

# COMPLIANCE AUDIT

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## Hanover Township Fireman's Relief Association

Luzerne County, Pennsylvania  
For the Period  
January 1, 2016 to December 31, 2017

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Dwayne Taggart, President  
Hanover Township Fireman's  
Relief Association  
Luzerne County

We have conducted a compliance audit of the Hanover Township Fireman'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, 2016 to December 31, 2017.

The objective of the audit was 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 objective 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, 2016 to December 31, 2017, 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 – 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 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.

May 4, 2018

A handwritten signature in dark ink, appearing to read "Eugene A. DePasquale", with a stylized, sweeping flourish at the end.

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 municipality:

| <u>Municipality</u> | <u>County</u> | <u>2016</u> | <u>2017</u> |
|---------------------|---------------|-------------|-------------|
| Hanover Township    | Luzerne       | \$56,974    | \$50,601    |

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

Askam Hose Company No. 6

Breslau Hose Company No. 5

Franklin Hose Company No. 4

Goodwill Hose Company No. 1

Newtown Hose Company No. 2

Preston Hose Company No. 3

HANOVER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditure**

Condition: The relief association expended \$12,902 for exercise equipment during the current audit period of which \$10,902 is not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(14) states:

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

- (14) To purchase exercise and fitness equipment for use by volunteer firefighters, except that expenditures for exercise and fitness equipment shall not exceed \$2,000 in any two-year period.

Costs associated with the purchase of exercise equipment over \$2,000 do 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 exercise equipment was not fully 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 \$10,902 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 \$10,902 for the unauthorized expenditure on February 27, 2018.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$10,902 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

HANOVER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2017

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 68,075         |
| Fair Value of Investments  | <u>139,403</u>    |
| Total Cash and Investments | <u>\$ 207,478</u> |



HANOVER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:

|                        |                  |
|------------------------|------------------|
| Insurance premiums     | \$ 19,679        |
| Death benefits         | <u>30,000</u>    |
| Total Benefit Services | <u>\$ 49,679</u> |

Fire Services:

|                       |                 |
|-----------------------|-----------------|
| Equipment             | \$ 2,000        |
| Equipment maintenance | <u>4,192</u>    |
| Total Fire Services   | <u>\$ 6,192</u> |

Administrative Services:

|                               |              |
|-------------------------------|--------------|
| Other administrative expenses | <u>\$ 35</u> |
|-------------------------------|--------------|

|                             |                  |
|-----------------------------|------------------|
| Total Investments Purchased | <u>\$ 75,000</u> |
|-----------------------------|------------------|

Other Expenditures:

|                          |                  |
|--------------------------|------------------|
| Unauthorized expenditure | <u>\$ 10,902</u> |
|--------------------------|------------------|

|                    |                          |
|--------------------|--------------------------|
| Total Expenditures | <u><u>\$ 141,808</u></u> |
|--------------------|--------------------------|

HANOVER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Hanover Township Fireman's Relief Association Governing Body:

**Mr. Dwayne Taggart**  
President

**Mr. Daniel Harkenreader**  
Vice President

**Mr. Eric Sheeder**  
Secretary

**Mr. Frank Rinkevich**  
Treasurer

**Mr. Sean P. Reilly**  
Assistant Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

**Ms. Donna M. Makarczyk**  
Secretary  
Hanover 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).