

COMPLIANCE AUDIT

Pleasantville Volunteer Fire Department Relief Association, Inc. Venango County, Pennsylvania For the Period January 1, 2014 to December 31, 2016

December 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Mary Jane Schroeder, President
Pleasantville Volunteer Fire Department
Relief Association, Inc.
Venango County

We have conducted a compliance audit of the Pleasantville Volunteer Fire Department Relief Association, Inc. (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 – Untimely Receipt And 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.

November 27, 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>
Oil Creek Township	Crawford	\$3,003	\$2,876	\$2,867
Allegheny Township	Venango	\$1,988	\$1,993	\$2,019
Oilcreek Township	Venango	\$4,624	\$4,596	\$4,550
Pleasantville Borough	Venango	\$5,119	\$3,983	\$3,967
Southwest Township	Warren	\$1,293	\$1,279	\$1,284*

* The 2016 state aid allocation received from Southwest Township was not deposited by the relief association until March 2, 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:

Pleasantville Volunteer Fire Department

PLEASANTVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION, INC.
FINDING AND RECOMMENDATION

Finding – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not deposit the 2016 state aid allocation it received from Southwest Township, in the amount of \$1,284, until March 2, 2017. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 20, 2016; however, municipal officials failed to forward the state aid allocation to the relief association until January 28, 2017, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Additionally, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into an appropriate relief association account.

Criteria: 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: Southwest Township did not release the funds to the relief association until January 28, 2017 and the relief association's internal control procedures were not adequate to ensure the timely receipt and deposit of state aid.

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

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income due the relief association. 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: Compliance will be subject to verification through our next audit.

PLEASANTVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	<u>\$ 5,181</u>
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PLEASANTVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION, INC.
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Tokens of sympathy and goodwill	\$ 96
Fire Services:	
Equipment purchased	\$ 27,142
Equipment maintenance	6,270
Training expenses	7,810
Total Fire Services	\$ 41,222
Administrative Services:	
Other administrative expenses	\$ 327
Bond premiums	273
Total Administrative Services	\$ 600
Other Expenditures:	
Payments on loan	\$ 29,660
Total Expenditures	\$ 71,578

PLEASANTVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Pleasantville Volunteer Fire Department Relief Association, Inc. Governing Body:

Ms. Mary Jane Schroeder
President

Mr. Corey Huth
Vice President

Mr. Harvey J. Long
Treasurer

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

Ms. April L. Averill
Secretary
Oil Creek Township

Ms. Christine Hulings
Secretary
Allegheny Township

Ms. Amy J. Cherry
Secretary
Oilcreek Township

Ms. Stephanie Drake
Secretary
Pleasantville Borough

Ms. Barbara A. Kemp
Secretary
Southwest Township

PLEASANTVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

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