

KINGSTON TOWNSHIP AMBULANCE RELIEF ASSOCIATION

LUZERNE COUNTY

COMPLIANCE AUDIT REPORT

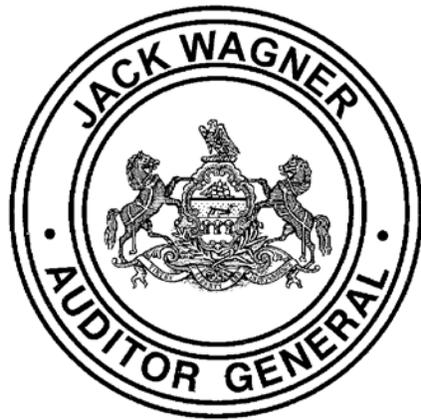
FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2010



CONTENTS

Background.....	1
Letter From the Auditor General	3
Findings and Recommendations:	
Finding No. 1 – Undocumented Expenditures.....	5
Finding No. 2 – Inappropriate Transfer of State Aid.....	7
Finding No. 3 – Failure to Maintain Minutes of Meetings	8
Finding No. 4 – Failure to Maintain a Complete and Accurate Equipment Roster.....	9
Accompanying Expenditure Information	11
Report Distribution List	13



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 Kingston Township Ambulance Relief Association, herein referred to as Kingston 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.

BACKGROUND (Continued)

The Kingston Township Ambulance Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Kingston Township	Luzerne	\$15,805	\$16,281	\$14,637	\$16,475*

* The 2010 state aid allocation was given and deposited into another volunteer firefighters' relief association's account, the Trucksville Volunteer Firefighters' Relief Association, when merger discussions were taking place between the Kingston Township Ambulance Volunteer Firefighters' Relief Association and the Trucksville Volunteer Firefighters' Relief Association.

After both relief associations decided to remain separate entities, in June 2011, the Trucksville Volunteer Firefighters' Relief Association remitted the 2010 state aid allocation to Kingston Township Ambulance Volunteer Firefighters' Relief Association. See Finding No. 2 in the Findings and Recommendations Section of this report.

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

Kingston Township Ambulance and Rescue Association

Mr. Eric St. Clair, President
KINGSTON TOWNSHIP AMBULANCE VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Luzerne County

We have conducted a compliance audit of the Kingston 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, 2007 to December 31, 2010.

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 objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Kingston 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 objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of

documentary evidence supporting the Kingston 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 Kingston Township Ambulance Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. 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 objective.

The results of our audit, for the period January 1, 2007 to December 31, 2010, found the Kingston Township Ambulance Volunteer Firefighters' Relief Association, in all significant respects, received 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 later in this report. The results of our tests also indicated the Kingston Township Ambulance Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2010, had a cash balance of \$7,146 and no investments.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Inappropriate Transfer of State Aid

Finding No. 3 – Failure to Maintain Minutes of Meetings

Finding No. 4 – Failure to Maintain a Complete and Accurate Equipment Roster

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

June 14, 2011

JACK WAGNER
Auditor General

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
04/07/07	1006	Equipment vendor	\$ 144
05/08/07	1076	Affiliated fire service organization	<u>821</u>
Total			<u>\$ 965</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, good business practices dictate that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: Relief association officials failed to establish 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 failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend the relief association provide this department with adequate supporting documentation, such as invoices, to determine the validity of the expenditures or that the relief association be reimbursed \$965 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inappropriate Transfer of State Aid

Condition: The Kingstown Township Ambulance Volunteer Firefighters' Relief Association transferred its 2010 state aid allocation to the Trucksville Volunteer Firefighters' Relief Association before a planned merger was legally finalized.

Criteria: Prudent business practice dictates that state aid received by a relief association should be timely deposited into the relief association account. Furthermore, monetary assets of a relief association should not be transferred, shared, distributed, or donated to another relief association before a decision to merge is approved by both relief associations and merger documents are legally binding.

Cause: At the time of receiving its 2010 state aid allocation, the Kingstown Volunteer Firefighters' Relief Association was in talks with the Trucksville Volunteer Firefighters' Relief Association about a possible merger between the two relief associations. The Kingstown Volunteer Firefighters' Relief Association transferred their 2010 state aid allocation to Trucksville Volunteer Firefighters' Relief Association who deposited it into its account on November 26, 2010. After it was agreed that no merger would take place, Trucksville Volunteer Firefighters' Relief Association returned the 2010 state aid to the Kingstown Township Ambulance Volunteer Firefighters' Relief Association, who deposited the funds into its account on June 7, 2011.

Effect: As a result of the transfer of state aid, funds were not available from December 2010 until June 2011 to pay general operating expenses or for investment purposes. In addition, had Trucksville Volunteer Firefighters' Relief Association spent Kingstown Township's 2010 allocation, Trucksville may not have had the funds available to return to Kingstown Volunteer Firefighters' Relief Association.

Recommendation: We recommend that, in the future, the relief association not transfer any monetary or fixed assets to any other relief association until after such merger or dissolution is finalized, properly documented, and is legally binding.

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.

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain Minutes of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118. Per relief association's bylaws, at a minimum, monthly meetings are to be held. For 2007, minutes for eight (8) meetings were not available, for 2008, minutes for five (5) meetings were not available, and for 2009, minutes for eleven (11) meetings were not available. During 2010, as no members held positions as officers, no meetings were held and no expenditures were made.

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, according to Article III, Section 3, the relief association's bylaws states, in part:

Duties of the officers shall be: Secretary – The Secretary shall keep a true record of proceedings of every meeting . . .

Cause: Relief association officials were aware that maintaining minutes of meetings was required by Act 118 and its bylaws but failed to maintain weekly minutes.

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

Recommendation: We recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 118 and the relief association's bylaws. 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.

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials failed to maintain a complete and accurate roster of equipment owned by the relief association. While an equipment roster was maintained for prior audit periods, no updated equipment roster was available for the current audit period. During the current audit period, the relief association purchased equipment totaling \$73,295. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: Sound business practice dictate 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 fixed assets. A cumulative equipment roster of all relief association equipment should include 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; and
- Evidence of the performance and results of an annual physical inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets 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 fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets.

Recommendation: We recommend the relief association officials maintain a cumulative equipment roster of all relief association owned equipment. 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.

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (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.

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2010

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	\$ 3,029
*Unauthorized expenditures	654
Total Benefit Services	\$ 3,683
Fire Services:	
Equipment purchased	\$ 73,295
Equipment maintenance	1,141
Training expenses	480
Erroneous transfers	1,794
Total Fire Services	\$ 76,710
Administrative Services:	
Miscellaneous administrative expenses	\$ 219
Total Administrative Services	\$ 219
Other Expenditures:	
Undocumented expenditures	\$ 965
Total Other Expenditures	\$ 965

KINGSTON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2010 (Continued)

- * In July 2008, the former relief association treasurer paid \$654 in restitution to the relief association for unauthorized ATM withdraws using a relief association debit card. The withdrawals were for personal use and not relief association business.

The former relief association treasurer made the withdrawals in March 2008. The withdrawals were discovered by the former relief association president who cancelled the debit card and reported the thefts to the township police. The former relief association treasurer was arrested in May 2008. He subsequently admitted to the thefts and made restitution of \$654 to the relief association for the thefts of relief association funds.

KINGSTON 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

Kingston Township Ambulance Volunteer Firefighters' Relief Association Governing Body:

Mr. Eric St. Clair, President

Ms. Kelly St. Clair, Secretary

Ms. Holly Long, Treasurer

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

Mr. Frank Natitus, Secretary
Kingston Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.