

COMPLIANCE AUDIT

Manchester Ambulance Club Relief Association of East Manchester Township York County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

July 2016



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Christopher Lash, President
Manchester Ambulance Club Relief Association
of East Manchester Township
York County

We have conducted a compliance audit of the Manchester Ambulance Club Relief Association of East Manchester Township (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, 2012 to December 31, 2015.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

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.

Based on our audit procedures, we conclude that, for the period January 1, 2012 to December 31, 2015:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, expended accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Failure To Maintain Minutes Of Meetings

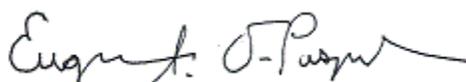
Finding No. 3 – Failure To Segregate Relief Association Officers' Duties

- The Manchester Ambulance Club Relief Association of East Manchester Township is not affiliated with a volunteer fire company and was not formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in fire service. As further discussed in the Observation in this report, Act 118 defines a relief association's eligibility to receive state aid. Because the relief association is affiliated with the Manchester Ambulance Club, not a fire company, and the relief association states in its bylaws that it was established to provide emergency medical service personnel with benefits and equipment as permitted by [Act 118], the observation addresses concerns we have with the relief association's eligibility for state aid under these provisions. Therefore, since the Manchester Ambulance Club Relief Association of East Manchester Township does not meet the statutory definition of a volunteer firefighter's relief association, its eligibility to receive and expend state aid in the future 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.

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 23, 2016



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	3
Findings and Recommendations:	
Finding No. 1 – Failure To Maintain A Complete And Accurate Equipment Roster.....	4
Finding No. 2 – Failure To Maintain Minutes Of Meetings	5
Finding No. 3 – Failure To Segregate Relief Association Officers’ Duties	6
Observation:	
Observation – Manchester Ambulance Clue Relief Association of East Manchester Township May Not Comply With The Requirements Of Act 118 Because Its Stated Purpose Is To Provide Emergency Medical Service Personnel With Benefits And Equipment As Permitted By Act 118. The Association Is Not Affiliated With A Fire Company And Does Not Provide Financial Protection To Volunteer Firefighters Against The Consequences Of Misfortune Suffered As A Result Of Their Participation In The Fire Service.....	8
Supplementary Financial Information	10
Report Distribution List	12

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 a charitable organization that was 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. The relief association's bylaws define the specific operational procedures by which the relief association conducts 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 the relief association 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)

East Manchester Township did not allocate state aid to the relief association during the current audit period. The relief association has not received a state aid allocation from East Manchester Township since 2011.

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

Manchester Ambulance Club

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Unauthorized Expenditure

By receiving reimbursement of \$877 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$4,155 of equipment during the current audit period and 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 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: Relief association officials 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 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.

Recommendation: We 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.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
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 take action to comply with the recommendation.

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

Finding No. 2 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain all minutes of meetings as required by Act 118 and the relief association’s bylaws.

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.

In addition, the relief association’s bylaws at Article II, Section 1 states, in part:

Regular meetings shall be held on the third Thursday of each month following the regular meeting of the Manchester Ambulance Club.

Furthermore, the relief association’s bylaws at Article III, Section 4 states, in part:

Secretary – The Secretary shall keep a true record of the proceedings of every meeting.

Cause: Relief association officials indicated that they were unaware that maintaining minutes of meetings was required by Act 118.

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

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record 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.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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. 3 – Failure To Segregate Relief Association Officers' Duties

Condition: During the current audit, we detected that the same individual holds the position of both secretary and treasurer. In addition, the relief association did not adhere to their bylaws because the position of vice-president is vacant.

Criteria: Prudent business practice dictates that the duties of the secretary and treasurer be sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors or irregularities.

The minimum requirements of the secretary's position, pertaining to a relief association, are to maintain detailed minutes of meetings authorizing the relief association's financial operations. The secretary should review and coordinate the amending of the bylaws governing the relief association so that the bylaws meet the minimum requirements of Act 118.

