

COMPLIANCE AUDIT

Millersburg Area Ambulance Relief Association, Inc. Dauphin County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

October 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Darlene M. Roadcap, President
Millersburg Area Ambulance Relief
Association, Inc.
Dauphin County

We have conducted a compliance audit of the Millersburg Area Ambulance Relief Association, Inc. (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

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 course of the audit.

September 12, 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 personnel and volunteer firefighters and to encourage individuals to participate in emergency medical services and volunteer fire service.

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 therefore, the association officers have a public responsibility 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 corresponding fire service organization(s) that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association did not receive state aid allocations from Upper Paxton 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 relief association and the affiliated emergency service organization are separate, legal entities. The relief association is affiliated with the following emergency service organization:

Millersburg Area Ambulance Association, Inc.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

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

Condition: The Millersburg Area Ambulance Relief Association, Inc.’s records do not substantiate that its members are volunteer participants in the fire/ambulance service. Subsequent to the last audit of the relief association, the relief association’s bylaws were updated. The update indicates that their purpose is to provide ambulance personnel of Millersburg Borough and Upper Paxton Township with protection from misfortune suffered as a result of their participation in the emergency medical services, and as a secondary purpose, to provide volunteer firefighters of Millersburg Borough and Upper Paxton Township with protection from misfortune suffered as a result of their participation in the fire service, by the provision of rehabilitation services and other fireground support activities, and any other emergency service activities, as requested. The relief association could not provide evidence of such requests or evidence of an agreement between the relief association and the volunteer firefighters of Millersburg Borough and Upper Paxton Township. 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. While the Millersburg Area Ambulance Relief Association, Inc. is affiliated with the Millersburg Area Ambulance Association, the same is an ambulance organization and not a fire company as required under Act 118.

Criteria: Section 7412 of Act 118 defines a “Volunteer Firefighters’ Relief Association” as:

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 Millersburg Area Ambulance Relief Association, Inc., 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.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.]

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.

Based on information included on a neighboring Ambulance Company's website, volunteerism has sharply declined in the last 10 years and several ambulance companies that were once all volunteer now rely on a paid system. When we reviewed the Millersburg Area Ambulance Relief Association, Inc.'s membership rosters (the subject of our audit), there was no information specifying whether the included members were volunteer or paid members of the Millersburg Area Ambulance 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.

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 association's monitor their status for compliance as a qualifying volunteer firefighters' relief association under Act 118 and any requirements pertaining to dissolution.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.]

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.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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

Effect: As a result of the Act 118 provisions, the Millersburg Area Ambulance Relief Association, Inc. 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 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 in its response, in part:

MAAVFRA disagrees with the auditor's Finding. MAAVFRA met the statutory requirements to serve as a volunteer firefighters' relief association. Therefore, MAAVFRA has planned no corrective action in response to the Finding.

MAAVFRA is affiliated not only with Millersburg Area Ambulance (MAA), but also with the Millersburg Fire Company that serves Millersburg Borough and Upper Paxton Township. MAAVFRA's Bylaws provide that a purpose for which it has been established is providing volunteer firefighters of Millersburg Borough and Upper Paxton Township with protection from misfortune suffered as a result of their participation in the fire service, by the provision of rehabilitation services and other fireground support activities, and any other emergency service activities, as requested. The Millersburg Fire Company is part of the fire service for Millersburg Borough and Upper Paxton Township, its staff includes several volunteer firefighters, and MAA provides those volunteer firefighter protection from misfortune suffered as a result of their participation in the fire service, by the provision of rehabilitation services and other fireground support activities, and any other emergency service activities, as requested.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

When the Millersburg Fire Company is dispatched by the 911 communications center, the Dauphin County Department of Public Safety (the PSAP), MAA is also dispatched by the PSAP. MAA responds to those dispatches and provides ambulance and other services to the fire company and its firefighters. Some of these other services include rehabilitation services (e.g., monitoring the health of firefighters while engaged in firefighting activities, directing their removal from firefighting activities as needed, monitoring their vital signs, ensuring that they are adequately hydrated, and cooling them off with a mister as needed.)

