

COMPLIANCE AUDIT

Lack-Tuscarora EMS Fireman's Relief Association Juniata County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Christopher D. Yarnall, President
Lack-Tuscarora EMS Fireman's
Relief Association
Juniata County

We have conducted a compliance audit of the Lack-Tuscarora EMS Fireman's Relief Association (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, 2016 to December 31, 2017.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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, 2016 to December 31, 2017, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Association May Not Comply With The Requirement Of Act 118

Finding No. 2 – Unauthorized Expenditure

Finding No. 3 – Duplicate Payment

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.

October 16, 2018



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 formed primarily to afford financial protection to emergency medical services (EMS) personnel and to encourage individuals to participate in volunteer EMS services.

Act 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations 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)

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

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>
Lack Township	Juniata	\$3,000	\$2,500
Tuscarora Township	Juniata	\$3,526*	\$3,153

* Although Tuscarora Township prepared and returned a Certification Form AG 385 for 2016, the date the township distributed the 2016 state aid to the relief association, along with the proper amount, could not be determined because the township failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the 2016 state aid allocation received by the township disclosing this information.

Tuscarora Township is still required to submit a 2016 Receipt and Distribution of Foreign Fire Insurance Premium Tax Form 706-B to this Department as soon as possible.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Lack-Tuscarora EMS

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Association May Not Comply With The Requirements Of Act 118

Condition: The Lack-Tuscarora EMS Fireman's Relief Association states in its bylaws that its purpose is to provide volunteer members with protection from misfortune suffered as a result of their participation in the EMS 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 that Act. The Lack-Tuscarora EMS Fireman's 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 Lack-Tuscarora EMS Fireman's Relief Association is affiliated with the Lack-Tuscarora EMS, the same is an emergency medical services organization and not a fire company as required under Act 118.

Criteria: Section 7412 of Act 118 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 Lack-Tuscarora EMS Fireman's Relief Association, 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.

In addition, Section 7412 of Act 118 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.]

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: Even though notified of this general condition during our prior audit, association officials again neglected to evaluate their compliance with Act 118 requirements.

Effect: As a result of the Act 118 provisions, the Lack-Tuscarora EMS Fireman's Relief Association does not meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future.

Recommendation: We recommend that the association officials 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 Lack-Tuscarora EMS Fireman's Relief Association with this determination. 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.

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

Finding No. 2 – Unauthorized Expenditure

Condition: The relief association expended \$948 for maintenance on an ambulance during the current audit period that is not authorized by Act 118.

Criteria: Section 7416(f)(1) of Act 118 states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Costs associated with the purchase of maintenance on an ambulance do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the expenditure for the maintenance on an ambulance was not authorized by Act 118.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association be reimbursed \$948 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of Act 118 to aid them in determining the propriety of 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, as a result of our audit, the affiliated EMS company reimbursed the relief association \$946 for the unauthorized expenditure on September 12, 2017.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$946 was received. The remaining \$2 of the unauthorized expenditure is considered insignificant. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 3 – Duplicate Payment

Condition: On January 13, 2017, the relief association expended \$246 for ink and paper. On February 10, 2017, the relief association erroneously made a duplicate payment for the same ink and paper. 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 and to ensure duplicate payments are recouped.

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

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

Recommendation: We recommend that the relief association be reimbursed \$246 for the erroneous duplicate payment. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should 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, as a result of our audit, the affiliated EMS company reimbursed the relief association \$246 for the erroneous duplicate payment on September 12, 2017.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$246 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2017

Cash	<u>\$ 5,412</u>
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LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Relief benefits	\$ 75
Fire Services:	
Equipment purchased	\$ 1,050
Training expenses	10,955
Total Fire Services	\$ 12,005
Administrative Services:	
Other administrative expenses	\$ 521
Bond premiums	255
Total Administrative Services	\$ 776
Other Expenditures:	
Unauthorized/Duplicate expenditures	\$ 1,194
Total Expenditures	\$ 14,050

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Lack-Tuscarora EMS Fireman's Relief Association Governing Body:

Mr. Christopher D. Yarnall
President

Mr. Joe Parson
Vice President

Mr. Donald Shoop
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Barbra A. Foster
Secretary
Lack Township

Ms. Ginger Best
Secretary
Tuscarora Township

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