

# COMPLIANCE AUDIT

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## Halifax Area Ambulance and Rescue Volunteer Relief Association Dauphin County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

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October 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Ms. Cindy Carran, President  
Halifax Area Ambulance and Rescue  
Volunteer Relief Association  
Dauphin County

We have conducted a compliance audit of the Halifax Area Ambulance and Rescue Volunteer 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.

We were not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided copies of bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, because of the significance of the matters described in the findings below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the relief association did not, in all significant respects, comply 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, collectively as a whole, for the period January 1, 2016 to December 31, 2017. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

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

Finding No. 2 – Unauthorized Expenditures And/Or Insufficiently Documented Expenditures

Finding No. 3 – Failure To Adhere To Or Document Adherence To Relief Association Bylaws

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.

August 30, 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 ambulance and rescue personnel and to encourage individuals to participate in volunteer ambulance and rescue 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 did not receive state aid allocations from Halifax Township in 2016 and 2017. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

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

Halifax Area Ambulance and Rescue Association

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: The Halifax Area Ambulance and Rescue Volunteer Relief Association states in its bylaws that its purpose is to provide Volunteer Ambulance and Rescue personnel of the association with the protection from misfortune suffered as a result of their participation in the Ambulance and Rescue 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 Halifax Area Ambulance and Rescue Volunteer 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 Halifax Area Ambulance and Rescue Volunteer Relief Association is affiliated with The Halifax Area Ambulance and Rescue Association, the same is an ambulance 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 concerned that the members of The Halifax Area Ambulance and Rescue Volunteer Relief Association, who primarily provide services to the general public, do not meet the definition of a "Volunteer Firefighter" as defined in the Act because their established primary purpose does not comport with the requirements of Act 118 and thus, they are not a volunteer firefighters' relief association as defined by 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.]

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

A person does not lose status as a volunteer firefighter solely because he or she may also be a paid firefighter, so long as the person is acting within the scope of his or her responsibilities as a member of a volunteer fire company at the pertinent time and not within the scope of his or her responsibilities as a paid firefighter.

During our audit, we found that The Halifax Area Ambulance and Rescue Association's website suggests that its membership consists of both paid and volunteer personnel, whereby it notes that volunteerism has sharply declined in the last 10 years and several ambulance companies that were once all volunteer now rely on a paid system. However, when we reviewed the affiliated relief association's membership rosters (the subject of our audit), there was no information specifying whether the included members were volunteer members or were paid members of The Halifax Area Ambulance Rescue Association. As a general rule under Act 118 and as is noted above, those providing fire service must be volunteers or be acting in a voluntary capacity in order to qualify to receive benefits under the Act. Relief association officials were unable to provide specific documentation which demonstrated that any of the members listed on its membership roster participated in a voluntary status and not in a paid status when providing fire/ambulance service for the relief association. See Finding No. 3 for further information.

A primary purpose of Act 118 is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations. Prudent business practice requires that relief associations monitor their status for compliance as a qualifying volunteer firefighters' relief association under Act 118 and any requirements pertaining to dissolution.

As it relates to dissolutions, Section 7419 of Act 118 further states, in part:

- (a) Withdrawal.--If the voters elect to replace a volunteer fire company with a full-paid fire department or company and the volunteer company which has been replaced ceases to render fire service to any community, the volunteer company shall withdraw from the volunteer firefighters' relief association which had extended protection to its membership.
- (b) Continuation.--Notwithstanding withdrawal of a company under subsection (a), the volunteer firefighters' relief association shall continue granting financial assistance to its remaining members and their families in death, sickness and distress suffered through the unfortunate elements of life.
- (d) Application.--When the membership of a relief association functioning under subsection (b) **diminishes to five members**, the association shall apply to the local common pleas court for dissolution. [Emphasis added.]



HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Prudent business practice dictates that relief associations contemplating future dissolutions should consider retaining legal counsel to provide assurance that any form of dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owed to active and former association members are maintained and protected. If this is the case, it would also be prudent that the remaining relief association members conduct a meeting to approve any dissolution of the association and the disposition of its assets. In addition, relief association officials should contact this department in preparation of a final audit of the relief association and perform the following:

- Provide full documentation of the monetary assets and equipment being transferred to another relief association. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.
- Upon transfer of the equipment, a signed receipt from the relief association receiving the equipment should be obtained to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

This department will verify the receipt of the equipment and monetary assets transferred through an audit of the recipient association. However, as of the date of this report, the relief association has not provided this department notification that it has made a formal commitment to dissolve.

