

COMPLIANCE AUDIT

Rawlinsville Firemen's Relief Association of Holtwood, Pennsylvania Lancaster County For the Period January 1, 2014 to December 31, 2016

January 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. David Walter, President
Rawlinsville Firemen's Relief Association
of Holtwood, Pennsylvania
Lancaster County

We have conducted a compliance audit of the Rawlinsville Firemen's Relief Association of Holtwood, 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 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 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2016, the relief association had a cash balance of \$141,439, we were not able to verify this cash balance.

We were also not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the preceding paragraphs, for the period January 1, 2014 to December 31, 2016:

- The relief association took appropriate corrective action to address four of the five findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one 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 – Failure To Maintain A Complete And Accurate Equipment Roster

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.

December 21, 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>
Drumore Township	Lancaster	\$ 6,500	\$ 6,177	\$ 6,177
East Drumore Township	Lancaster	\$ 2,732	\$ 2,624	\$ 2,610
Martic Township	Lancaster	\$36,317	\$34,543	\$34,411
Providence Township	Lancaster	\$11,520	\$11,085	\$11,042

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:

Rawlinsville Volunteer Fire Company

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By receiving reimbursement of \$5,621 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period. And also by providing adequate documentation to evidence the propriety of the remaining undocumented expenditures that were made in the prior audit period.

- Unauthorized Expenditures

By receiving reimbursement of \$1,064 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

- Failure To Define Discretionary Benefits

By amending the association's bylaws to reflect the amount of officer salary compensation to be paid.

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership.

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS – (Continued)

Due to the dissolution of the former Pequea Volunteer Fire Company No. 1 Firemen's Relief Association, officials of Rawlinsville Firemen's Relief Association of Holtwood, Pennsylvania were provided copies of that entity's final close-out audit report so that officials were made aware of the conditions that were detected in the operations of the former Pequea Volunteer Fire Company No. 1 Firemen's Relief Association during the course of their audit. The Rawlinsville Firemen's Relief Association of Holtwood, Pennsylvania has complied with three of the four 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.

- Undocumented Expenditures

By receiving reimbursement of \$1,453 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.

- Improper Merger

By receiving the transfer of all equipment and vehicles.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the five prior audit findings, which includes one of the four prior audit findings of the former Pequea Volunteer Fire Company No. 1 Firemen's Relief Association audit. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster

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.

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: As disclosed in our prior audit reports, the relief association again failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$134,323 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Even though notified of this condition during our two prior audits, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	<u>\$ 141,439</u>
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RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 789
	<hr/>
Fire Services:	
Equipment purchased	\$ 134,323
Equipment maintenance	19,514
Training expenses	16,557
Fire prevention materials	2,924
Total Fire Services	<hr/> \$ 173,318 <hr/>
Administrative Services:	
Officer compensation	\$ 800
Other administrative expenses	84
Bond premiums	400
Total Administrative Services	<hr/> \$ 1,284 <hr/>
Other Expenditures:	
Miscellaneous *	<hr/> \$ 17,205 <hr/>
Total Expenditures	<hr/> <hr/> \$ 192,596 <hr/>

* The relief association made an erroneous deposit during the prior audit period and two erroneous deposits during the current audit period. All monies were returned to the affiliated fire company in 2014 and 2015.

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Rawlinsville Firemen's Relief Association of Holtwood, Pennsylvania Governing Body:

Mr. David Walter
President

Ms. Stacy Neely
Vice President

Ms. Jennifer Watson
Secretary

Ms. Gail Stone
Treasurer

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

Ms. Sharon H. Roth
Secretary
Drumore Township

Ms. Vickie Kreider
Secretary
East Drumore Township

Ms. Karen D. Sellers
Secretary
Martic Township

Ms. Vicki L. Eldridge
Secretary
Providence Township

RAWLINSVILLE FIREMEN'S RELIEF ASSOCIATION OF HOLTWOOD,
PENNSYLVANIA
REPORT DISTRIBUTION LIST

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