

# COMPLIANCE AUDIT

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## Salisbury Township Fire Co. #1 Relief Association

Lancaster County, Pennsylvania  
For the Period  
January 1, 2012 to December 31, 2015

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September 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Sam Stoltzfus, President  
Salisbury Township Fire Co. #1  
Relief Association  
Lancaster County

We have conducted a compliance audit of the Salisbury Township Fire Co. #1 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.

We were 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 matter described in the preceding paragraph, 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 – Untimely 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.

September 17, 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> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Salisbury Township  | Lancaster     | \$34,322    | \$38,697    | \$36,774    | \$35,166    |
| West Caln Township  | Chester       | *           | \$ 5,000    | \$ 5,000    | \$ 5,000*   |

\* While the Salisbury Township relief association only began receiving state aid from West Caln Township in 2013, the 2015 state aid allocation received from West Caln Township was not deposited by the relief association until July 5, 2016, as disclosed in the finding and recommendation contained 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:

Salisbury Township Fire Co. #1

SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Untimely Deposit Of State Aid**

Condition: The relief association did not deposit the 2015 state aid allocation it received from West Caln Township, in the amount of \$5,000, until July 5, 2016. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 30, 2015, who forwarded this state aid to the relief association on October 20, 2015, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, the check was incorrectly issued in the name of the affiliated fire company instead of the relief association and inadvertently deposited into a fire company account. The relief association did not ensure that funds received were deposited timely into a 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: The relief association's internal control procedures which require that all income received be recorded and deposited timely into a relief association account were not adequate to timely identify the error.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes during 2015. In addition, untimely deposits of receipts increase the risk that funds could be lost or misappropriated.

Recommendation: Since the relief association deposited the outstanding 2015 state aid allocation from West Caln Township, we recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued):**

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.



SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2015

|      |                  |
|------|------------------|
| Cash | <u>\$ 99,223</u> |
|------|------------------|

SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Expenditures:

|                          |                             |
|--------------------------|-----------------------------|
| Benefit Services:        |                             |
| Insurance premiums       | <u>\$    21,350</u>         |
| Fire Services:           |                             |
| Equipment purchased      | \$    121,491               |
| Equipment maintenance    | 5,389                       |
| Training expenses        | <u>7,865</u>                |
| Total Fire Services      | <u>\$    134,745</u>        |
| Administrative Services: |                             |
| Bond premiums            | <u>\$         823</u>       |
| Total Expenditures       | <u><u>\$    156,918</u></u> |

SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Salisbury Township Fire Co. #1 Relief Association Governing Body:

**Mr. Sam Stoltzfus**  
President

**Mr. Melvin L. Lantz**  
Vice President

**Mr. Abner Z. Beiler**  
Secretary

**Mr. Samuel Ebersol**  
Treasurer

**Ms. Andrea Lingenfelter**  
Assistant Secretary

**Mr. Kenneth L. Eberly**  
Assistant Treasurer

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

**Mr. Lester O. Houck**  
Secretary  
Salisbury Township

**Mr. Gary L. Dunlap**  
Secretary  
West Caln Township

SALISBURY TOWNSHIP FIRE CO. #1 RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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