

COMPLIANCE AUDIT

Clintonville Volunteer Fire Department Foreign Fire Association Venango County, Pennsylvania For the Period January 1, 2014 to December 31, 2016

February 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Jeremy D. Gladd, President
Clintonville Volunteer Fire Department
Foreign Fire Association
Venango County

We have conducted a compliance audit of the Clintonville Volunteer Fire Department Foreign Fire 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 and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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 – Undocumented Expenditures

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 the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

February 1, 2018



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>
Barkeyville Borough	Venango	\$1,373	\$ 892	\$1,419
Clinton Township	Venango	\$5,084	\$5,379	\$5,406
Clintonville Borough	Venango	\$2,204	\$2,156	\$2,146
Irwin Township	Venango	\$7,697	\$7,535	\$7,512
Scrubgrass Township	Venango	\$2,950	\$2,915	\$2,912
Victory Township	Venango	\$2,350	\$2,353	\$2,343

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:

Clintonville Volunteer Fire Department

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE 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:

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
02/17/14	1314	Equipment Purchase Vendor	\$ 116
09/24/14	1324	Equipment Purchase Vendor	37
02/16/15	1336	Training Vendor	45
07/20/15	1352	Equipment Purchase Vendor	27
08/20/15	1353	Training Vendor	120
09/21/15	1355	Insurance Vendor	2,060
09/16/16	1381	Equipment Purchase Vendor	300
Total			<u>\$ 2,705</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters’ relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$2,705 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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 relief association provided this department with adequate supporting documentation to ensure the propriety of the expenditures amounting to \$2,360 on December 21, 2017.

Auditor’s Conclusion: We reviewed the supporting documentation verifying the propriety of the expenditures amounting to \$2,360. Compliance for either providing documentation for the remaining expenditures amounting to \$345 or reimbursing the relief association for that amount, and for maintaining appropriate documentation for expenditures made during the next audit period, will be subject to verification through our next audit.

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 33,950
Fair Value of Investments	<u>20,860</u>
Total Cash and Investments	<u>\$ 54,810</u>

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 4,120
Fire Services:	
Equipment purchased	\$ 39,499
Equipment maintenance	14,697
Training expenses	4,541
Total Fire Services	\$ 58,737
Administrative Services:	
Other administrative expenses	\$ 49
Bond premiums	300
Total Administrative Services	\$ 349
Total Investments Purchased	\$ 15,000
Other Expenditures:	
Miscellaneous*	\$ 26,825
Undocumented expenditures	2,705
Total Other Expenditures	\$ 29,530
Total Expenditures	\$ 107,736

* The miscellaneous expenditures noted above represent reimbursements made back to the affiliated Fire Department for erroneous deposits made into a relief association account during the audit period.

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Clintonville Volunteer Fire Department Foreign Fire Association Governing Body:

Mr. Jeremy D. Gladd
President

Ms. Lacie N. Rea
Secretary

Mr. Earl R. Moore
Treasurer

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

Ms. Cynthia K. McFeaters
Secretary
Barkeyville Borough

Ms. Danielle Fyock
Secretary
Clinton Township

Ms. Tracy Hedglin
Secretary
Clintonville Borough

Ms. Barbara L. Sopher
Secretary
Irwin Township

Ms. Wilda R. Chutz
Secretary
Scrubgrass Township

Ms. Sarah J. Smith
Secretary
Victory Township

CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE ASSOCIATION
REPORT DISTRIBUTION LIST

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.