

# COMPLIANCE AUDIT

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## Dauphin-Middle Paxton Firemen's Relief Association

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

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December 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 A. Fagan, Jr., President  
Dauphin-Middle Paxton Volunteer Firefighters'  
Relief Association  
Dauphin County

We have conducted a compliance audit of the Dauphin-Middle Paxton 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 Dauphin-Middle Paxton 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 Dauphin-Middle Paxton Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report.
- The Dauphin-Middle Paxton 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 Expenditure

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 Dauphin-Middle Paxton 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.

December 1, 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 Dauphin-Middle Paxton Firemen's Relief Association, herein referred to as the Dauphin-Middle Paxton 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 Dauphin-Middle Paxton 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>
Dauphin Borough	Dauphin	\$ 4,297	\$ 4,870	\$ 4,608
Middle Paxton Township	Dauphin	\$34,363	\$39,134	\$37,301

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

Dauphin-Middle Paxton Fire Company No. 1

DAUPHIN-MIDDLE PAXTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Dauphin-Middle Paxton Volunteer Firefighters' Relief Association has complied with the prior audit finding and recommendation, as follows:

- Inadequate Surety (Fidelity) Bond Coverage

By obtaining a bond policy solely in the relief association's name.

DAUPHIN-MIDDLE PAXTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditure**

**Condition:** The relief association expended \$1,500 for Surety (Fidelity) bond coverage for the affiliated fire company during the current audit period that is not authorized by Act 118.

**Criteria:** Act 118 at 35 Pa.C.S. § 7416(f)(12) states:

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

- (12) To secure insurance against legal liability of the 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 Surety (Fidelity) bond coverage for the affiliated fire company does not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under Act 118.

**Cause:** Relief association officials indicated that they were unaware that the expenditure for the fire company Surety (Fidelity) bond was not authorized by Act 118.

**Effect:** As a result of this improper expenditure, 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 \$1,500 for the unauthorized expenditure 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 \$1,500 for the unauthorized expenditure on September 24, 2015.

**Auditor's Conclusion:** We reviewed documentation verifying that the reimbursement of \$1,500 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

DAUPHIN-MIDDLE PAXTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2014

Cash Balance:	\$	44,075
Expenditures:		
Benefit Services:		
Insurance premiums	\$	<u>16,604</u>
Fire Services:		
Equipment purchased	\$	90,151
Equipment maintenance		16,344
Training expenses		9,283
Fire prevention materials		<u>2,304</u>
Total Fire Services	\$	<u>118,082</u>
Administrative Services:		
Officer compensation	\$	8,821
Other administrative expenses		5,337
Bond Premiums		<u>1,500</u>
Total Administrative Services	\$	<u>15,658</u>
Other Expenditures:		
Unauthorized expenditure	\$	<u>1,500</u>

DAUPHIN-MIDDLE PAXTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Dauphin-Middle Paxton Volunteer Firefighters' Relief Association Governing Body:

<b>Mr. Michael A. Fagan, Jr.</b>	President
<b>Mr. Ryan T. Boyer</b>	Vice President
<b>Mr. Jonathan R. Fleming</b>	Secretary
<b>Mr. Michael A. Fagan</b>	Treasurer

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

<b>Ms. Michelle E. McBurney</b> Dauphin Borough	Secretary
<b>Mr. Jim Fisher</b> Middle Paxton 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, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).