

COMPLIANCE AUDIT

Marple Township Ambulance Corps Volunteer Firemen's Relief Association

Delaware County, Pennsylvania
For the Period
January 1, 2015 to December 31, 2017

April 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Andy Tucker, President
Marple Township Ambulance Corps
Volunteer Firemen's Relief Association
Delaware County

We have conducted a compliance audit of the Marple Township Ambulance Corps Volunteer Firemen'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, 2015 to December 31, 2017.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. 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 objectives 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 objectives. 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, 2015 to December 31, 2017:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, 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. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditures

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Untimely Deposit Of State Aid

Finding No. 4 – Association May Not Comply With Requirements Of Act 118

The four findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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.

April 5, 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 an organization that was formed primarily to administer funds for the relief and safety of the members of the association and all other duties as prescribed by the Volunteer Firefighters' Relief Association Act (PA Act 84, 53 P.S. 8501, *et seq.*)

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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Marple Township	Delaware	\$49,826	\$49,358	\$44,492*

* The 2017 state aid allocation received from Marple Township was not deposited by the relief association until January 2, 2018 as disclosed in Finding No. 3 in this report.

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

Marple Township Ambulance Corps

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Unauthorized Expenditure

Although the relief association received reimbursement of \$1,089 from the affiliated ambulance squad for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by Act 118 as further disclosed in Finding No. 1 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Condition: As disclosed in the Status of Prior Finding section of this report, although the relief association received reimbursement from the affiliated ambulance squad for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/11/15	Debit	Ambulance sanitizer	\$ 1,108
04/15/15	592	Installation of stretcher system in vehicle	978
04/15/15	593	Installation of stretcher system in vehicle	947
04/15/15	594	Installation of stretcher system in vehicle	926
04/15/15	Debit	Inoculation of non-member & career staff	80
05/20/15	604	Stretcher system	22,340
05/20/15	606	Inoculation of career staff	29
06/23/16	Debit	Training for Ambulance billing	1,300
06/15/16	Debit	Training for Ambulance billing	1,300
03/15/17	793	Maintenance for stretcher system	6,978
04/19/17	797	Stretcher system	22,340
10/18/17	825	Stretcher system	10,479
Total			<u>\$ 68,805</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 10 and 11) state:

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.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Costs associated with the purchase of ambulance sanitizer, purchase and installation of stretchers to transport the public, inoculations of non-members and career staff, and training for ambulance billing do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected the fact that the 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. 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 \$68,805 for the unauthorized expenditures and 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 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.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – 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>
07/15/15	Debit	Training expenditure	\$ 88
12/31/16	Debit	Training expenditure	37
06/29/17	Debit	Debit card expenditure	37
07/04/17	Debit	Debit card expenditure	26
07/19/17	Debit	Debit card expenditure	32
08/03/17	Debit	Debit card expenditure	36
08/17/17	Debit	Debit card expenditure	33
09/07/17	Debit	Debit card expenditure	29
09/21/17	Debit	Debit card expenditure	43
10/31/17	Debit	Training expenditure	106
Unknown	835	Unknown expenditure	79
11/16/17	Debit	Training expenditure	1,108
11/28/17	Debit	Training expenditure	191
12/12/17	Debit	Training expenditure	53
Total			\$ 1,898

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 and/or itemized receipts, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent 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.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: Lack of supporting documentation, such as invoices, itemized receipts 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.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$1,898 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.

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

Finding No. 3 – Untimely Deposit Of State Aid

Condition: The relief association did not deposit the 2017 state aid allocation it received from Marple Township, in the amount of \$44,492, until January 2, 2018. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 25, 2017, who forwarded this state aid to the relief association on November 15, 2017, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Furthermore, prudent business practices dictate that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Relief association officials failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. 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. 4 – Association May Not Comply With The Requirements Of Act 118

Condition: The Marple Township Ambulance Corps Volunteer Firemen's Relief Association states in its bylaws that its purpose is to administer funds for the relief and safety of the members of this Association and all other duties as prescribed by the "Volunteer Firefighters' Relief Association Act" (PA Act 84 53 P.S. 8501, *et.seq.*) 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 Marple Township Ambulance Corps Volunteer Firemen'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 Marple Township Ambulance Corps Volunteer Firemen's Relief Association is affiliated with the Marple Township Ambulance Corps, the same is an ambulance organization and not a fire company as required under Act 118.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: 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 Marple Township Ambulance Corps Firemen'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, Act 118 at 35 Pa.C.S. § 7412 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.]

Cause: Association officials indicated that they were unaware of the specified provisions established by Act 118.

Effect: As a result of the Act 118 provisions, the Marple Township Ambulance Corps Firemen's Relief Association doesn't 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.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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 Marple Township Ambulance Corps Firemen'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 did not agree with the finding as presented at the audit exit conference and stated that this is handled by the Township of Marple and the commissioners.

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

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 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.

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 101,531
Fair Value of Investments	442,702
Book Value of Other Investments	<u>27,243</u>
Total Cash and Investments	<u>\$ 571,476</u>

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 29,801
Relief benefits	8,776
Total Benefit Services	<u>\$ 38,577</u>
Fire Services:	
Equipment purchased	\$ 98,902
Equipment maintenance	22,482
Training expenses	7,662
Total Fire Services	<u>\$ 129,046</u>
Administrative Services:	
Other administrative expenses	\$ 8,519
Bond premiums	1,110
Total Administrative Services	<u>\$ 9,629</u>
Total Investments Purchased	<u>\$ 95,000</u>
Other Expenditures:	
Undocumented expenditures	\$ 1,898
Unauthorized expenditures	68,805
Total Other Expenditures	<u>\$ 70,703</u>
Total Expenditures	<u><u>\$ 342,955</u></u>

MARPLE TOWNSHIP AMBULANCE CORPS VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Marple Township Ambulance Corps Volunteer Firemen's Relief Association Governing Body:

Mr. Andrew Tucker
President

Mr. William Downey
Vice President

Mr. Matthew Momjian
Secretary

Mrs. Maria Tucker
Treasurer

Ms. Gabriela Downey
Member at Large

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

Ms. Sharon Angelaccio
Secretary
Marple 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.