



PROVIDENCE TOWNSHIP AMBULANCE RELIEF
ASSOCIATION, INC.

LANCASTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO DECEMBER 31, 2011

RELEASED MARCH 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Nathan Hammel, President
PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lancaster County

We have conducted a compliance audit of the Providence Township Ambulance Volunteer Firefighters' 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, 2009 to December 31, 2011.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Providence Township Ambulance Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Providence Township Ambulance Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Providence Township Ambulance Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2009 to December 31, 2011, found the Providence Township Ambulance Volunteer Firefighters' Relief Association took appropriate corrective action to address one of the six findings contained in our prior audit report. However, the Providence Township Ambulance Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the five remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Providence Township Ambulance Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Providence Township Ambulance Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$1,453 and no investments.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Minutes of Meetings

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

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Adhere to Relief Association Bylaws

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inadequate Financial Record-Keeping System

Finding No. 5 – Duplicate Payment

Furthermore, a scope limitation on our audit exists, as detailed in the Status of Prior Audit Findings and Observation sections of this report.

The contents of this report were discussed with the management of the Providence Township Ambulance Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

June 26, 2013



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Background.....	1
Status of Prior Findings	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure to Maintain Minutes of Meetings	5
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures	6
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure to Adhere to Relief Association Bylaws.....	8
Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping System	10
Finding No. 5 – Duplicate Payment.....	11
Observation:	
Observation – Scope Limitation	12
Accompanying Expenditure Information	13
Report Distribution List	14

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 Providence Township Ambulance Relief Association, Inc., herein referred to as Providence Township Ambulance Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality. The Providence Township Ambulance Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Drumore Township	Lancaster	\$1,895	\$2,402	\$3,638

BACKGROUND (Continued)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Providence Township Ambulance Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Providence Township Ambulance Association, Inc.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Providence Township Ambulance Volunteer Firefighters' Relief Association has complied with one of the six prior audit findings and recommendations, as follows:

Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a cumulative inventory roster of all equipment owned by the relief association.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Providence Township Ambulance Volunteer Firefighters' Relief Association has not complied with five of the six prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations and Observation sections of this report:

Noncompliance With Prior Audit Recommendation – Failure to Maintain Minutes of Meetings

Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Even though the relief association received reimbursement of \$550 on July 5, 2011, from the affiliated ambulance association for the prior audit period's undocumented expenditures, the relief association was unable to provide adequate supporting documentation for \$1,984 in expenditures made during the current audit period as discussed in Finding No. 2 in the Findings and Recommendations section of this report.

Noncompliance With Prior Audit Recommendation – Failure to Adhere to Relief Association Bylaws

Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping System

Noncompliance With Prior Audit Recommendation – Inadequate Documentation to Support Signatory Authority for the Disbursement of Funds

- The relief association did not provide additional documentation to evidence that this prior year deficiency has been appropriately addressed, resulting in a scope limitation on our audit, as detailed in the Observation section of this report.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
STATUS OF PRIOR AUDIT FINDINGS (Continued)

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

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Minutes of Meetings

Condition: As cited in our two prior audit reports, the relief association, again, did not maintain minutes of meetings as required by Act 118. Even though relief association's bylaws require meetings to be held once a month, the relief association did not maintain meeting minutes to evidence that meetings were held during the audit period.

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.

Article II, Section 1, of the relief association bylaws states:

Regular meetings of this association shall be held on the first Thursday of each month immediately following the regular meeting of the Providence Township Ambulance Association, Inc. Six members shall constitute a quorum.

Cause: Even though notified of this condition during our prior two audits, relief association officials, again, neglected to maintain minutes of meetings as 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. Furthermore, without meeting minutes, we could not determine if the quorum requirement of the relief association bylaws was met.

