsequent invoice was adjusted for the amount of the overpayment in 2017. The amount shown above is shown net of subsequent invoice adjustment.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 11) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
  
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the above items do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected the fact that the above noted expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association be reimbursed \$5,738 for the unauthorized expenditures and that relief association officials again become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: As disclosed in the Status of Prior Finding section of this report, although the relief association obtained bond coverage covering the president and treasurer as required by Act 118 for a portion of the audit period, the relief association's Surety (Fidelity) bond coverage lapsed on April 11, 2014 and was not renewed by the relief association. As of December 31, 2016, the relief association's cash assets totaled \$3,304.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to comply with the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We again recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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 indicated they will take action to comply with the recommendation.

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

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure To Maintain  
A Complete And Accurate Equipment Roster**

Condition: As disclosed in the prior audit report, the relief association failed to maintain a complete and accurate roster of equipment owned by the relief association including equipment purchases totaling \$15,816 made during the prior audit period. A similar condition occurred during the current audit period. Specifically, the relief association purchased equipment amounting to \$3,134 during the current audit period; however, again, there was no equipment roster created or maintained for these purchases. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for all of the equipment owned by the relief association.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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 indicated they will take action to comply with the recommendation.

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 5 – Inadequate Minutes Of Meetings**

Condition: The relief association failed to maintain adequate, detailed minutes of meetings as required by Act 118. Specifically, the following are areas of concern pertaining to the relief association’s meeting minutes:

- Minutes failed to address all of the financial-related transactions that occurred during the audit period.
- Minutes did not include an original member sign-in sheet in all instances.
- Minutes were not signed by the corresponding secretary.
- Minutes’ dates did not correspond to dates written on executed checks or expenses were paid without an official meeting held approving such expenditures.
- Some meeting minutes were alleged to have been fabricated due to lack of members present according to an officer with knowledge of the situation.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Relief association officials indicated that they were unaware that the meeting minutes provided were not adequate for the audit period or the importance of maintaining such detailed minutes of meetings was required by Act 118.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Effect: Without adequate and detailed minutes of meetings, evidence that relief association business was properly presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings evidencing the discussion and approval of all financial-related business conducted by the relief association. 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 indicated they will take action to comply with the recommendation.

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

**Finding No. 6 – Inadequate Financial Record-Keeping System**

Condition: The relief association’s financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association’s financial operations and to provide effective control over cash receipts, disbursements, and assets. The following deficiencies were noted for the current audit period:

- A journal was not maintained to record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Documentation to support various expenditures was not available for examination at the time of the audit (refer to Finding No. 1).

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters’ relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

In addition, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials indicated that they were unaware of their various record-keeping responsibilities.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's overall financial operations.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations and provides effective control over cash receipts, disbursements, and assets. 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 indicated they will take action to comply with the recommendation.

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

**Finding No. 7 – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: During the current audit engagement, all of the checks drawn on the relief association's checking account contained two signatures, with one always being signed with the treasurer's name; however, the treasurer's signature was inconsistent among many of the executed checks examined.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: Although the relief association's internal control procedures appear to require the signatures of at least two officers on all negotiable instruments, these procedures were not adequate to ensure that only authorized officials responsible for administering the funds of the relief association were actually executing these instruments. When discussed with officials, the ambulance company treasurer, who was handling the day-to-day finances for the relief association, indicated that she would sign the checks with the relief association treasurer's name when the relief association treasurer was not available to sign the actual checks. The two treasurers for the separate organizations are related through marriage as are several of the officers currently holding positions within the two entities.

Effect: As a result of this lack of or the override of internal controls, assets were placed at greater risk as expenditures were being made without the authorizing signature of the elected treasurer of the relief association and/or a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second relief association officer's signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

Recommendation: We recommend that relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the actual elected relief association treasurer, are included on all relief association negotiable instruments as defined by Act 118. 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 indicated they will take action to comply with the recommendation.

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

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
OBSERVATION

**Observation – Jefferson Township Volunteer Ambulance Association Relief Association May Not Comply With The Requirements Of Act 118 Because The Association Is Not Affiliated With A Volunteer Fire Company And Its Primary Purpose Is Not Providing Financial Protection To Volunteer Firefighters Against The Consequences Of Misfortune Suffered As A Result Of Their Participation In The Fire Service.**

The Jefferson Township Volunteer Ambulance Association Relief Association states in its bylaws that its purpose is to provide volunteer EMS personnel of the township with protection from misfortune suffered as a result of their participation in the EMS service. The Jefferson Township Volunteer Ambulance Association Relief Association is not affiliated with a volunteer fire company and is not affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. While the Jefferson Township Volunteer Ambulance Association Relief Association is affiliated with the Jefferson Township Volunteer Ambulance Association, that entity is an emergency medical services 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 defines a Volunteer Firefighters' Relief Association as:

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.

We are further concerned that the members of the Jefferson Township Volunteer Ambulance Association Relief Association who primarily provide services to the general public, do not meet the definition of "Volunteer Firefighter" as defined in the Act. Because the primary purpose does not comport with the requirements of Act 118, we must question their status as a relief association under the Act.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION 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.)

The Jefferson Township Volunteer Ambulance Association Relief Association does 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 those requirements. The Pennsylvania Department of Community and Economic Development can assist the Jefferson Township Volunteer Ambulance Association Relief Association with this determination.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings such as that reported by Finding No. 1 and 2 may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2016

Cash	<u>\$ 3,304</u>
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JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 23,613
Tokens of sympathy and goodwill	100
Total Benefit Services	\$ 23,713
EMS Services:	
Equipment purchased	\$ 3,854
Equipment maintenance	1,486
Training expenses	2,223
Total EMS Services	\$ 7,563
Administrative Services:	
Other administrative expenses	\$ 338
Bond premiums	272
Total Administrative Services	\$ 610
Other Expenditures:	
Undocumented expenditures	\$ 24,761
Unauthorized expenditures	5,738
Total Other Expenditures	\$ 30,499
Total Expenditures	\$ 62,385

JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE ASSOCIATION  
RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. Shane Scanlon**  
District Attorney  
Lackawanna County

Jefferson Township Volunteer Ambulance Association Relief Association Governing Body:

**Mr. Wayne A. Muir**  
President

**Mr. Gerald C. Dennis**  
Vice President

**Ms. Hope A. Edmonds**  
Secretary

**Ms. Michelle Dennis**  
Treasurer

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

**Ms. Coleen Watt**  
Secretary  
Jefferson Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).