

COMPLIANCE AUDIT

The Relief Association of the Rockwood Fire Department Incorporated

Somerset County, Pennsylvania

For the Period

January 1, 2011 to December 31, 2014

October 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Michael Felesky, President
ROCKWOOD VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Somerset County

We have conducted a compliance audit of the Rockwood 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 Rockwood 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.

We were not able to obtain copies of canceled or imaged checks from the Rockwood Volunteer Firefighters' Relief Association. While the volunteer firefighters' relief association provided copies of bank statements, the volunteer firefighters' 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 volunteer firefighters' relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2011 to December 31, 2014:

- The Rockwood 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 – Untimely Receipt and Deposit of State Aid

- The Rockwood Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$ 23,648 and no investments.

The contents of this report were discussed with the management of the Rockwood Volunteer Firefighters' Relief Association, and, where appropriate, their response has 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.

September 10, 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 Relief Association of the Rockwood Fire Department Incorporated, herein referred to as the Rockwood 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 Rockwood Volunteer Firefighters’ Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Black Township	Somerset	\$9,213	\$5,241	\$6,108	\$5,762
Casselman Borough	Somerset	\$ 338*	\$ 191*	\$ 214*	\$ 204*
Milford Township	Somerset	\$8,042	\$4,575	\$5,137	\$4,917
Rockwood Borough	Somerset	\$6,683	\$3,782	\$4,245	\$4,050

* The 2011 and 2012 state aid allocations from Casselman Borough were not received and deposited by the Rockwood Volunteer Firefighters’ Relief Association until January 18, 2012 and May 15, 2014, respectively. Furthermore, the 2013 and 2014 state aid allocation from Casselman Borough was not received and deposited by the relief association until October 1, 2014 and May 12, 2015, respectively, as disclosed in the finding in this report.

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

Rockwood Fire Department

ROCKWOOD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Receipt and Deposit of State Aid

Condition: The relief association did not receive and deposit the 2014 state aid allocation of \$204 from Casselman Borough until May 12, 2015, which was 230 days after the municipality received the funds, on September 24, 2014, from the Commonwealth of Pennsylvania. In addition, the relief association did not receive and deposit the 2013 state aid allocation of \$214 from Casselman Borough until October 1, 2014. Furthermore, the relief association did not receive and deposit the 2011 state aid allocation of \$338 and the 2012 state aid allocation of \$191 from Casselman Borough until January 18, 2012 and May 15, 2014, respectively.

Criteria: As required by the Foreign Fire Insurance Tax Distribution Law Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), the municipality 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. It is the relief association's responsibility to monitor the municipality's distribution of the state aid. Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The relief association failed to monitor the municipality's distribution of state aid allocations to ensure the timely receipt of its respective state aid allocation check. If the relief association has not received its state aid allocation check within 60 days of the municipality's receipt of the monies from the Commonwealth of Pennsylvania, the relief association officers should contact the municipality to expedite the distribution of the funds due to the relief association. Also, the relief association failed to establish internal control procedures requiring that all income should be received, recorded, and deposited in a timely manner.

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

Recommendation: We recommend the relief association monitor the municipality's distribution of the state aid allocation to ensure it is received within 60 days of the date of receipt. Also, all income received should be deposited in a timely manner. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

ROCKWOOD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (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.

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

ROCKWOOD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2011 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	<u>\$ 17,681</u>
Fire Services:	
Equipment purchased	\$ 21,738
Equipment maintenance	19,157
Training expenses	2,163
Total Fire Services	<u>\$ 43,058</u>
Administrative Services:	
Other administrative expenses	<u>\$ 648</u>

ROCKWOOD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Rockwood Volunteer Firefighters' Relief Association Governing Body:

Mr. Michael Felesky	President
Mr. Timothy Wilson	Vice President
Ms. Jacqueline Felesky	Secretary
Ms. Jessica Sanner	Treasurer

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

Ms. Shirley Carolus Black Township	Secretary
Ms. Lisa Purbaugh Casselman Borough	Secretary
Mr. Randy M. Younkin Milford Township	Secretary
Ms. Jill Shultz Rockwood Borough	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.