

# COMPLIANCE AUDIT

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## Plains Volunteer Ambulance Relief Association

Luzerne County, Pennsylvania  
For the Period  
January 1, 2017 to December 31, 2019

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June 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Ronald P. Remsky, Jr., President  
Plains Volunteer Ambulance  
Relief Association  
Luzerne County

We have conducted a compliance audit of the Plains Volunteer Ambulance 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, 2017 to December 31, 2019.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings 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.

We were not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided 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, for the period January 1, 2017 to December 31, 2019:

- The relief association took appropriate corrective action to address one of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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. 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 – Undocumented Expenditures

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Failure To Secure Ownership Interest In Purchased Equipment

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 6 – Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 7 – Failure To Maintain Minutes Of Meetings

Finding No. 8 – Inadequate Financial Record-Keeping System

Finding No. 9 – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 10 – Association May Not Comply With The Requirements Of Act 118

The ten 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.

May 19, 2020

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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 provide financial protection to volunteer ambulance personnel against the consequences of misfortune suffered as a result of their participation in the fire/ambulance 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 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>2017</u>	<u>2018</u>	<u>2019</u>
Plains Township	Luzerne	\$10,044	*	*

\* During the current audit period, the relief association did not receive an allocation of state aid from Plains Township in 2018 and 2019. 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 ambulance relief association and the affiliated ambulance service organization are separate, legal entities. The relief association is affiliated with the following ambulance service organization:

Plains Volunteer Ambulance Association

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the three prior audit findings and recommendations, as follows:

- Untimely Deposit Of State Aid

By timely depositing all income received.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with two of the three prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.



PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: During the prior audit period, the relief association was unable to provide adequate supporting documentation for expenditures totaling \$3,103. In addition, the relief association officials did not take corrective action to address the prior audit undocumented expenditures prior to the current audit period ending December 31, 2019.

Furthermore, 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>
01/14/17	1003	Equipment vendor	\$ 867
12/11/18	1013	Volunteer hose company	240
Total			<u>\$ 1,107</u>

Criteria: Section 7418(a) of Act 118 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: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (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 Section 7416(f) of Act 118. 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 \$4,210 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle**

Condition: In 2013, the relief association finished paying approximately 50% towards the joint purchase of a 2003 KME vehicle with the affiliated ambulance association. The vehicle had a total cost of \$342,266. The relief association entered into an agreement with the affiliated ambulance association dated June 14, 2006, where the relief association would receive the pro-rata share percentage of 50% if the vehicle was ever sold. Although relief association officials indicated that the vehicle was sold on May 1, 2018 for \$125,000, there is no documentation to support the sale of the vehicle, and the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7418(a) of Act 118 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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials executed a formal written agreement with the ambulance association; however, they failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of the jointly purchased vehicle with the affiliated ambulance association into a relief association account.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated ambulance association places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes. 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 officials seek proper documentation to verify the sale price of the jointly purchased vehicle to be reimbursed for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle or be reimbursed the total amount contributed for the vehicle in the amount of \$171,133. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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 – Unauthorized Expenditures**

Condition: The relief association expended funds for the following items owned by the Plains Volunteer Ambulance Association (PVAA) during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
01/04/17	1005	State inspection and service on PVAA owned vehicle	\$ 478
12/27/17	1007	Service and parts for PVAA owned fire extinguishers	216
12/27/17	1008	State inspections for PVAA owned vehicles	67
12/05/18	1010	Service and parts for PVAA owned fire extinguishers	540
12/05/18	1011	Upgrades/calibrations for PVAA owned gas detectors	285
07/16/19	1015	State inspection and service for PVAA owned vehicle	44
12/10/19	1016	Parts for PVAA owned fire extinguishers	207
Total			<u>\$ 1,837</u>

