

# COMPLIANCE AUDIT

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## Marguerite Volunteer Fire Department Relief Association Westmoreland County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

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January 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Jack Noonan, President  
Marguerite Volunteer Fire Department  
Relief Association  
Westmoreland County

We have conducted a compliance audit of the Marguerite Volunteer Fire Department 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, 2015 to December 31, 2016.

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 objective. 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, 2015 to December 31, 2016, 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 – Failure To Comply With Terms Of Loan Agreement

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 have 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.

January 5, 2018

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a stylized, flowing script.

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>2015</u>	<u>2016</u>
Unity Township	Westmoreland	\$20,917	\$20,845

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:

Marguerite Volunteer Fire Department

MARGUERITE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Comply With Terms Of Loan Agreement**

Condition: On April 6, 2011, the relief association entered into an agreement with the affiliated fire company to assign all ownership rights to the relief association on a 2004 KME Rescue. In return the relief association agreed to make loan payments and accept all liabilities and responsibilities of the affiliated fire company loan. However, the relief association did not make any payments for the period under review and subsequent to the period under review. Only the awarded grants from the affiliated fire company were applied to this loan. The loan is currently past due, which includes late fees and penalties, totaling \$23,426.

Criteria: The terms of the affiliated fire company payment history schedule states that payments of \$1,030 will be due on a monthly basis. However, the awarded grants from the affiliated fire company would be applied to the loan once a year.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure loan payments would be made in accordance with the payment schedule.

Effect: Due to the relief association not making regular scheduled loan payments, the relief association has a deficiency of fees and penalties totaling \$23,426.

Recommendation: We recommend that relief association officials ensure future payments are made in accordance with the loan agreement. 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 on November 17, 2017, the relief association paid the \$23,426 which included the late fees and penalties for the loan.

Auditor's Conclusion: We reviewed documentation verifying that the payment of \$23,426 was received for the loan. Compliance will be made during the next audit period and will be subject to verification through our next audit.

MARGUERITE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2016

Cash	<u>\$ 14,590</u>
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MARGUERITE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:

Insurance premiums	<u>\$ 18,004</u>
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Fire Services:

Equipment purchased	\$ 34,671
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Equipment maintenance	7,041
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Training expenses	<u>218</u>
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Total Fire Services	<u>\$ 41,930</u>
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Administrative Services:

Bond premiums	<u>\$ 250</u>
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Total Expenditures	<u><u>\$ 60,184</u></u>
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MARGUERITE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Marguerite Volunteer Fire Department Relief Association Governing Body:

**Mr. Johnathan Noonan**  
President

**Mr. Robert A. Noonan**  
Vice President

**Mr. Wayne R. Forsyth**  
Secretary

**Mr. Scot C. Graham**  
Treasurer

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

**Ms. Anita Ulishney**  
Secretary  
Unity 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).