

# COMPLIANCE AUDIT

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## Callensburg-Licking Township Volunteer Fireman's Relief Association

Clarion County, Pennsylvania  
For the Period  
January 1, 2012 to December 31, 2014

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June 2015



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Shane Buzzard, President  
CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Clarion County

We have conducted a compliance audit of the Callensburg-Licking Township Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2012 to December 31, 2014.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the volunteer firefighters' relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Callensburg-Licking Township Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Volunteer firefighters' 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 concluded that, for the period January 1, 2012 to December 31, 2014:

- The Callensburg-Licking Township Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report.
- The Callensburg-Licking Township Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the finding listed below and discussed later in this report.

Finding – Unauthorized Expenditures

- The Callensburg-Licking Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$5,771 and no investments.

The contents of this report were discussed with the management of the Callensburg-Licking Township Volunteer Firefighters' Relief Association and where appropriate, their response has been included in the report.

May 12, 2015



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 Callensburg-Licking Township Volunteer Fireman's Relief Association, herein referred to as the Callensburg-Licking Township Volunteer Firefighters' Relief Association, is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the volunteer firefighters' relief association to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations, which is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The Callensburg-Licking Township Volunteer Firefighters’ Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Callensburg Borough	Clarion	\$ 814	\$ 907	\$ 864
Licking Township	Clarion	\$2,600	\$2,918	\$2,801
Toby Township	Clarion	\$ 73	\$ 85	\$ 81

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The Callensburg-Licking Township Volunteer Firefighters’ Relief Association is affiliated with the following fire service organization:

Callensburg-Licking Township Volunteer Fire Company

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
ASSOCIATION  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Callensburg-Licking Township Volunteer Firefighters' Relief Association has complied with the prior audit finding and recommendation, as follows:

- Untimely Deposit of State Aid

By depositing the 2011 state aid in the amount of \$1,434 on January 10, 2012 and by adopting internal procedures to ensure the timely deposit of all state aid received in the current audit period.

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditures**

Condition: The relief association 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>
05/31/14	626	Insurance for an Affiliated Fire Service Organization	\$1,045
09/02/14	627	Insurance for an Affiliated Fire Service Organization	\$1,045
11/26/14	629	Insurance for an Affiliated Fire Service Organization	\$1,045
			<hr/> \$3,135

In addition, subsequent to the audit period, the relief association again expended funds for the following item that is not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/10/15	635	Insurance for an Affiliated Fire Service Organization	\$1,043
		Total	<hr/> <hr/> \$4,178

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1,2,4,8,12) states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
  
- (4) To pay in full or in part for damage or loss in any of the categories mentioned in paragraph (2) above in a specific case where; (i) no policy of insurance is in force covering the risk; or (ii) the amount payable under insurance policies in force is inadequate to cover the loss.
  
- (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.
  
- (12) To secure insurance against the legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.

Costs associated with the purchase of property, crime, and automobile insurances for an affiliated fire service organization do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

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. 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 \$4,178 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$4,178 for the unauthorized expenditures on March 20, 2015.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$4,178 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

**CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
 ASSOCIATION**  
**ACCOMPANYING EXPENDITURE INFORMATION**  
**FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2014**

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 5,784
Fire Services:	
Equipment purchased	\$ 3,970
Equipment maintenance	220
Training expenses	350
Total Fire Services	\$ 4,540

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF  
ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf  
Governor  
Commonwealth of Pennsylvania

Callensburg-Licking Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Shane Buzzard	President
Mr. Corben Russell	Vice President
Ms. Kelly Stewart	Secretary
Ms. Cynthia L. Painter	Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Donna Whitmer Callensburg Borough	Secretary
Ms. Karen A. Best Licking Township	Secretary
Ms. Janey L. Corle Toby Township	Secretary

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, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).