There are also times when a Millersburg Fire Company volunteer firefighter requires and receives emergency medical services from MAA and ambulance transport to a hospital. The municipal officials of Millersburg are aware that MAAVFRA use VFRA funds (foreign fire insurance tax distributions) that it allocates to MAAVFRA to purchase items and services for MAA to serve “volunteer firefighters” as defined in 35 Pa.C.S. § 7412, and that is why the Township has properly certified to the Department of the Auditor General that MAAVFRA is a VFRA.

Auditor’s Conclusion: After review of management’s response to Finding No. 1 above, we disagree with the assertions made. The management response asserts that the relief association met the statutory requirements to serve as a volunteer firefighters’ relief association. Management’s response also indicates the municipal officials of Millersburg are aware that the relief association uses VFRA funds (Foreign Fire Insurance Tax Distributions) that it allocates to the relief association to purchase items and services for Millersburg Ambulance Relief Association to serve ‘volunteer firefighters’ as defined in 35 Pa.C.S. § 7412, and that is why the Township has properly certified to the Department of the Auditor General that the Millersburg Area Ambulance Relief Association, Inc. is a relief association. We disagree with the relief association’s assertions based on Act 118 of 2010 requirements as specifically outlined in Finding No. 1 above. The management response indicates in part that the Millersburg Fire Company is part of the fire service for Millersburg Borough and Upper Paxton Township and that the Millersburg Ambulance Association is also dispatched by the 911 communications center, the Dauphin County Department of Public Safety (the PSAP). However, such conditions do not in turn place the ambulance relief association in compliance with Act 118 of 2010 volunteer firefighters’ relief association qualification requirements.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Most importantly and central to Act 118 of 2010 is that Foreign Fire Insurance Tax state aid funds are to benefit relief association members who are **volunteer firefighters** and 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 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. Documentation provided to our auditors by the relief association during the audit does not support the relief association, as currently comprised, as qualifying for state aid benefits under Act 118 of 2010. Relief association officials were unable to provide documentation demonstrating that its relief association membership were volunteers or were acting in a voluntary capacity – and not as paid personnel – while providing fire/ambulance service. We again emphasize the Foreign Fire Insurance Tax state aid funds that are allocated to volunteer firefighters’ relief associations are designated to benefit the **volunteer members** of a volunteer firefighters’ relief association, as was intended, for example, by Section 7413 Statement of purpose of Act 118 of 2010 which indicates, in part, “the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters.” Furthermore, Section 7416 (Funds) of Act 118 of 2010 (2) indicates, funds of any volunteer firefighters’ relief association may be spent “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 loses due to injury suffered in the fire service . . .” The updated bylaws of the relief association at Article VII Disbursements, Section 4 (Purchase of Insurance Benefits for Members) indicates, “[T]he association may purchase contracts of insurance, which, at a minimum, shall afford financial assistance to active members of Millersburg Area Ambulance Association, Inc. represented by the Millersburg Area Ambulance Relief Association, Inc., against loses due to injury suffered in the provision of emergency medical services on behalf of Millersburg Area Ambulance Association, Inc. . . .” We again, reiterate, fundamental to Act 118 of 2010 is that state aid funds be used to benefit volunteer fire service membership. Providing for such aforementioned disbursements is not in compliance with voluntary requirements of Act 118 of 2010. In addition, the municipality in which the relief association is located has not provided state aid funding to the relief association since 2012 and has not certified to our department through the Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B that the relief association is an organization/recipient qualifying for funding allocations according to Act 118 of 2010. Consequently, the finding and recommendation remain as stated. Compliance will be subject to verification through our next audit.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

