

COMPLIANCE AUDIT

The Goodwill Fire Company Relief Association of Laceyville, PA Wyoming County, Pennsylvania For the Period January 1, 2011 to December 31, 2014

January 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Martin Petrocco, President
Goodwill Volunteer Firefighters'
Relief Association
Wyoming County

We have conducted a compliance audit of the Goodwill 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, 2011 to December 31, 2014.

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Goodwill 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2011 to December 31, 2014, the Goodwill 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 findings listed below and discussed later in this report.

Finding No. 1 – Failure To Deposit State Aid

Finding No. 2 – Untimely Deposit Of State Aid

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

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 Goodwill Volunteer Firefighters' 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.

December 15, 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 Goodwill Fire Company Relief Association of Laceyville, PA, herein referred to as the Goodwill 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 Goodwill Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

Municipality	County	2011	2012	2013	2014
Tuscarora Township	Bradford	\$9,656	\$5,511**	\$6,343	\$6,012**
Auburn Township	Susquehanna	\$3,800	\$2162**	\$2,460	\$2,338
Braintrim Township	Wyoming	\$4,409	\$2,515**	\$2,802	\$2,685
Laceyville Borough	Wyoming	\$2,969	\$1,685**	\$1,914	\$*
Meshoppen Township	Wyoming	\$2,252	\$1,286**	\$1,523**	\$1,467
Windham Township	Wyoming	\$4,375	\$2,467**	\$2,797	\$2,665

* The 2014 Laceyville Borough state aid allocation was not deposited by the Goodwill Volunteer Firefighters' Relief Association as disclosed in Finding No.1 in this report.

** The 2012 state aid allocations received from Tuscarora Township, Auburn Township, Braintrim Township, Laceyville Borough, Meshoppen Township and Windham Township were not deposited by the Goodwill Volunteer Firefighters' Relief Association until January 6, 2014; The 2013 state aid allocation received from Meshoppen Township was not deposited until April 29, 2014; and the 2014 state aid allocation received from Tuscarora Township was not deposited until March 2, 2015 as disclosed in Finding No. 2 in this report.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Goodwill Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Goodwill Fire Company

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit State Aid

Condition: The relief association did not deposit the 2014 state aid distributed by Laceyville Borough, in the amount of \$1,799, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 23, 2014, who forwarded this state aid to the volunteer firefighters' relief association on October 6, 2014, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

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

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

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: Relief association officials failed to establish internal control procedures to ensure that all state aid received is deposited into a relief association account.

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials immediately locate and deposit the \$1,799 state aid allocation it received from Laceyville Borough. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation. On September 16, 2015, the relief association deposited \$1,799 into a relief association account.

Auditor's Conclusion: We reviewed documentation verifying the state aid deposit of \$1,799. Compliance for deposits made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Untimely Deposits Of State Aid

Condition: The volunteer firefighters' relief association did not deposit the 2012, 2013 and 2014 state aid allocations it received from the Boroughs and Townships listed below in accordance with Act 205. The foreign fire insurance tax allocations were distributed to the municipal treasurers on September 24, 2012; September 23, 2013, and September 23, 2014, and forwarded this state aid to the volunteer firefighters' relief association on the dates listed below, which were within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). However, upon receipt of the state aid allocations, the relief association failed to ensure that the funds were deposited in a timely manner.

Year	Municipality	Amount	Date Municipality Distributed Aid	Deposit Date
2012	Auburn Township	\$2,162	10-04-12	01-06-14
2012	Braintrim Township	\$2,515	10-01-12	01-06-14
2012	Laceyville Borough	\$1,685	11-05-12	01-06-14
2012	Meshoppen Township	\$1,286	10-29-12	01-06-14
2012	Tuscarora Township	\$5,511	10-10-12	01-06-14
2012	Windham Township	\$2,467	09-27-12	01-06-14
2013	Meshoppen Township	\$1,523	10-18-13	04-29-14
2014	Tuscarora Township	\$6,012	10-08-14	03-02-15

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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

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

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

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

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

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

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

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer. The relief association's Surety (Fidelity) bond coverage amount was \$75,000; however, as of December 31, 2014, the relief association's cash assets totaled \$87,748.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) 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: Relief association officials failed to monitor the relief association's cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer was in compliance with Act 118 provisions.

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

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by Act 118. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum balance of the relief association's cash assets, or by decreasing the relief association's cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer. 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. Subsequent to the period under review, on September 14, 2015, the Goodwill Volunteer Firefighter's Relief Association increased the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

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

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2014

Cash Balance:	\$	87,748
Expenditures:		
Benefit Services:		
Insurance premiums	\$	<u>3,562</u>
Fire Services:		
Equipment purchased	\$	23,119
Equipment maintenance		<u>1,736</u>
Total Fire Services	\$	<u>24,855</u>
Administrative Services:		
Bond Premiums	\$	<u>250</u>

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Goodwill Volunteer Firefighters' Relief Association Governing Body:

Mr. Martin Petrocco	President
Mr. Tyler Huffman	Vice President
Mr. Cody Sprague	Secretary
Ms. Alexis Muench	Treasurer

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

Ms. Susan C. Berkley Tuscarora Township	Secretary
Mr. Ted C. Place Auburn Township	Secretary
Ms. Bonnie H. Jayne Braintrim Township	Secretary
Ms. Mary Kimble Tyler Laceyville Borough	Secretary
Ms. Diana Krewson Meshoppen Township	Secretary
Ms. Gloria G. Milliron Windham Township	Secretary

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.