



**JEFFERSON TOWNSHIP VOLUNTEER AMBULANCE
ASSOCIATION RELIEF ASSOCIATION**

LACKAWANNA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2012

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Jerry Dennis, President
JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lackawanna County

We have conducted a compliance audit of the Jefferson 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, 2012.

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 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Jefferson 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 Jefferson 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 Jefferson Township Ambulance Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2012, 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, 2012, found the Jefferson 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 later in this report. The results of our tests also indicated the Jefferson Township Ambulance Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance of \$11,572 and no investments.

Finding No. 1 – Undocumented Expenditures

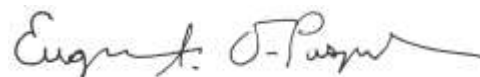
Finding No. 2 – Unauthorized Expenditures

Finding No. 3 – Failure to Maintain Surety (Fidelity) Bond Coverage

Finding No. 2 – Failure to Maintain a Complete and Accurate Equipment Roster

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

October 17, 2013



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Background.....	1
Findings and Recommendations:	
Finding No. 1 – Undocumented Expenditures.....	3
Finding No. 2 – Unauthorized Expenditures	5
Finding No. 3 – Failure to Maintain Surety (Fidelity) Bond Coverage.....	8
Finding No. 4 – Failure to Maintain a Complete and Accurate Equipment Roster.....	10
Accompanying Expenditure Information	12
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 Jefferson Township Volunteer Ambulance Association Relief Association, herein referred to as Jefferson 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 Jefferson 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>
Jefferson Township	Lackawanna	\$ 3,547	\$12,226	\$11,028
<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Jefferson Township	Lackawanna	\$12,413	\$19,818	\$11,412

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

Jefferson Township Volunteer Ambulance Association

JEFFERSON 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 made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
11/07/09	129	Equipment vendor	\$ 195
03/18/10	132	Supplies vendor	145
01/11/11	153	Training vendor	100
01/07/12	198	Training vendor	100
Total			<u>\$ 540</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), 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 practice dictates that supporting documentation be maintained to evidence 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 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.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 1 – (Continued):

As a result of our audit and subsequent to the audit period, on July 30, 2013, the relief association was reimbursed \$540 by the affiliated ambulance association.

Recommendation: We recommend the relief association maintain adequate 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 disclosed in the corrective action noted above and indicated the relief association will take the necessary action to ensure continued compliance with this recommendation in subsequent periods.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
12/17/08	106	Ambulance repairs	\$ 573
03/23/09	112	Non-member training	165
10/30/09	128	Non-member training	50
12/04/09	130	Ambulance repairs	285
01/10/11	151	Ambulance repairs	1,002
04/15/11	157	Non-member training	75
08/20/11	191	Non-member training	140
01/19/12	199	Non-member training	40
06/23/12	210	Life insurance premiums-terminated member	44
08/15/12	216	Life insurance premiums-terminated member	27
10/01/12	218	Life insurance premiums-terminated member	22
11/20/12	264	Life insurance premiums-terminated member	71
Total			<u>\$ 2,494</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1,2,10,12) 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.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 2 – (Continued):

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

- (12) To secure insurance against the legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.

Costs associated with the repair and maintenance of equipment not owned by the relief association, training for non-members, and insurance premiums paid for terminated relief association members do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 118.

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

As a result of our audit and subsequent to the audit period, on July 30, 2013, the relief association was reimbursed \$2,494 by the affiliated ambulance association.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 2 – (Continued)

Recommendation: We recommend that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) 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 disclosed in the corrective action noted above and indicated the relief association will take the necessary action to ensure continued compliance with this recommendation in subsequent periods.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 3 – Failure to Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. As of December 31, 2012, the relief association's cash assets totaled \$11,572.

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.

In addition, Section 2 of Article 7 of the relief association bylaws states:

The association shall maintain an Officers Bond on the Treasurer. 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.

Cause: Relief association officials were unaware of the Act 118 and bylaw provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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

However, as a result of our audit and subsequent to the period under review, the relief association obtained bond coverage covering the president and treasurer for \$50,000, with a \$500 deductible on each officer. The policy is effective for the period February 8, 2013, to February 8, 2014.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding No. 3 – (Continued):

Recommendation: We recommend that relief association officials continue to maintain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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 disclosed in the corrective action noted above and indicated the relief association will take the necessary action to ensure continued compliance with this recommendation in subsequent periods.

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

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

Condition: Relief association officials did not maintain a complete and accurate roster of equipment purchased and owned by the relief association. 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 owned equipment. Equipment purchases during the audit period totaled \$15,816.

Criteria: Sound business practice dictates 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 equipment. 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 equipment 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 equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

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

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

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.

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.

JEFFERSON TOWNSHIP AMBULANCE VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2012

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	\$ 26,412
Relief benefits	100
Tokens of sympathy and goodwill	40
Total Benefit Services	<u>\$ 26,552</u>
Fire Services:	
Equipment purchased	\$ 15,816
Equipment maintenance	2,414
Training expenses	11,361
Total Fire Services	<u>\$ 29,591</u>
Administrative Services:	
Other Administrative Services	<u>\$ 5,033</u>
Other Expenditures:	
Undocumented Expenditures	<u>\$ 540</u>

JEFFERSON 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

Jefferson Township Ambulance Volunteer Firefighters' Relief Association Governing Body:

Mr. Jerry Dennis	President
Mr. Mark Swoyer	Vice President
Ms. Jane Casagrande	Secretary
Ms. Michele Dennis	Treasurer

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

Ms. Coleen Watt, Secretary
Jefferson 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.