The minimum requirements of the treasurer's position, pertaining to a relief association, are to maintain an account of all funds belonging to the relief association. The treasurer shall maintain a journal and ledger detailing all financial transactions of the relief association along with documentation supporting the receipts and disbursements. The treasurer should co-sign all negotiable instruments along with another relief association officer. Also, financial statements should be prepared at least on an annual basis by the treasurer.

In addition, the relief association's bylaws at Article III, Section 1 states, in part:

The officers of this association shall consist of a President, Vice President, Secretary and Treasurer. The Officers shall be responsible for operating the Association business with sound business practices with the approval of the association at meetings.

Cause: Relief association officials indicated that they were unaware that one person holding the position of both secretary and treasurer negates the internal controls associated with the segregation of duties. In addition, relief association officials indicated that they were unaware of the bylaw guidelines established by the relief association.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: An inadequate segregation of duties could prevent relief association officials and members from effectively monitoring the relief association's financial transactions. Additionally, it negates the checks and balances necessary to detect and correct financial errors or irregularities in the relief association's accounting system.

Furthermore, as a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials ensure that there is adequate segregation of duties between the relief association's secretary and treasurer. We also recommend that the relief association officials review its accounting and internal control procedures to ensure that the duties being performed by the secretary and treasurer are sufficiently segregated so that relief association assets are adequately safeguarded. In addition, we recommend that the relief association officials review the bylaws governing their organization and amend the bylaws if the position of vice president remains vacant. 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 and indicated they will take action to comply with the recommendation.

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

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
OBSERVATION

Observation – Manchester Ambulance Club Relief Association of East Manchester Township May Not Comply With The Requirements Of Act 118 Because Its Stated Purpose Is To Provide Emergency Medical Service Personnel With Benefits And Equipment As Permitted By Act 118. The Association Is Not Affiliated With A Fire Company And Does Not Provide Financial Protection To Volunteer Firefighters Against The Consequences Of Misfortune Suffered As A Result Of Their Participation In The Fire Service.

The Manchester Ambulance Club Relief Association of East Manchester Township states in its bylaws that its purpose is to provide emergency medical service personnel with benefits and equipment as permitted by [Act 118]. The bylaws also indicate that emergency medical services is provided for firefighters and the communities served. 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. The Manchester Ambulance Club Relief Association of East Manchester Township is not affiliated with a volunteer fire company nor was the association 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, as demonstrated in their stated purpose in the association's bylaws. While the Manchester Ambulance Club Relief Association of East Manchester Township is affiliated with the Manchester Ambulance Club the same is an emergency medical services organization and not a fire company as required under Act 118.

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 Manchester Ambulance Club Relief Association of East Manchester Township 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.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
OBSERVATION

Observation – (Continued)

Act 118 at 35 Pa.C.S. § 7412 further states in part, that a 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 [Emphasis added]
- (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 Manchester Ambulance Club Relief Association of East Manchester Township doesn't meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility receive and expend state aid in the future 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 Manchester Ambulance Club Relief Association of East Manchester Township with this determination. A condition such as that reported by this observation may lead to a total withholding of state aid in the future unless that observation is corrected.

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2015

Cash	<u>\$</u>	<u>0</u>
------	-----------	----------

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	<u>\$ 4,771</u>
Fire Services:	
Equipment purchased	<u>\$ 4,155</u>
Administrative Services:	
Other administrative expenses	\$ 665
Bond premiums	275
Total Administrative Services	<u>\$ 940</u>
 Total Expenditures	 <u><u>\$ 9,866</u></u>

MANCHESTER AMBULANCE CLUB RELIEF ASSOCIATION OF
EAST MANCHESTER TOWNSHIP
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Manchester Ambulance Club Relief Association of East Manchester Township Governing Body:

Mr. Christopher Lash
President

Mr. Joshua Parish
Secretary/Treasurer

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

Mr. Gene David Gentzler
Secretary
East Manchester Township

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.