

COMPLIANCE AUDIT

Foxburg Fire Relief Association Clarion County, Pennsylvania For the Period January 1, 2013 to November 20, 2014

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. Roderick V. Hopper, Vice President
Foxburg Fire Relief Association
Clarion County

We have conducted a compliance audit of the former Foxburg Fire 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, 2013 to November 20, 2014.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they related to the receipt of state aid and 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, 2013 to November 20, 2014:

- The relief association took some corrective action to address the findings contained in our prior audit report as discussed in the Status of Prior Findings section of this report.
- The former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt and expenditure of relief association funds.

On October 3, 2013, the former relief association dissolved and agreed to merge with the Parker City Volunteer Firemen's Relief Association. On November 20, 2014, the Articles of Merger were officially filed with the Commonwealth; and subsequently on March 4, 2016, the former relief association transferred all remaining monetary assets of the former relief association to the Parker City Volunteer Firemen's Relief Association.

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

December 8, 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 former relief association was 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 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 former relief association was not allocated state aid during the current audit period. As of October 3, 2013, the former relief association dissolved its organization and merged with the Parker City Volunteer Firemen’s Relief Association by properly filing its Articles of Merger with the Commonwealth on November 20, 2014. Thereafter, it did not receive any further state aid allocations (See Supplementary Financial Information).

The former relief association and the former affiliated fire service organization were separate, legal entities. The former relief association was affiliated with the following former fire service organization:

Foxburg Volunteer Fire Company

FOXBURG FIRE RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATION

- Failure To Deposit State Aid

The relief association did not receive any state aid from funding municipalities during the current audit period. As of October 3, 2013, the former relief association dissolved its organization and agreed to merge with the Parker City Volunteer Firemen's Relief Association; thereafter, it did not receive any further state aid allocations. Therefore, no further corrective action is required by the former relief association.

- Failure To Maintain Surety (Fidelity) Bond Coverage

With the dissolution and merger with the Parker City Volunteer Firemen's Relief Association, the former relief association subsequently transferred all of its remaining monetary assets to the merged relief association on March 4, 2016; therefore, no further corrective action is required by the former relief association.

- Failure To Maintain Minutes of Meetings

Although the former relief association again failed to maintain minutes of the former relief association's meetings held during the current audit period, the former relief association did provide this department detailed minutes of the approval and merger of the former relief association with the Parker City Volunteer Firemen's Relief Association. No further corrective action is required by the former relief association.

Since the former relief association dissolved its organization and consequently transferred its monetary assets and equipment to the Parker City Volunteer Firemen's Relief Association, the Parker City Volunteer Firemen's Relief Association's management should strive to comply with all applicable state laws, contracts, bylaws and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

FOXBURG FIRE RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF NOVEMBER 20, 2014

Cash	\$ <u>6,215*</u>
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*As of November 20, 2014, the former relief association completed the legal process of merging with Parker City Volunteer Firemen's Relief Association; however, all remaining monetary assets were not transferred to the newly merged relief association until March 4, 2016. As a result of this delay, the former relief association incurred additional insignificant bank fees amounting to \$109 subsequent to our audit period, thereby reducing the final monetary assets transferred to the Parker City Volunteer Firemen's Relief Association in the amount of \$6,106 on March 4, 2016.

FOXBURG FIRE RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2013 TO NOVEMBER 20, 2014

Expenditures:

Administrative Services:	
Other administrative expenses	<u>\$ 148</u>
 Total Expenditures *	 <u><u>\$ 148</u></u>

*As of November 20, 2014, the former relief association completed the legal process of merging with Parker City Volunteer Firemen's Relief Association; however, all remaining monetary assets were not transferred to the newly merged relief association until March 4, 2016. As a result of this delay, the former relief association incurred additional insignificant bank fees amounting to \$109 subsequent to our audit period, thereby reducing the final remaining monetary assets transferred to the Parker City Volunteer Firemen's Relief Association in the amount of \$6,106 on March 4, 2016. Due to the merger of the former relief association, we are providing officials of Parker City Volunteer Firemen's Relief Association copies of this report.

FOXBURG FIRE RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Foxburg Fire Relief Association Governing Body:

Mr. Roderick V. Hopper
Vice President

Mr. William L. Page, Jr.
Treasurer

Parker City Volunteer Firemen's Relief Association Governing Body:

Mr. Richard Farrington
President

Mr. Edward White
Vice President

Ms. Jacque Combos
Secretary

Mr. William R. McCall, Jr.
Treasurer

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.