

COMPLIANCE AUDIT

Rush Volunteer Fire Department Firefighter's Relief Association Susquehanna County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

May 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Michael Flynn, President
Rush Volunteer Fire Department
Firefighter's Relief Association
Susquehanna County

We have conducted a compliance audit of the Rush Volunteer Fire Department Firefighter's Relief Association (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, for the period January 1, 2012 to December 31, 2015, the relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the finding listed below and discussed later in this report.

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

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.

Friendsville Borough failed to complete and return reporting Certification Form AG 385 for the year 2015 that would have enabled them to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), for the year 2015. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2015 from this municipality during 2015; and therefore, those funds were not available to the relief association for general operating expenses or for investment purposes. Friendsville Borough should submit the Form AG 385 forms by the March 31 annual filing date in accordance with Act 205 to ensure proper receipt and distribution of state aid to the relief association in subsequent periods.

The contents of this report were discussed with the management of the relief association and, we would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

May 12, 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Auburn Township	Susquehanna	\$2,162	\$2,461	\$2,338	\$2,224
Friendsville Borough	Susquehanna	\$ 539	\$ 633	\$ 600	*
Jessup Township	Susquehanna	\$1,587	\$1,864	\$1,762	\$1,659
Middletown Township	Susquehanna	\$1,820	\$2,241	\$2,131	\$2,074
Rush Township	Susquehanna	\$6,860	\$8,142	\$7,709	\$7,760

* Friendsville Borough failed to complete and return reporting Certification Form AG 385, for the year 2015 that would have enabled them to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the year 2015. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2015 from this municipality during 2015; and therefore, those funds were not available to the relief association for general operating expenses or for investment purposes. Friendsville Borough should submit AG 385 forms by the March 31 annual filing date in accordance with Act 205 to ensure proper receipt and distribution of state aid to the relief association in subsequent periods.

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:

Rush Volunteer Fire Department

RUSH VOLUNTEER FIRE DEPARTMENT FIREFIGHTER'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on May 1, 2012. As of December 31, 2015, the relief association's cash assets totaled \$63,387.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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 subsequent to the audit period, on March 14, 2016, the relief association obtained bond coverage in an amount greater than the balance of the relief association's cash assets.

Auditor's Conclusion: Based on the management response, it appears the relief association has complied with our recommendation. Continued compliance will be subject to verification through our next audit.

RUSH VOLUNTEER FIRE DEPARTMENT FIREFIGHTER'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Cash Balance:	\$	63,387
Fair Value of Investments Balance:	\$	68,492
Expenditures:		
Benefit Services:		
Insurance premiums	\$	15,717
Death benefits		500
Total Benefit Services	<u>\$</u>	<u>16,217</u>
Fire Services:		
Equipment purchased	\$	39,150
Equipment maintenance		3,020
Training expenses		2,050
Total Fire Services	<u>\$</u>	<u>44,220</u>
Administrative Services:		
Other administrative expenses	\$	2,792
Bond premiums		400
Total Administrative Services	<u>\$</u>	<u>3,192</u>

RUSH VOLUNTEER FIRE DEPARTMENT FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Rush Volunteer Fire Department Firefighter's Relief Association Governing Body:

Mr. Michael Flynn
President

Ms. Deborah Purtell
Treasurer

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

Ms. Emily Cleveland
Secretary
Auburn Township

Ms. Betty Bazewick
Secretary
Friendsville Borough

Ms. Janis Bunnell
Secretary
Jessup Township

Ms. Mary K. Long
Secretary
Middletown Township

Ms. Lynda Rose Juser
Secretary
Rush Township

RUSH VOLUNTEER FIRE DEPARTMENT FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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