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>
01/13/16	588	Token of sympathy & goodwill for member	\$ 4
01/20/16	589	Pager servicer for personnel	1,280
02/10/16	590	Token of sympathy & goodwill for member	25
02/10/16	591	Quarterly pager service for personnel	80
04/13/16	592	Flu shots for personnel	54
04/20/16	593	Color toner for ambulance company's copier	490
05/11/16	594	Toner installation for ambulance company's copier	617
06/08/16	595	Maintenance on ambulance company's copier	137
07/13/16	596	Quarterly pager service for personnel	80
07/13/16	597	Token of sympathy & goodwill for member	36
08/10/16	598	Token of sympathy & goodwill for member	35
09/14/16	599	CPR training for members	55
09/14/16	600	CPR training for members	12
12/07/16	603	Rubber gloves for personnel	234
01/11/17	604	Semi-annual pager service for personnel	160
01/18/17	605	EMT class for personnel	1,000
02/08/17	606	Token of sympathy & goodwill for member	52
02/08/17	607	Rubber gloves for personnel	13
02/08/17	608	EMT training for personnel	1,000
02/15/17	609	Copier toner for ambulance company/training for personnel	350
02/22/17	610	Gloves for personnel	85
03/29/17	612	Quarterly pager service for personnel	80
05/17/17	614	Quarterly pager service for personnel	80
06/07/17	615	Flu shots for personnel	60
06/07/17	616	Token of sympathy & goodwill for member	30
09/13/17	617	CPR training for member	90
09/20/17	618	Quarterly pager service for personnel	80
09/20/17	619	Equipment for personnel	565
12/29/17	621	Rubber gloves for personnel	170
12/13/17	622	Token of sympathy & goodwill for member	5
12/20/17	624	Flu shots for personnel	40
12/20/17	625	Quarterly pager service for personnel	80
			<u>\$ 7,079</u>

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, the relief association made the following expenditures subsequent to the audit period through May 11, 2018, for the benefit of members who may be considered paid fire/ambulance service personnel which are also not authorized by Act 118:

Date	Check No.	Description	Amount
02/14/18	626	Token of sympathy & goodwill for member	\$ 2
02/14/18	627	Copier maintenance for ambulance company	138
04/25/18	629	Token of sympathy & goodwill-neighboring fire company	25
05/11/18	630	Semi-annual pager service for personnel	160
Total			<u><u>\$ 325</u></u>

Criteria: Section 7416(f) 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.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (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.

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 were not authorized by Act 118.

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 \$7,404 (along with any other expenditures that were made after May 11, 2018) 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.

Subsequent Event: Subsequent to the audit exit conference relief association management provided documentation showing that the relief association was reimbursed \$2,000 for the unauthorized or insufficiently documented expenditures for EMT class/training disbursements made on January 18, 2017 and February 8, 2017 for which personnel did not complete the training. Therefore, the total remaining unauthorized or insufficiently documented expenditures totals \$5,404.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated in its response, in part:

As MAAVFRA disagrees with Finding No. 1, that it does not have an affiliation with a volunteer fire company, it also disagrees with this Finding. For this reason and the following reasons, MAAVFRA has planned no corrective action in response to the auditor's Finding No. 2. Additional concerns with Finding No. 2 are as follows:

Past Compliance Audits by the Department of the Auditor General (Department) have reviewed many VFRA expenditures of the same type that are included among MAAVFRA's VFRA expenditures during January 1, 2016 to December 31, 2017 audit period and did not assert that they were authorized expenditures. For example, the Compliance Audit for the period January 1, 2012 to December 31, 2015 referenced total VFRA expenditures of \$15,363, some of which were for the same types of items for which VFRA funds were used in this audit period, and did not claim that any of the expenditures was an improper use of VFRA funds. MAA should not be penalized for MAAVFRA's expenditure of VFRA funds by the auditor disallowing VFRA expenditures allowed by the Department in the prior compliance audit. If that is to occur there should be, at the very least, prior notice to MAAVFRA of a change in interpretation of MAAVFRA's previously approved use of VFRA funds that the Department no longer believes to be acceptable.

