

# COMPLIANCE AUDIT

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## Blue Knob Volunteer Firemen's Relief Association Blair County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

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December 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Allen Stombaugh, President  
Blue Knob Volunteer Firemen's  
Relief Association  
Blair County

We have conducted a compliance audit of the Blue Knob Volunteer Firemen's 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, 2012 to December 31, 2015.

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 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.

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, 2012 to December 31, 2015:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The 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 – Failure To Adhere To Relief Association Bylaws

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.

Pavia Township failed to complete and return reporting Certification Form AG 385 for the years 2015 and 2014 that would have enabled the township to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the years 2015 and 2014 accordingly. Consequently, the relief association did not receive their foreign fire tax allocation for the years 2015 and 2014 from this municipality during 2015 and 2014; and therefore, these funds were not available for use by the relief association for general operating expenses or for investment purposes. Pavia Township should submit future Form AG 385s by the March 31 annual filing date in accordance with Act 205 to ensure proper receipt and distribution of state aid to the relief association in subsequent periods.

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has been included in the report. We would like to thank relief association officials for the cooperation extended to us during the conduct of the audit.

December 27, 2016

  
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. The relief association's bylaws define the specific operational procedures by which the 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 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 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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Pavia Township	Bedford	\$1,004	\$1,161	*	*
Greenfield Township	Blair	\$6,169	\$7,136	\$7,299	\$6,425
Juniata Township	Blair	\$2,897	\$3,159	\$3,001	\$2,864

\*Pavia Township failed to complete and return reporting Certification Form AG 385, for the years 2015 and 2014 that would have enabled them to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for those years. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2015 and 2014 from this municipality; and therefore, these funds were not available for use by the relief association for general operating expenses or for investment purposes.

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:

Blue Knob Volunteer Fire Company

BLUE KNOB VOLUNTEER FIREMEN'S 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:

- Untimely Deposit of State Aid

By timely depositing all income received during the current audit period into an appropriate relief association account.

BLUE KNOB VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Adhere To Relief Association Bylaws**

Condition: The relief association did not adhere to provisions contained in the relief association's bylaws. Specifically, the relief association did not hold monthly meetings as prescribed in the bylaws.

Criteria: Section 1 of Article II of the relief association's bylaws stipulates the following:

Regular meetings of this association shall be held on the second Tuesday of each month immediately following the regular board meeting of the Blue Knob Volunteer Fire Company. Five members shall constitute a quorum.

Furthermore, prudent business practices dictate that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials indicated that they were aware of the bylaw guidelines established by the relief association, but were not compliant during the audit period.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. 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.



BLUE KNOB VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2015

Cash	<u>\$ 12,654</u>
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BLUE KNOB VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 27,244
Fire Services:	
Equipment purchased	\$ 19,455
Equipment maintenance	312
Training expenses	4,107
Total Fire Services	\$ 23,874
Administrative Services:	
Other administrative expenses	\$ 1,956
Other Expenditures:	
Miscellaneous	\$ 3,805
Undocumented expenditures*	270
Total Other Expenditures	\$ 4,075
Total Expenditures	\$ 57,149

\*Subsequent to our audit period, on November 22, 2016, the affiliated fire company reimbursed the relief association for insignificant undocumented expenditures amounting to \$270 and indicated that they will maintain supporting documentation for all future expenditures to evidence propriety for purposes authorized by Act 118.

BLUE KNOB VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Blue Knob Volunteer Firemen's Relief Association Governing Body:

**Mr. Allen Stombaugh**  
President

**Jamie Bertram**  
Vice President

**Ms. Cathy Barnes**  
Secretary

**Mr. William Decourcy**  
Treasurer

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

**Ms. Cindy Shaw**  
Secretary  
Greenfield Township

**Mr. Ronald E. Neff**  
Secretary  
Juniata Township

**Mr. George W. Corle**  
Secretary  
Pavia Township

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).