COMPLIANCE AUDIT

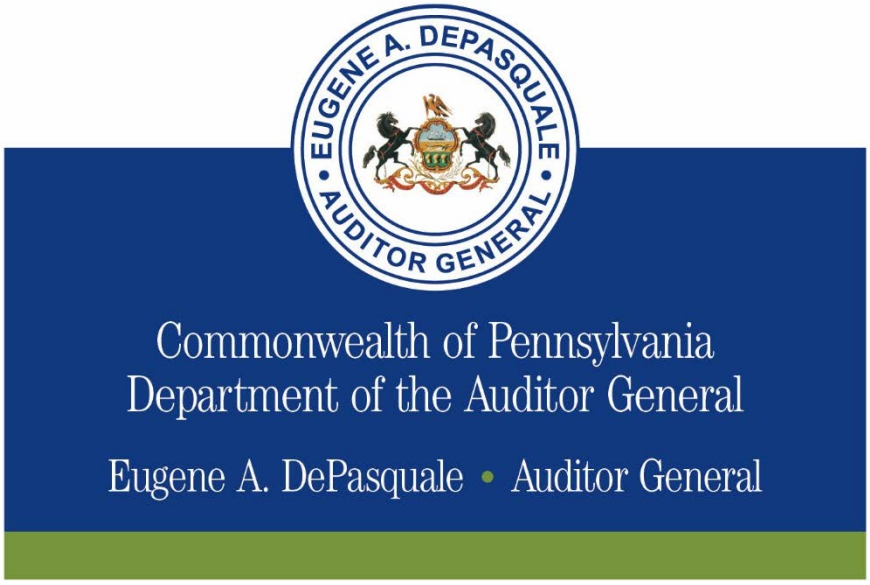
Shermans Dale Community Fire Company Relief Association

Perry County, Pennsylvania

For the Period

January 1, 2013 to December 31, 2016

April 2017



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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Mr. Gregory Minich, President
Shermans Dale Community Fire Company
Relief Association
Perry County

We have conducted a compliance audit of the Shermans Dale Community Fire Company 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, 2013 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.

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.

Based on our audit procedures, we conclude that, for the period January 1, 2013 to December 31, 2016:

- The relief association took appropriate corrective action to address the findings contained in our prior audit 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 – Inadequate Relief Association Bylaws

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

April 7, 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 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:

Municipality	County	2013	2014	2015	2016
Middlesex Township	Cumberland	$ 8,300	$ 8,164	$ 7,521	$ 7,476
Carroll Township	Perry	$31,221	$29,628	$28,435	$28,284
Rye Township	Perry	$ 8,346	$ 7,852	$ 7,585	$ 7,526

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:

Shermans Dale Community Fire Company

SHERMANS DALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Signatory Authority For The Disbursement Of Funds

  By requiring more than one signature on all negotiable instruments. However, when the relief association amended their bylaws, an inadequate provision was included as disclosed in the Finding and Recommendation section in this report.

- Failure To Maintain A Complete And Accurate Equipment Roster

  By maintaining a cumulative inventory roster of all relief association owned equipment.

SHERMANS DALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
FINDING AND RECOMMENATION

Finding – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the relief association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the bylaws do not address the requirement that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief benefits for the incentive program (gift certificates) paid out during 2014 were not specified in the relief association's bylaws.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) states, that the relief association's bylaws shall:

> (3) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument. (Emphasis added)

In addition, the relief association's bylaws at Article VIII, Section 1 states:

> Two signatures (the Treasurer of The Association and the Fire Chief of the Shermans Dale Community Fire Company) shall be required for the issuance of relief association checks. The Treasurer's signature will be sufficient for the withdrawal from the association's savings account, redemption of any relief association investments, or any other negotiable instrument issued by the association.

Furthermore, the relief association bylaws should authorize and clearly specify the criteria to be met before receiving relief benefits and the amount of any benefit payments.

Cause: Relief association officials indicated that they were unaware of the mandatory bylaw provisions established by Act 118.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

SHERMANS DALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	$	53,542
Fair Value of Investments		153,062
Total Cash and Investments	$	206,604

SHERMANS DALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2016

Expenditures:		
Benefit Services:		
Insurance premiums	$	6,532
Relief benefits		500
Tokens of sympathy and goodwill		961
Total Benefit Services	$	7,993
Fire Services:		
Equipment purchased	$	84,978
Equipment maintenance		21,013
Training expenses		5,004
Fire prevention materials		3,455
Total Fire Services	$	114,450
Administrative Services:		
Other administrative expenses	$	2,058
Bond premiums		414
Total Administrative Services	$	2,472
Total Investments Purchased	$	150,000
Total Expenditures	$	274,915

SHERMANS DALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Shermans Dale Community Fire Company Relief Association Governing Body:

Mr. Gregory Minich
President

Mr. Nathan Lowe
Vice President

Ms. Emily Lowe
Secretary

Ms. Megan Carver
Treasurer

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

Ms. Eileen M. Gault
Secretary
Middlesex Township

Ms. Nina Taylor
Secretary
Carroll Township

Ms. Daisy Lightner
Secretary
Rye Township

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.