

# COMPLIANCE AUDIT

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## Providence Township Ambulance Relief Association, Inc. Lancaster County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

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December 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Bryan Duquin Jr., Treasurer  
Providence Township Ambulance  
Relief Association, Inc.  
Lancaster County

We have conducted a compliance audit of the Providence Township Ambulance Relief Association, Inc. (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 findings contained in our prior audit report.
2. To determine if the relief association complied with the requirements in applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and expenditure of 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 confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2015, the relief association had a cash balance of \$5,977, we were not able to verify this cash balance.

We were also not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the preceding paragraphs, for the period January 1, 2012 to December 31, 2015:

- The relief association took appropriate corrective action to address 3 of the 5 findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the 2 remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- The relief association, in all significant respects, complied with the requirements in applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and expenditure of association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendations – Failure To Maintain Minutes Of Meetings

Finding No. 2 – Noncompliance With Prior Audit Recommendations – Failure To Adhere to Relief Association Bylaws

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

- 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 aid funds. Because the relief association is affiliated with the Providence Township Ambulance Association, Inc., 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, since the 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. As noted in the Background section of this report, the relief association has not received a distribution of state aid from a funding municipality since 2012.

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.

December 7, 2016



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 a charitable organization that was established by, and continues to be affiliated with the Providence Township Ambulance Association, Inc. in order to protect volunteers to ensure their availability to participate in the emergency medical service.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Relief association 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)**

During the current audit period covering January 1, 2012 to December 31, 2015, the relief association did not receive an allocation of state aid from a funding municipality. Drumore Township discontinued allocating state aid to this relief association after the 2011 state aid allocation year. According to relief association records, this last distribution received by the relief association was deposited in March 2012.

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

Providence Township Ambulance Association, Inc.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with 3 of the 5 prior audit findings and recommendations, as follows:

- Undocumented Expenditures

By receiving reimbursement amounting to \$1,984 from the affiliated ambulance service organization for the undocumented expenditures that were made in the prior audit period.

- Inadequate Financial Record-Keeping System

By establishing and maintaining 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.

- Duplicate Payment

By receiving reimbursement amounting to \$216 from the affiliated ambulance service organization for the duplicate payment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with 2 of the 5 prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain Minutes Of Meetings

- Failure To Adhere To Relief Association Bylaws

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.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendations - Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain minutes of meetings as required by Act 118. A similar condition was noted in our three prior audit reports.

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: Even though notified of this condition during our three previous audits, relief association officials again neglected to maintain minutes in accordance with 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 again 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.

Management's Response: Although current relief association officials agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation, officials also indicated that the relief association is in the process of closing out operations.

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. However, if this is the case and the relief association considers dissolving as disclosed in the above response, we further recommend that the remaining relief association members conduct a meeting to approve such dissolution of the association and the disposition of its assets. In most circumstances, all remaining relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to a neighboring relief association affiliated with a volunteer fire company providing fire service.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued):**

In addition, relief association officials should contact this department in preparation of a final audit of the relief association and also perform the following:

- The relief association should provide full documentation of the monetary assets and equipment being transferred. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.
- Upon transfer of the equipment, the relief association should obtain a signed receipt from the relief association receiving the equipment to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

The department will verify the receipt of the equipment and monetary assets transferred through an audit of any recipient association. However, as of the date of this report, the relief association has not made a formal commitment to dissolve the existing relief association.

**Finding No. 2 – Noncompliance With Prior Audit Recommendations - Failure To Adhere To Relief Association Bylaws**

Condition: As disclosed in the two prior audit reports, the relief association did not adhere to provisions contained in the relief association's bylaws. A similar condition occurred during the current audit period; specifically, we noted the following deficiencies relative to the relief association's adherence to its bylaws:

- The relief association officer positions, consisting of a president, vice president and secretary, were not occupied at the time we performed the current audit.
- For the current audit period, the president failed to appoint three auditors who are responsible for performing an annual audit of relief association accounts and issuing a written report to the membership.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: The relief association's bylaws stipulate the following:

- Article III Section 1 – The officers of this association shall consist of a president, vice president, secretary, and treasurer. The officers shall be responsible for the management of the association business upon direction received by the membership at association meetings.
- Article VIII Section 3 – The president shall appoint three auditors at the regular meeting of the association in January who shall audit the accounts of the association and make a written report of the audit to the members of the association within 60 days.

Furthermore, prudent business practices dictate that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Even though notified of this condition during our two prior audits, relief association officials again neglected to update the relief association's bylaws or take the required actions stipulated in the bylaws.

Effect: As a result of the relief association's continued failure to adhere to the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Although current relief association officials agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation, officials also indicated that the relief association is in the process of closing out operations.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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. However, if this is the case and the relief association considers dissolving as noted above, we further recommend that the remaining relief association members conduct a meeting to approve such dissolution of the association and the disposition of its assets. In most circumstances, all remaining relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to a neighboring relief association affiliated with a volunteer fire company providing fire service.

In addition, relief association officials should contact this department in preparation of a final audit of the relief association and also perform the procedures as noted in the Auditor's Conclusion disclosed in Finding No. 1 above.

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

Condition: 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

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 of the requirement to maintain a comprehensive roster of relief association members.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
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: Although current relief association officials agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation, officials also indicated that the relief association is in the process of closing out operations.

Auditor's Conclusion: Based on the management response, if this is the case and the relief association considers dissolving, we recommend that the remaining relief association members conduct a meeting to approve such dissolution of the association and the disposition of its assets. In most circumstances, all remaining relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to a neighboring relief association affiliated with a volunteer fire company providing fire service.

In addition, relief association officials should contact this department in preparation of a final audit of the relief association and also perform the procedures as noted in the Auditor's Conclusion disclosed in Finding No. 1 above.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
OBSERVATION

**Observation – Providence Ambulance Relief Association, Inc. May Not Comply With The Requirements Of Act 118 Because 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 Providence Township Ambulance Relief Association, Inc. states in its bylaws that its purpose is to provide safeguards for preserving the life, health and safety of volunteer firefighters, so as to ensure their availability to participate in the emergency medical service. However, the Providence Township Ambulance Relief Association, Inc. 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 Providence Township Ambulance Relief Association, Inc. is affiliated with the Providence Township Ambulance Association, Inc., the same is an ambulance/emergency medical service 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 Providence Township Ambulance Relief Association, Inc. 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.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
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 Providence Township Ambulance Relief Association, Inc. doesn't meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future. As previously disclosed in this report, the relief association has not received an allocation of state aid from a funding municipality since 2012. 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 Providence Township Ambulance Relief Association, Inc. with this determination.

PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2015

Cash	<u>\$ 5,977</u>
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PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Expenditures:

Ambulance Services:

Equipment purchased	\$ 727
Equipment maintenance	428
Training	35
Total Ambulance Services	<u>\$ 1,190</u>

Administrative Services:

Other administrative expenses	\$ 5
Bond premiums	645
Total Administrative Services	<u>\$ 650</u>

Total Expenditures	<u><u>\$ 1,840</u></u>
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PROVIDENCE TOWNSHIP AMBULANCE RELIEF ASSOCIATION, INC.  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Providence Township Ambulance Relief Association, Inc. Governing Body:

**Mr. Bryan Duquin Jr.**  
Treasurer

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