

COMPLIANCE AUDIT

The Union Fire Co. Rural Relief Association of the Union Fire Company Cumberland County, Pennsylvania For the Period January 1, 2014 to December 31, 2016

June 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Amy Myers, President
The Union Fire Co. Rural Relief Association of the
Union Fire Company
Cumberland County

We have conducted a compliance audit of The Union Fire Co. Rural Relief Association of the Union Fire Company (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 objective of the audit was 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 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, 2016, 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 – Relief Association Accounts Inappropriately Registered Under Affiliated Fire Service Organization’s Federal Tax Identification Number

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.

June 20, 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)

As similarly noted in the prior audit report, the relief association again did not receive a distribution of state aid from any of the previous funding municipalities during the current audit period. The relief association has not received a distribution of state aid from a funding municipality since 2010. Municipalities have the discretion to fund any relief association affiliated with a volunteer fire company actively engaged in performing fire services for the municipality.

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:

Union Fire Company

THE UNION FIRE CO. RURAL RELIEF ASSOCIATION OF THE UNION FIRE COMPANY
FINDING AND RECOMMENDATION

Finding – Relief Association Accounts Inappropriately Registered Under Affiliated Fire Service Organization’s Federal Tax Identification Number

Condition: As of December 31, 2016, the relief association held a checking and a savings account with a total cash balance of \$336 which were inappropriately registered under the fire company's federal tax identification number rather than the relief association’s identification number. Although these cash accounts represent only 4.23 percent of the relief association’s total assets, monies from the lone remaining savings account, registered appropriately in the federal tax identification of the relief association, flow through the aforementioned checking account.

Criteria: Prudent business practice dictates that the relief association maintain ownership of all cash accounts as a means of safeguarding its assets from unauthorized use or disposition.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that the cash accounts were properly registered with the relief association’s federal tax identification number.

Effect: As a result of the cash accounts being inappropriately registered under another entity’s federal tax identification number, these relief association assets were not properly safeguarded.

Recommendation: We recommend that the relief association officials secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all cash accounts are registered under the relief association’s federal tax identification number. 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 and indicated they will take action to comply with the recommendation.

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

THE UNION FIRE CO. RURAL RELIEF ASSOCIATION OF THE UNION FIRE COMPANY
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	\$ <u>7,938</u>
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THE UNION FIRE CO. RURAL RELIEF ASSOCIATION OF THE UNION FIRE COMPANY
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Fire Services:	
Equipment purchased	\$ 5,614
Equipment maintenance	<u>260</u>
Total Fire Services	<u>\$ 5,874</u>
Administrative Services:	
Other administrative expenses	\$ 8
Bond premiums	<u>347</u>
Total Administrative Services	<u>\$ 355</u>
 Total Expenditures	 <u><u>\$ 6,229</u></u>

THE UNION FIRE CO. RURAL RELIEF ASSOCIATION OF THE UNION FIRE COMPANY
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Union Fire Co. Rural Relief Association of the Union Fire Company Governing Body:

Ms. Amy Myers
President

Ms. Carly Whistler
Vice President

Ms. Stacey Hamilton
Secretary

Mr. Melvin Monismith
Treasurer

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.