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

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
  
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Costs associated with state inspections and services for vehicles owned by the Plains Volunteer Ambulance Association do not qualify as authorized relief association expenditures; consequently, these disbursements are not authorized under Act 118. Furthermore, due to the failure of the relief association to maintain a complete and accurate equipment roster, as disclosed in Finding No. 5, it was impossible to determine if the relief association owned any fire extinguishers and gas meters; therefore, these disbursements are not 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 expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association be reimbursed \$1,837 for the unauthorized expenditures 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: Compliance will be subject to verification through our next audit.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Failure To Secure Ownership Interest In Purchased Equipment**

**Condition:** As cited as a verbal observation in our prior audit, the relief association failed to provide a lease-purchase agreement for a LIFEPAK monitor/defibrillator that was purchased by the affiliated ambulance association in 2015 but for which the relief association has been making monthly payments to the financial institution holding the loan for the equipment. In addition, relief association officials failed to provide a signed agreement between the relief association and the affiliated ambulance association recognizing that the relief association will own the equipment after all payments have been made by the relief association. During the prior and current audit periods, the relief association made 11 and 36 payments, in the amounts of \$6,541 and \$20,465, respectively, toward the lease-purchase agreement, totaling \$27,006, as illustrated in the table below:

	<u>Prior Audit Period</u>	<u>Current Audit Period</u>	<u>Prior And Current Audit Period Totals</u>
Monthly payment amount	\$ 533.51	\$ 533.51	
Number of monthly payments	<u>11</u>	<u>36</u>	
Payments During Period	<u>\$ 5,869</u>	<u>\$ 19,206</u>	<u>\$ 25,075</u>
Unauthorized sales tax paid per month	\$ 32.01	\$ 32.01	
Number of monthly payments	<u>11</u>	<u>36</u>	
Total Unauthorized Sales Tax Paid	<u>\$ 352</u>	<u>\$ 1,152</u>	<u>\$ 1,504</u>
Late fees paid	<u>320</u>	<u>107</u>	<u>\$ 427</u>
Total Payments On Equipment	<u><u>\$ 6,541</u></u>	<u><u>\$ 20,465</u></u>	<u><u>\$ 27,006</u></u>

As noted above, the relief association paid a total of \$1,504 of Pennsylvania sales tax to the financial institution concerning the lease-purchase agreement for the LIFEPAK monitor/defibrillator as part of the monthly installment payments. These payments would not have been required if the ambulance association and/or relief association had provided its sales tax exemption number to the financial institution.

Despite the relief association paying all of the monthly payments for the equipment, the relief association did not provide any documentation to show that it obtained legal ownership of the equipment, and the equipment was not included on the relief association’s equipment roster (See Finding No. 5).

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

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

Funds of any volunteer firefighters' relief association may be spent:

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

In addition, Section 7415(e) of Act 118 states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Prudent business practice also dictates that the relief association maintain ownership of all equipment purchased by the relief association in order to provide protection over all relief association assets.

Cause: The relief association failed to establish internal control procedures which would require that all lease-purchase agreements be maintained. In addition, internal control procedures were not established to ensure signed documents are created and maintained to prove relief association ownership for equipment purchased through financing agreements. Furthermore, relief association officials indicated that they were unaware of the necessity to provide their state sales tax exemption number to the financial institution for the lease-purchase agreement or inform the ambulance association of their responsibility to do so.

Effect: Due to a lack of a lease-purchase agreement, the relief association may be making payments on equipment that is legally owned by the ambulance association. Although payments to finance the LIFEPAK monitor/defibrillator are considered authorized expenditures, the relief association must be named as the lessee in an agreement to ensure that the relief association is documented as the owner of the equipment. Additionally, as a result of the relief association's failure to provide its sales tax exemption number to the financial institution or inform the ambulance association of their responsibility to do so, the relief association was required to pay Pennsylvania sales tax on its monthly installment payments, which reduced the funds otherwise available for general operating expenditures and for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Recommendation: We recommend that the relief association officials take appropriate action to obtain a lease-purchase agreement for the equipment being financed by the relief association and, if the lease-purchase agreement is in the name of the ambulance association, the relief association and ambulance association must execute a formal written agreement that recognizes the relief association taking ownership of the equipment after all monetary obligations have been settled or that the relief association be reimbursed \$27,006 for the lease-purchase payments paid and any payments paid after December 31, 2019.