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

Effect: As a result of the Act 118 provisions, The Halifax Area Ambulance and Rescue Volunteer 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 or consider dissolving the relief association. The Pennsylvania Department of Community and Economic Development can assist The Halifax Area Ambulance and Rescue Volunteer Relief Association with this determination. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, relief association officials indicated that they will dissolve the relief association.

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

**Finding No. 2 – Unauthorized Expenditures And/Or Insufficiently Documented Expenditures**

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118 for members who may be considered paid fire/ambulance service personnel:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/29/16	1086	Bond premium for officer	\$ 119
03/03/16	1087	Pager service for personnel	300
08/01/16	1088	Insurance coverage for personnel	5,923
01/27/17	1089	Bond premium for officer	119
02/01/17	1090	Pager service for personnel	300
Total			<u>\$ 6,761</u>

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7416 of Act 118 states:

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

- (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.
- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining **volunteer firefighters** who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation. [Emphasis added.]
- (11) To purchase safeguards for preserving life, health and safety of **volunteer firefighters** to ensure their availability to participate in the volunteer fire service. [Emphasis added.]
- (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. [Emphasis added.]

The above identified costs associated with purchases for paid fire/ambulance personnel do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, such disbursements would not be authorized under Act 118.

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

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Effect: As a result of these improper or insufficiently documented expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$6,761 for the unauthorized expenditures or that sufficient documentation be provided to justify the expenditures made 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 3 – Failure To Adhere To Or Document Adherence To Relief Association Bylaws**

Condition: The relief association did not adhere to or provide documentation to support adherence to numerous provisions in the association's bylaws. Specifically, the relief association did not adhere to and/or did not sufficiently document compliance with the following bylaw stipulations:

- Sufficient number of volunteer members on the membership roster to be able to hold regular monthly meetings.
- Evidence documenting that monthly meetings were held.
- A new appointment to the position of Vice President by the President (VP Position Remains Vacant).
- Expenditures were authorized by volunteer members of the relief association.

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: The relief association's bylaws stipulate the following:

- Article I, Section I – The Association shall be known as the Halifax Area Ambulance and Rescue Volunteer Relief Association. It has been established for the purpose of providing **Volunteer** Ambulance and Rescue personnel of the association with the protection from misfortune suffered as a result of their participation in the Ambulance and Rescue Service. [Emphasis added.]
- Article II, Section I – Regular Meetings of this association shall be held on the third Monday of each month immediately after regular meeting of the Halifax Area Ambulance and Rescue Association, Inc. Four members shall constitute a quorum.
- Article III, Section I – The officers of the 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 V, Section I – Funds of the Association shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the Association bylaws. All expenditures must be approved by a majority vote at an Association meeting and duly recorded in the minutes.
- Article VII, Section I – The signatures of at least two officers, one of whom shall be the Treasurer, shall be required for the issuance of Relief Association checks, withdraw from the Association savings account, the redemption of any Relief Association investment or any other negotiable instrument issued by the Association.
- Article VII, Section V – In the event of a death, resignation, removal or incapacity of an elected official of this Association, the vacancy so created shall be filled by the appointment of a member by the President. All person appointed to fill such vacancy shall serve in the position for the unexpired term only.

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.

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: Relief association officials indicated that they were unaware of the 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.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization. Relief association officials should establish guidelines and procedures, including their implementation 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, as a result of our audit, relief association officials indicated that they will dissolve the relief association.

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

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 2 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2017

Cash	<u>\$ 5,621</u>
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HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Other Expenditures:	
Unauthorized/Insufficiently documented expenditures	<u>\$        6,761</u>
Total Expenditures	<u><u>\$        6,761</u></u>

HALIFAX AREA AMBULANCE AND RESCUE VOLUNTEER RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Halifax Area Ambulance and Rescue Volunteer Relief Association Governing Body:

**Ms. Cindy Carran**  
President

**Ms. Carol Fetterhoff**  
Secretary

**Ms. Amanda Whitebread**  
Treasurer

A report was also distributed to the following municipality:

**Ms. Wendy M. Wentzel**  
Secretary  
Halifax 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).