

# COMPLIANCE AUDIT

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## Newport Township Firemen's Relief Association of Newport Township Luzerne County, Pa

For the Period  
January 1, 2013 to December 31, 2016

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April 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Leonard Paczkowski, President  
Newport Township Firemen's Relief Association of  
Newport Township Luzerne County, Pa  
Luzerne County

We have conducted a compliance audit of the Newport Township Firemen's Relief Association of Newport Township Luzerne County, Pa (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 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.

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 December 31, 2016:

- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the 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 –  
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.

April 13, 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 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)**

The relief association was allocated state aid from the following municipality:

| <u>Municipality</u> | <u>County</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Newport Township    | Luzerne       | \$23,224    | \$21,985    | \$21,102    | \$22,134    |

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:

Glen Lyon-Alden Volunteer Hose Company

Newport Township Consolidated Fire Company

NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
LUZERNE COUNTY, PA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of Act 118 and to properly authorize the operating procedures of the association.

- Inappropriate Ownership Of A Rescue Vehicle

By ensuring the title of the rescue vehicle was transferred to the relief association.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Unauthorized Expenditure

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

NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
LUZERNE COUNTY, PA  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditure**

Condition: As cited in the prior audit report, the relief association expended \$425 for a grant writing course that is not authorized by Act 118 and was not reimbursed for that amount during the audit period.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(10 and 11) states:

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

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

The cost associated with the grant writing course does not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under Act 118.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected the fact that the expenditure for the grant writing course was not 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 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 two affiliated fire companies reimbursed the relief association the total of \$425 for the unauthorized expenditure on March 23, 2017.



NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
LUZERNE COUNTY, PA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$425 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
LUZERNE COUNTY, PA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2016

|                                 |    |                       |
|---------------------------------|----|-----------------------|
| Cash                            | \$ | 25,653                |
| Fair Value of Investments       |    | 143,744               |
| Book Value of Other Investments |    | <u>14,808</u>         |
| Total Cash and Investments      | \$ | <u><u>184,205</u></u> |

NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
 LUZERNE COUNTY, PA  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2016

Expenditures:

|                               |                   |
|-------------------------------|-------------------|
| Benefit Services:             |                   |
| Insurance premiums            | \$ 23,421         |
| Death benefits                | 22,000            |
| Total Benefit Services        | <u>\$ 45,421</u>  |
|                               |                   |
| Fire Services:                |                   |
| Equipment purchased           | \$ 25,083         |
| Equipment maintenance         | 13,715            |
| Training expenses             | 4,712             |
| Total Fire Services           | <u>\$ 43,510</u>  |
|                               |                   |
| Administrative Services:      |                   |
| Officer compensation          | \$ 100            |
| Other administrative expenses | 2,984             |
| Bond premiums                 | 1,237             |
| Total Administrative Services | <u>\$ 4,321</u>   |
|                               |                   |
| Investments purchased         | <u>\$ 15,750</u>  |
|                               |                   |
| Other Expenditure:            |                   |
| Miscellaneous                 | <u>\$ 645</u>     |
|                               |                   |
| Total Expenditures            | <u>\$ 109,647</u> |

NEWPORT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF NEWPORT TOWNSHIP  
LUZERNE COUNTY, PA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Newport Township Firemen's Relief Association of Newport Township Luzerne County, Pa  
Governing Body:

**Mr. Leonard Paczkowski**  
President

**Mr. John F. Elmy**  
Treasurer

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

**Mr. Peter Wanchisen**  
Secretary  
Newport 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).