

COMPLIANCE AUDIT

Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA Westmoreland County For the Period January 1, 2012 to December 31, 2015

July 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Rick Wenskowski, President
Oklahoma Volunteer Firemen's Relief Association
of Oklahoma Boro, PA
Westmoreland County

We have conducted a compliance audit of the Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, 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, 2012 to December 31, 2015.

The objective of the audit was to determine if the 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 objective 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

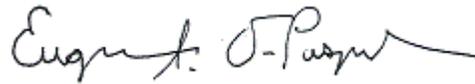
Based on our audit procedures, we conclude that, because of the significance of the matter described in the finding below and discussed later in this report, the relief association did not, in all significant respects, receive state aid and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures for the period January 1, 2012 to December 31, 2015. Therefore, the relief association may be subject to the total withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

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.

June 30, 2016



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. 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)

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

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Oklahoma Borough	Westmoreland	\$3,783	\$4,276	\$4,067	\$3,895

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:

Oklahoma Volunteer Fire Department

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
FINDING AND RECOMMENDATION

Finding – Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: The relief association did not receive its proportional ownership interest of the proceeds from the sale of a jointly purchased vehicle with the affiliated fire department. As of December 31, 2015, the relief association expended a total of \$31,598 in relief association funds towards the joint purchase of a 2009 Pierce Pumper with the affiliated fire department which had a total overall cost of \$248,770. On November 11, 2008, March 3, 2009, and January 17, 2012, the relief association contributed \$10,000, \$16,577, and \$3,300, respectively, towards the purchase of this vehicle. These amounts are consistent with agreements between the relief association and the affiliated fire department provided by relief association officials. In addition, on December 2, 2012 the relief association made an additional payment in the amount of \$1,721 towards the outstanding loan balance for this vehicle. However, this amount was not covered in any of the agreements provided. Moreover, in 2014, this vehicle was sold through a broker to another fire department for \$195,000; however, as of the date of this report, the relief association did not receive its proportional ownership interest in the proceeds from this sale of this vehicle since the vehicle was titled solely in the name of the affiliated fire department.

Criteria: Act 118 at 35 PaC.S. 7418(a) states:

The Office of the Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold.

Cause: Relief association officials failed to adequately receive its proportional ownership interest in the jointly purchased vehicle.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: The failure to adequately receive the proportional share of ownership interest in the jointly purchased vehicle places the relief association's funds not available for authorized purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association seek reimbursement in the amount of \$24,765 for its proportional ownership interest since the vehicle was sold. We also recommend that relief association officials ensure that all other current and future formal written agreements executed with the fire department enumerate the relief association's proportional ownership interest in jointly purchased vehicles and equipment, as well as, clearly stipulating that the proportionate sales proceeds shall revert to the relief association upon disposition of jointly purchased vehicles and equipment. 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2015

Cash	\$ <u>6,104</u>
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OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:

Insurance premiums	<u>\$ 7,048</u>
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Fire Services:

Equipment purchased	\$ 9,020
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Equipment maintenance	<u>5,604</u>
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Total Fire Services	<u>\$ 14,624</u>
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Administrative Services:

Bond premiums	<u>\$ 1,076</u>
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Total Expenditures	<u><u>\$ 22,748</u></u>
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OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF OKLAHOMA
BORO, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA Governing Body:

Mr. Rick Wenskowski
President

Mr. Don Polka
Treasurer

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

Ms. Alecia Sherbondy
Secretary
Oklahoma Borough

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.