Recommendation: We again recommend 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: 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.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

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

Condition: As discussed in the Status of Prior Findings section of this report, even though the relief association received reimbursement for the prior audit period's undocumented expenditures, the relief association, again, was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/09/09	131	Member reimbursement	\$ 50
09/22/09	141	Training expense	100
09/22/09	142	Training expense	560
10/01/09	143	Training expense	24
01/11/10	150	Training expense	350
02/04/10	152	Training expense	100
07/22/10	155	Training expense	740
09/02/10	156	Training expense	60
Total			<u>\$ 1,984</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), [FN1] 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 invoices, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practices dictate that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: Even though notified of this condition during our prior audit, relief association officials, again, failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – (Continued)

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, 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.

However, subsequent to the period under review, on January 3, 2013, the relief association obtained reimbursement from the affiliated ambulance association in the amount of \$1,984, for the undocumented expenditures.

Recommendation: We again recommend that 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 has taken action to comply with the recommendation.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Adhere to Relief Association Bylaws

Condition: As cited in our prior audit report, the relief association did not adhere to certain provisions contained in the relief association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulations:

- The relief association officer positions, consisting of a 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 issue a written report.

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 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 practice dictates 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 prior audit, relief association officials failed to adhere to bylaw guidelines established by the relief association.

Effect: 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.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – (Continued)

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: 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.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inadequate Financial Record-Keeping System

Condition: As cited in our prior audit report, the relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and does not meet the minimum requirements of maintaining financial records established by this department. In addition, the relief association failed to establish adequate internal controls as previously recommended. The following deficiencies were noted during our current audit period:

- A journal maintained to record the receipts and disbursements of the relief association was not accurate;
- Ledgers were not utilized to record the transactions of the relief association accounts; and
- Bank reconciliations were not performed.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that relief associations must provide for the taking and preserving of minutes of all meetings and the 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 prior audit, relief association officials, again, neglected their various record-keeping responsibilities and failed to establish adequate internal controls.

Effect: The failure of relief association officials to maintain adequate records and internal controls prohibits the membership from effectively monitoring the relief association's financial operations and safeguarding its assets.

Recommendation: We again recommend that the relief association establish and maintain a financial record-keeping system that meets the minimum record-keeping requirements of this department. Furthermore, we recommend that the relief association adopt internal control procedures which require a periodic bank reconciliation performed by a relief association officer other than the relief association's disbursing officer. 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.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 5 – Duplicate Payment

Condition: On August 10, 2009, the relief association expended \$216 for a pair of boots. Conversely, on the same date, the relief association erroneously made a duplicate payment for the same pair of boots according to relief association records. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures which would require that all invoices or other billing documents be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

However, as a result of our audit and subsequent to the period under review, on January 3, 2013, the relief association obtained reimbursement from the affiliated ambulance association in the amount of \$216 for the duplicate payment.

Recommendation: We recommend that the relief association establish accounting and internal control procedures to monitor future relief association 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.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
OBSERVATION

Observation – Scope Limitation

The Providence Ambulance Volunteer Firefighters' Relief Association (VFRA) does not maintain canceled or imaged checks. Without copies of canceled or imaged checks, we could not determine whether two VFRA officers authorized and signed the checks. While the VFRA provided bank statements, the VFRA failed to provide copies of canceled or imaged checks.

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

Act 118 at 35 Pa.C.S. § 7418(a) states, in part, that 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 . . . 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.

Generally Accepted Government Auditing Standards (GAGAS) Section No. 6.56 states, "Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions." GAGAS Section No. 6.61(f) states, "Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity."

Our inability to review canceled checks or imaged checks constitutes a scope limitation on our audit.

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2011

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording 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.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 300
Total Benefit Services	\$ 300
Fire Services:	
Equipment purchased	\$ 3,159
Equipment maintenance	577
Training expenses	2,697
Total Fire Services	\$ 6,433
Administrative Services:	
Other administrative expenses	\$ 32
Total Administrative Services	\$ 32
Other Expenditures:	
Undocumented Expenditures	\$ 1,984
Total Other Expenditures	\$ 1,984

PROVIDENCE TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Providence Township Ambulance Volunteer Firefighters' Relief Association Governing Body:

Mr. Nathan Hammel, President

Mr. Bryan Duquin, Jr., Treasurer

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

Ms. Sharon H. Roth, Secretary
Drumore Township

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.