

# COMPLIANCE AUDIT

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## Big Valley Ambulance Club Relief Fund Mifflin County, Pennsylvania For the Period January 1, 2011 to December 31, 2015

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June 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Ms. Joy C. Byler, President  
Big Valley Ambulance Club Relief Fund  
Mifflin County

We have conducted a compliance audit of the Big Valley Ambulance Club Relief Fund (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, 2011 to December 31, 2015.

The objective of the audit was 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 objective 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 objective. 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, 2011 to December 31, 2015:

- The 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 finding listed below and discussed later in this report (and noted in the Observation included herein).

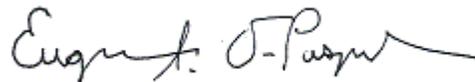
Finding – Insufficient Surety (Fidelity) Bond Coverage

- The relief association 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 provides definitions regarding a relief association's eligibility to receive state aid. Because the relief association is affiliated with the Big Valley Ambulance Club, not a fire company, and states in its bylaws that its purpose is to provide ambulance personnel of its assigned territory with protection from misfortune suffered as a result of their participation in the ambulance service, the observation addresses concerns we have with the relief association's eligibility for state aid under these provisions. Therefore, since this relief association does not meet the statutory definition of a volunteer firefighters' relief association, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued unless the relief association takes the steps necessary to comply with the provisions of Act 118.

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 response has 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.

May 24, 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 Big Valley Ambulance Club in order to protect and support the Big Valley Ambulance Club.

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.

Relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Union Township	Mifflin	\$8,141	\$4,608	\$5,363	\$5,060	\$4,650

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

Big Valley Ambulance Club

BIG VALLEY AMBULANCE CLUB RELIEF FUND  
FINDING AND RECOMMENDATION

**Finding – Insufficient Surety (Fidelity) Bond Coverage**

**Condition:** The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association’s authorized disbursing officer. The relief association’s Surety (Fidelity) bond coverage amount was \$7,000; however, as of December 31, 2015, the relief association’s cash assets totaled \$9,588.

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

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

**Cause:** Relief association officials failed to monitor the relief association’s cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer was in compliance with Act 118 provisions.

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

**Recommendation:** We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association’s authorized disbursing officer, as required by Act 118. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer to an amount greater than the expected maximum balance of the relief association’s cash assets, or by decreasing the relief association’s cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association’s cash balance to ensure that unexpected events affecting the relief association’s current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association’s authorized 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, as a result of our audit, on March 15, 2016, the Surety (Fidelity) bond coverage limit was increased \$10,000, an amount greater than the relief’s cash assets balance.

**Auditor’s Conclusion:** We reviewed documentation verifying that the Surety (Fidelity) bond coverage limit was increased. Continued compliance will be subject to verification through our next audit.

BIG VALLEY AMBULANCE CLUB RELIEF FUND  
OBSERVATION

**Observation – Big Valley Ambulance Club Relief Fund May Not Comply With The Requirements Of Act 118 Because Its Stated Purpose Is To Provide Ambulance Personnel Of Its Assigned Territory With Protection From Misfortune Suffered As A Result Of Their Participation In The Ambulance Service. The Association Is Not Affiliated With A Fire Company And Its Primary Purpose Is Not To Afford Financial Protection To Volunteer Firefighters Against The Consequences Of Misfortune Suffered As A Result Of Their Participation In The Fire Service.**

The Big Valley Ambulance Club Relief Fund states in its bylaws that its purpose is to provide ambulance personnel of its assigned territory with protection from misfortune suffered as a result of their participation in the ambulance service. 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 the act. The relief association 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 relief association is affiliated with Big Valley 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 relief association, who primarily provide services to the general public, do not meet the definition of “Volunteer Firefighter” as defined in the Act. Because their primary purpose does not comport with Act 118, we must question their status as a relief association under the Act.

BIG VALLEY AMBULANCE CLUB RELIEF FUND  
OBSERVATION

**Observation – (Continued)**

Act 118 at 35 Pa.C.S. § 7412 further states, in part, that the Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies;
- (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 relief association doesn't meet the statutory definition of a volunteer firefighters' relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued. The relief association should consult with its solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take necessary steps to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the relief association with this determination.

BIG VALLEY AMBULANCE CLUB RELIEF FUND  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2015

Cash	\$ <u>9,588</u>
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BIG VALLEY AMBULANCE CLUB RELIEF FUND  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 20,132
Relief benefits	88
Total Benefit Services	<u>\$ 20,220</u>
Fire Services:	
Equipment purchased	<u>\$ 7,160</u>
Administrative Services:	
Bond premiums	<u>\$ 500</u>
Total Expenditures	<u>\$ 27,880</u>

BIG VALLEY AMBULANCE CLUB RELIEF FUND  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Big Valley Ambulance Club Relief Fund Governing Body:

**Ms. Joy C. Byler**  
President

**Mr. Michael Frank**  
Vice President

**Ms. Shari A. Spicher**  
Secretary

**Ms. Beverly J. Eichhorn**  
Treasurer

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

**Ms. Michelle L. Shirey**  
Secretary  
Union Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).