If the relief association and ambulance association execute a formal written agreement stating that the relief association has 100 percent ownership of the LIFEPAK monitor/defibrillator, we also recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$1,504, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals and cease paying sales tax on the monthly payments or be reimbursed \$1,504 by the ambulance association. In addition, we recommend that the relief association officials include the LIFEPAK monitor/defibrillator on the relief association's equipment roster. We further recommend that relief association officials refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS, for further guidance in administering the operations of the relief association.

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. 5 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: The relief association did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

A similar condition was noted in our prior audit report.



PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association’s Surety (Fidelity) bond coverage expired on January 1, 2018. As of December 31, 2019, the relief association’s cash assets totaled \$22,121.

Criteria: Section 7415(c)(4) of Act 118 states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: While aware of the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer, relief association officials neglected to maintain a surety bond maintaining sufficient coverage.

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

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer in an amount greater than the relief association’s maximum cash balance, as required by Act 118. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and 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. 7 – Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain minutes of meetings as required by Act 118 and the relief association’s bylaws.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, the relief association's bylaws at Article V, Section III states, in part:

The Secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at the meetings.

Cause: Relief association officials failed to implement internal control procedures to ensure minutes of meetings were maintained as required by Act 118 and the relief association's bylaws.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118 and the relief association's bylaws. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – Inadequate Financial Record-Keeping System**

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- A journal was not maintained to record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.

Criteria: Section 7415(a) of Act 118 states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials failed to implement internal control procedures to ensure the maintenance of journals and ledgers as part of their various record-keeping responsibilities.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. 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.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 9 – Failure To Maintain A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. Specifically, the membership roster provided did not document whether each individual was a paid or volunteer member. In addition, the address, date of birth, and date of membership for each individual were not identified on the membership roster.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of relief association members.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 10 – Association May Not Comply With The Requirements Of Act 118**

Condition: The Plains Volunteer Ambulance Relief Association states in its bylaws that its purpose is to provide financial protection to volunteer ambulance personnel against the consequences of misfortune suffered as a result of their participation in the fire/ambulance 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 Plains Volunteer Ambulance 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 Plains Volunteer Ambulance Relief Association is affiliated with the Plains Volunteer Ambulance Association, the same is an ambulance/emergency medical services organization and not a fire company as required under Act 118.

Criteria: Section 7412 of Act 118 states, in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose. (Emphasis added.)

We are further concerned that the members of the Plains Volunteer Ambulance Relief Association, who primarily provide services to the general public, do not meet the definition of “Volunteer Firefighter” as defined in the Act. Because the primary purpose does not comport with the requirements of Act 118, we must question their status as a relief association under the Act.

In addition, Section 7412 of Act 118 further states, in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or (Emphasis added.)
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. (Emphasis added.)

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 10 – (Continued)**

Cause: Association officials failed to act upon the written observation issued in the prior audit report.

Effect: As a result of the Act 118 provisions, the Plains Volunteer Ambulance 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.

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 Plains Volunteer Ambulance Relief Association with this determination. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

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

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 2 and 4 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are 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.



PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2019

Cash	<u>\$ 22,121</u>
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PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2019

Expenditures:

Fire Services:	
Equipment maintenance	\$ 3,330
Training expenses	90
Total Fire Services	\$ 3,420
Administrative Services:	
Other administrative expenses	\$ 48
Other Expenditures:	
Payments on lease-financing*	\$ 19,313
Undocumented expenditures	1,107
Unauthorized expenditures	1,837
Payments of sales tax	1,152
Total Other Expenditures	\$ 23,409
Total Expenditures	\$ 26,877

\*Payments include late fees of \$107.

PLAINS VOLUNTEER AMBULANCE RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Plains Volunteer Ambulance Relief Association Governing Body:

**Mr. Ronald P. Remsky, Jr.**  
President

**Mr. Joseph Novak**  
Secretary

**Ms. Michelle Hazleton**  
Treasurer

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

**Ms. Patricia Sluhocki**  
Secretary  
Plains 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).