

COMPLIANCE AUDIT

B.J.W. Volunteer Fire Company Relief Association Clearfield County, Pennsylvania For the Period January 1, 2014 to December 31, 2016

May 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. John Shirley, President
B.J.W. Volunteer Fire Company
Relief Association
Clearfield County

We have conducted a compliance audit of the B.J.W. Volunteer Fire Company 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, 2014 to December 31, 2016.

The objectives of the audit were:

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

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.

Based on our audit procedures, we conclude that, for the period January 1, 2014 to December 31, 2016:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, 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, except as noted in the finding listed below and discussed later in this report.

Finding – Inappropriate Ownership of Pumper/Engine Vehicle

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 response has been included in this report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

May 1, 2017



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 afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Boggs Township	Clearfield	\$ -*	\$ 4,655	\$ 4,639
Bradford Township	Clearfield	\$16,962	\$16,063	\$16,027

* Boggs Township did not distribute state aid to this relief association in 2014. Under the Municipal Pension Plan Funding Standard and Recovery Act (commonly referred to as Act 205), municipalities receiving funding under the Act may re-distribute state aid received to any relief association providing fire services to the municipality.

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

B. J. W. Volunteer Fire Company

B.J.W. VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Unsecured Loan

By liquidating the fire company loan and depositing the proceeds into an appropriate relief association account during the current audit period.

B.J.W. VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Finding – Inappropriate Ownership Of Pumper/Engine Vehicle

Condition: On May 10, 2014, the relief association purchased a pumper/engine vehicle, in the amount of \$6,500, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the fire company.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, pumper/engine vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that the pumper/engine vehicle purchased was titled in the name of the relief association.

Effect: As a result of the pumper/engine vehicle being inappropriately titled in the name of the fire company, this relief association asset was not properly safeguarded.

Recommendation: We recommend that the pumper/engine vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$6,500. 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, subsequent to the period under review, the relief association applied for and received the corrected title on April 18, 2017.

Auditor's Conclusion: We reviewed the documentation verifying the title to the pumper/engine vehicle was reissued in the name of the relief association. Compliance for titling of purchased vehicles during the next audit period will be subject to verification through our next audit.

B.J.W. VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 18,524
Fair Value of Investments	<u>28,564</u>
Total Cash and Investments	<u>\$ 47,088</u>

B.J.W. VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 4,222
Tokens of sympathy and goodwill	237
Total Benefit Services	\$ 4,459
Fire Services:	
Equipment purchased	\$ 61,475
Equipment maintenance	21,539
Training expenses	2,829
Fire prevention materials	365
Total Fire Services	\$ 86,208
Administrative Services:	
Other administrative expenses	\$ 5,999
Bond premiums	300
Total Administrative Services	\$ 6,299
Other Expenditures:	
Payments on loan	\$ 25,149
Total Expenditures	\$ 122,115

B.J.W. VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

B.J.W. Volunteer Fire Company Relief Association Governing Body:

Mr. John Shirley
President

Mr. Bryan E. Beish
Vice President

Ms. Karissa Beish
Secretary

Ms. Mary F. Beish
Treasurer

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

Ms. Denise Dobo
Secretary
Boggs Township

Ms. Karen S. Fulmer
Secretary
Bradford Township

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.