

# COMPLIANCE AUDIT

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## The New Albany Volunteer Fire Relief Association of the State of Pennsylvania Bradford County For the Period January 1, 2014 to December 31, 2016

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October 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Dale Hatch, President  
The New Albany Volunteer Fire Relief Association  
Of The State Of Pennsylvania  
Bradford County

We have conducted a compliance audit of The New Albany Volunteer Fire Relief Association Of The State Of Pennsylvania (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 findings 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 one of the two findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this 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 – Noncompliance With Prior Audit Recommendation – Untimely  
Deposit Of State Aid

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.

October 24, 2017



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>
Albany Township	Bradford	\$5,212	\$4,843	\$4,826*
New Albany Borough	Bradford	\$1,539	\$1,483	\$1,477
Overton Township	Bradford	\$1,213	\$1,480	\$1,499
Terry Township	Bradford	\$2,059	\$2,053	\$2,056

\* The 2016 state aid distribution received from Albany Township was not deposited by the relief association until January 5, 2017 as disclosed in the finding in this report.

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:

New Albany Volunteer Fire Company

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the two prior audit findings and recommendations, as follows:

- Inappropriate Ownership of Rescue Vehicles

By ensuring the titles of the rescue vehicles were transferred to the relief association.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the one of the two prior audit findings. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Untimely Deposit of State Aid

The relief association again failed to ensure the timely deposit of all state aid received during the current audit period.

We are concerned by the relief association's failure to fully correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid**

Condition: As disclosed in the prior audit report, the relief association did not ensure that all state aid received was deposited timely into a relief association account. A similar condition occurred during the current audit period. The relief association did not deposit the 2016 state aid distribution it received from Albany Township, in the amount of \$4,826, until January 5, 2017. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 20, 2016, who forwarded this state aid to the relief association on November 11, 2016, which is within 60 days of receipt, as required by Section 706(b)(2) of the Act of December 18, 1984 (P.L. 1005, No. 205); however, upon receipt of the state aid allocation from Albany Township, the relief association did not ensure the funds were deposited timely into a relief association account.

Criteria: As previously disclosed, Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practices dictate that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner. Relief association officials indicated that state aid was not forwarded in a timely manner by the municipality and the relief association treasurer was unable to deposit the state aid until January 5, 2017.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We again recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION  
OF THE STATE OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2016

Cash	\$ 16,184
Book Value of Other Investments	<u>3,895</u>
Total Cash and Investments	<u>\$ 20,079</u>

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION  
OF THE STATE OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 10,022
Tokens of sympathy and goodwill	126
Total Benefit Services	\$ 10,148
Fire Services:	
Equipment purchased	\$ 27,899
Equipment maintenance	4,136
Total Fire Services	\$ 32,035
Administrative Services:	
Other administrative expenses	\$ 136
Bond premiums	345
Total Administrative Services	\$ 481
Total Expenditures	\$ 42,664

THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION  
OF THE STATE OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The New Albany Volunteer Fire Relief Association Of The State Of Pennsylvania  
Governing Body:

**Mr. Dale Hatch**  
President

**Ms. Susan A. Hinkson**  
Treasurer

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

**Ms. Andrae Cummiskey**  
Secretary  
Albany Township

**Ms. Rhonda McCarty**  
Secretary  
New Albany Borough

**Ms. Michelle McGroarty**  
Secretary  
Overton Township

**Ms. Stacy J. Hart**  
Secretary  
Terry 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).