

COMPLIANCE AUDIT

Osceola Mills Firemen's Relief Association of the Borough of Osceola Mills, County of Clearfield, State of Pennsylvania

For the Period
January 1, 2014 to December 31, 2016

September 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Adam C. Barnett, President
Osceola Mills Firemen's Relief Association of
the Borough of Osceola Mills,
County of Clearfield, State of Pennsylvania

We have conducted a compliance audit of the Osceola Mills Firemen's Relief Association of the Borough of Osceola Mills, County of Clearfield, 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 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, 2014 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 – 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.

September 6, 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>
Decatur Township	Clearfield	\$10,985	\$10,586	\$10,623
Osceola Mills Borough	Clearfield	\$ 4,972	\$ 4,839	\$ 4,805

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:

Osceola Mills Columbia Fire Company

OSCEOLA MILLS FIREMEN'S RELIEF ASSOCIATION OF THE BOROUGH OF
OSCEOLA MILLS, COUNTY OF CLEARFIELD, STATE OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditure

Condition: The relief association expended \$1,000 towards grant writing services during the current audit period that is not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 11, and 17) states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Costs associated with the purchase of grant writing services do not qualify as an authorized volunteer firefighters' relief association expenditures; consequently, this disbursement is not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditure for grant writing services 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 be reimbursed \$1,000 for the unauthorized expenditure and that 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.

OSCEOLA MILLS FIREMEN'S RELIEF ASSOCIATION OF THE BOROUGH OF
OSCEOLA MILLS, COUNTY OF CLEARFIELD, 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$1,000 for the unauthorized expenditure on August 21, 2017.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,000 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

OSCEOLA MILLS FIREMEN'S RELIEF ASSOCIATION OF THE BOROUGH OF
OSCEOLA MILLS, COUNTY OF CLEARFIELD, STATE OF PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	<u>\$ 3,074</u>
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OSCEOLA MILLS FIREMEN'S RELIEF ASSOCIATION OF THE BOROUGH OF
OSCEOLA MILLS, COUNTY OF CLEARFIELD, STATE OF PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 7,768
Death benefits	800
Tokens of sympathy and goodwill	50
Total Benefit Services	<u>\$ 8,618</u>

Fire Services:	
Equipment purchased	\$ 24,744
Equipment maintenance	14,988
Training expenses	567
Total Fire Services	<u>\$ 40,299</u>

Administrative Services:	
Other administrative expenses	\$ 313
Bond premiums	300
Total Administrative Services	<u>\$ 613</u>

Other Expenditures:	
Payments on loan	\$ 4,208
Payments on lease-financing	3,600
Unauthorized expenditure	1,000
Total Other Expenditures	<u>\$ 8,808</u>

Total Expenditures	<u><u>\$ 58,338</u></u>
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OSCEOLA MILLS FIREMEN'S RELIEF ASSOCIATION OF THE BOROUGH OF
OSCEOLA MILLS, COUNTY OF CLEARFIELD, STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Osceola Mills Firemen's Relief Association of the Borough of Osceola Mills, County of
Clearfield, State of Pennsylvania Governing Body:

Mr. Adam C. Barnett
President

Mr. Allen M. Ashcroft
Vice President

Mr. Gerald M. Barnett
Treasurer

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

Ms. Panela K. Peters
Secretary
Decatur Township

Ms. Diann Turner
Secretary
Osceola Mills 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.