

COMPLIANCE AUDIT

New Castle Township Volunteer Firemen's Relief Association Schuylkill County, Pennsylvania For the Period January 1, 2012 to June 13, 2016

November 2016



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
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Joseph Skrobak, President
New Castle Township Volunteer Firemen's
Relief Association
Schuylkill County

We have conducted a compliance audit of the former New Castle Township Volunteer Firemen'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, 2012 to June 13, 2016.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

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, 2012 to June 13, 2016:

- The former relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as discussed in the Status of Prior Finding section of this report. However, due to the dissolution of the former relief association, no further action is required.
- The former relief association, in all significant respects, expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. However, as of June 13, 2016, the former relief association dissolved and transferred all remaining monetary assets and equipment to the Firemen's Relief Association of the Borough of Saint Clair, PA Schuylkill County and the Mount Carbon Volunteer Firefighters' 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.

November 7, 2016



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	3
Supplementary Financial Information	4
Report Distribution List	6

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. The relief association's bylaws define the specific operational procedures by which the relief association conducts 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)

New Castle Township has not allocated state aid to the New Castle Township Volunteer Firemen's Relief Association since 2011. As of June 13, 2016, the former relief association dissolved its organization. (See Supplementary Financial Information on pg. 5)

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

Rainbow Hose Company of Wadesville

NEW CASTLE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

STATUS OF PRIOR AUDIT FINDING AND RECOMMENDATION

- Failure To Maintain Surety (Fidelity) Bond Coverage

As disclosed in the prior audit report, the former relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer. We previously recommended that the former relief association ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by Act 118. However, as disclosed earlier in this report, as of June 13, 2016, the former relief association dissolved and subsequently transferred all of its remaining monetary assets and equipment to the Firemen's Relief Association of the Borough of Saint Clair, PA Schuylkill County and the Mount Carbon Volunteer Firefighters' Relief Association. Due to dissolution of the former relief association, no further action is required.

NEW CASTLE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF JUNE 13, 2016

Cash	<u>\$ -</u>
------	-------------

NEW CASTLE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2012 TO JUNE 13, 2016

Expenditures:

Benefit Services:	
Death benefits	<u>\$ 3,200</u>
Administrative Services:	
Other administrative expenses	<u> 121</u>
Other Expenditures:	
Transfer of monetary assets*	<u> 35,916</u>
 Total Expenditures	 <u><u> 39,237</u></u>

*Transfer of Monetary Assets/Dissolution of Relief Association:

As of June 13, 2016, the former relief association completed the process of dissolution. Consequently, all of its remaining monetary assets were distributed to the Firemen's Relief Association of the Borough of Saint Clair, PA Schuylkill County in the amount of \$25,916 and Mount Carbon Volunteer Firefighters' Relief Association in the amount of \$10,000.

NEW CASTLE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

New Castle Township Volunteer Firemen's Relief Association Governing Body:

Mr. Joseph Skrobak
President

Mr. Robert Grabish
Secretary

Ms. Mariann Grabish
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.