Equitable estoppel estops the Auditor General from requiring reimbursement of any of the VFRA expenditures during the January 1, 2016 - December 31, 2017 audit period to MAAVFRA. MAAVFRA expended those funds in good faith and in a bona fide belief that those expenditures were acceptable. That belief was justified not only by the language in the VFRA statutes, but by the January 1, 2012 – December 31, 2015 Compliance Audit in which the Auditor General approved WAVFRA's purchase of similar items and services for MAA with VFRA funds in support of MAA's fire service activities.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

The Finding asserts that the majority of the affiliated ambulance company's operational member are not volunteers. While that is true, it is immaterial, as MAAVFRA and MAA are also affiliated with the Millersburg Fire Company, which does include volunteer firefighters. The permitted use of VFRA funds is governed by Title 35, Part V, Chapter 74, Subchapter B of the Pennsylvania Consolidated Statutes, 35 Pa.C.S. §§ 7411-7419. Those funds are to be available for the protection of the volunteer firefighters and their heirs as provided in 35 Pa.C.S. § 7413 (1)-(7) and for additional fire service uses as provided in 35 Pa.C.S. § 7416. There is no statutory requirement that conditions the use of VFRA funds to protect volunteer firefighters upon the majority of the operational members of a fire company being volunteer firefighters. Nevertheless, most of the Millersburg Fire Company firefighters are volunteers.

Since MAAVFRA is a VFRA, it is permitted under 35 Pa.C.S. § 7416(f)(1) to use VFRA funds “[t]o 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...and purchase of office equipment and supplies.” Some of the VFRA expenditures during the audit period were for MAAVFRA's office equipment and supplies. The Finding concludes that MAAVFRA's expenditure of VFRA funds to pay for officers' bond coverage and legal fees was an acceptable use of VFRA funds, but wrongfully disallowed the expenditure of VFRA funds for MAAVFRA office equipment and supplies.

Auditor's Conclusion: After review of management's response to Finding No. 2 above, we disagree with the assertions made. The management response provides several assertions including in part: past compliance, equitable estoppel, and a claim that it is immaterial that the relief association's members are not volunteers, as well as why the relief association believes that the expenditures deemed unauthorized should be considered as authorized. Our reasons for disagreement with the relief association's assertions are as follows. Having an affiliation with a volunteer fire company does not in and of itself qualify an organization as a volunteer firefighters' relief association. As it relates to past compliance of certain audit expenditures and equitable estoppel, the issue of paid ambulance personnel comprising the general membership of the relief association was not a previously identified condition and is a new condition identified during the current audit.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Further, the prior audit of the relief association included an observation recommending that the relief association evaluate its compliance with Act 118 of 2010 requirements and to take the necessary steps to comply. Therefore, there is no change in our interpretation of what is considered an unauthorized expenditure, the change is the identification of paid ambulance personnel comprising the general membership of the relief association. Pertaining to the claim that it is immaterial that the relief association's members are not volunteers, we strongly disagree, as this is contrary to the central purpose of Act 118 of 2010. Most importantly and central to Act 118 of 2010 is that Foreign Fire Insurance Tax state aid funds are to benefit relief association members who are **volunteer firefighters** and 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 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.) Documentation provided by the relief association to our auditors during the audit does not support the relief association, as currently comprised, as qualifying for state aid benefits under Act 118 of 2010 (Refer to Finding No. 1 of the audit report for further information). In addition, the municipality in which the relief association is located has not provided state aid funding to the relief association since 2012 and has not certified to our department through the Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B that the relief association is an organization/recipient qualifying for funding allocations according to Act 118 of 2010. Consequently, the finding and recommendation remain as stated. 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.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
POTENTIAL WITHHOLD OF STATE AID

A condition such as those 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.

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 8,220
Fair Value of Investments	<u>10,150</u>
Total Cash and Investments	<u>\$ 18,370</u>

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Administrative Services:	
Other administrative expenses	\$ 647
Bond premiums	<u>500</u>
Total Administrative Services	<u>\$ 1,147</u>
Other Expenditures:	
Unauthorized/insufficiently documented expenditures*	<u>\$ 7,079</u>
Total Expenditures	<u><u>\$ 8,226</u></u>

*As noted in Finding No. 2, the relief association also spent \$325 in 2018 (up to May 11, 2018).

MILLERSBURG AREA AMBULANCE RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Millersburg Area Ambulance Relief Association, Inc. Governing Body:

Ms. Darlene M. Roadcap
President

Ms. Sharon K. Young
Secretary

Ms. Vanessa Snyder
Treasurer

A report was also distributed to the following municipality:

Ms. Luanna Zimmerman
Secretary
Upper Paxton 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.