

# COMPLIANCE AUDIT

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## The Shinglehouse Volunteer Firefighters Relief Association Potter County, Pennsylvania For the Period January 1, 2014 to December 31, 2015

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October 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Roger Siebert, President  
The Shinglehouse Volunteer Firefighters  
Relief Association  
Potter County

We have conducted a compliance audit of the Shinglehouse Volunteer Firefighters 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, 2014 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, 2014 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.

Pleasant Valley Township failed to complete and return reporting Certification Form AG 385, for the year 2014 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 2014. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2014 from this municipality during 2014; and therefore, those funds were not available to the relief association for general operating expenses or for investment purposes. Pleasant Valley Township should submit future Form AG 385s 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, where appropriate, their responses have 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.

October 24, 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>2014</u>	<u>2015</u>
Ceres Township	McKean	\$3,562	\$3,464
Clara Township	Potter	\$ 817	\$ 786
Oswayo Borough	Potter	\$ 646	\$ 625*
Oswayo Township	Potter	\$2,769	\$2,494
Pleasant Valley Township	Potter	**	\$ 176
Sharon Township	Potter	\$5,290	\$5,137
Shinglehouse Borough	Potter	\$5,051	\$4,881

\* The 2015 state aid allocation received from Oswayo Borough was not deposited by the relief association until February 1, 2016 as disclosed in the finding in this report.

\*\* Pleasant Valley Township failed to complete and return reporting Certification Form AG 385, for the year 2014 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 2014. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2014 from this municipality during 2014; and therefore, those funds were not available to the relief association for general operating expenses or for investment purposes. Pleasant Valley Township should submit future Form AG 385s 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:

Fire Department of the Borough of Shinglehouse

THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS 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 Oswayo Borough, in the amount of \$625, until February 1, 2016. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 24, 2015, who forwarded this state aid to the volunteer firefighters’ relief association on January 11, 2016, 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 immediately deposited 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: Relief association officials failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts 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 deposit of all future income received. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

**Management’s Response:** Relief association management disagreed with the finding as presented at the audit exit conference. Relief association management stated that the funds were deposited when finally received from Oswayo Borough. The relief association treasurer also indicated that the relief association made several attempts to obtain their allocation timely including a reminder letter mailed to the borough in September as well as a follow up call in November 2015 in an effort to obtain their 2015 allocation. Moreover, the relief association believes that because the relief association cannot control the disbursement of the state aid allocations received by these funding municipalities, officials believe that the relief association should not be reprimanded after making every effort to obtain their state aid timely.

**Auditor’s Conclusion:** Based on the management response, although we understand the relief association’s position that it cannot ultimately control the actual release of state aid funds by the municipality, we recommend that relief association officials consult with officials from the borough to determine the best way to proceed going forward to ensure that future funding is received and deposited into an appropriate relief association account in accordance with Act 118. We are also providing a copy of this report to the borough. Continued compliance for the timely receipt and deposit of future income in subsequent periods will be subject to verification through our next audit.



THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2015

Cash	<u>\$ 28,398</u>
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THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 18,415
Relief benefits	522
Total Benefit Services	\$ 18,937
Fire Services:	
Equipment purchased	\$ 7,794
Equipment maintenance	7,644
Training expenses	1,291
Total Fire Services	\$ 16,729
Administrative Services:	
Other administrative expenses	\$ 268
Bond premiums	300
Total Administrative Services	\$ 568
Total Expenditures	\$ 36,234

THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Shinglehouse Volunteer Firefighters Relief Association Governing Body:

**Mr. Roger Siebert**  
President

**Ms. Alicia M. Antonioli**  
Treasurer

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

**Mr. Larry Miller**  
Secretary  
Ceres Township

**Ms. Bobi Cornelius**  
Secretary  
Clara Township

**Ms. Gert Trimble**  
Secretary  
Oswayo Borough

**Ms. Judy Dickerson**  
Secretary  
Oswayo Township

**Ms. Danielle Yentzer**  
Secretary  
Pleasant Valley Township

**Ms. Frances Stilson**  
Secretary  
Sharon Township

**Ms. Deborah C. Resig**  
Secretary  
Shinglehouse Borough

THE SHINGLEHOUSE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).