

COMPLIANCE AUDIT

Waynesboro Fireman's Relief Association

Franklin 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**

Mr. Jody Sanders, President
Waynesboro Fireman's Relief Association
Franklin County

We have conducted a compliance audit of the Waynesboro Fireman'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, 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.

We were not able to obtain independent confirmations of a portion of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2016, the relief association had a cash balance of \$49,064 and an investment balance with a fair value of \$80,319, we were not able to verify a portion of the cash balance and this investment balance.

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, 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 findings listed below and discussed later in this report.

Finding No. 1 – Failure To Adhere To Relief Association Bylaws

Finding No. 2 – 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 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.

June 7, 2017

A handwritten signature in dark ink, appearing to read "Eugene A. DePasquale", with a stylized, flowing script.

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. Volunteer firefighters' 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)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Quincy Township	Franklin	\$ 8,470	\$ 7,911	\$7,894*
Washington Township	Franklin	\$15,148	\$14,222	\$14,228
Waynesboro Borough	Franklin	\$15,500	\$14,476	\$15,504

* The 2016 state aid allocation received from Quincy Township was not deposited by the relief association until March 8, 2017 as disclosed in Finding No. 2 in this report.

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Waynesboro Volunteer Fire Department

Waynesboro Ambulance Squad, Inc.

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Adhere To Relief Association Bylaws

Condition: As cited as a verbal observation in our prior audit, the relief association did not adhere to a provision in the association's bylaws. The relief association's bylaws specifically state that the relief association shall maintain an officers' bond on the Secretary and the Treasurer of the association. However, the relief association only maintains a bond on the Treasurer.

In addition, the relief association did not adhere to a provision for officers' compensation. The relief officials were unable to provide a copy of their meeting minutes approving the annual officers' compensation.

Criteria: The relief association's bylaws at Article III, Section 6 states:

The Association shall maintain an officers' bond on the Secretary and the Treasurer of the Association for at least the maximum amount of the cash balance of current funds belonging to the Association during the fiscal year.

In addition, the relief association's bylaws at Article IV, states:

Reasonable compensation as set from time to time by the members at the regular meeting held in November for the President, Vice-President, Secretary, Treasurer and the Chairman of the Board of Directors.

Furthermore, prudent business practices dictate that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to update the relief association's bylaws or maintain an officers' bond on the Secretary. In addition, the relief association officials were unable to provide approval for annual officers' compensation.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association did not have Surety (Fidelity) bond coverage for its Secretary or approval for officers' compensation.

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association officials review and amend the bylaws governing their organization or obtain Surety (Fidelity) bond coverage on the relief association's Secretary, as required by the existing bylaws. In addition, the relief association officials should provide documentation for the approval of officers' compensation, as required by the existing bylaws. 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 indicated they will take action to comply with the recommendation.

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

Finding No. 2 – Untimely Deposit Of State Aid

Condition: The volunteer firefighters' relief association did not deposit the 2016 state aid allocation it received from Quincy Township, in the amount of \$7,894, until March 8, 2017. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 20, 2016, who forwarded this state aid to the volunteer firefighters' relief association on October 21, 2016, 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). Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

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.

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 income received. 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 indicated they will take action to comply with the recommendation.

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

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 49,064
Fair Value of Investments	<u>80,319</u>
Total Cash and Investments	<u>\$ 129,383</u>

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 18,281
Death benefits	2,000
Relief benefits	500
Total Benefit Services	<u>\$ 20,781</u>
Fire Services:	
Equipment purchased	\$ 114,241
Equipment maintenance	27,575
Training expenses	8,623
Total Fire Services	<u>\$ 150,439</u>
Administrative Services:	
Officer compensation	\$ 4,725
Other administrative expenses	2,419
Bond premiums	300
Total Administrative Services	<u>\$ 7,444</u>
Other Expenditures:	
Payments on loan	<u>\$ 15,000</u>
Total Expenditures	<u><u>\$ 193,664</u></u>

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Waynesboro Fireman's Relief Association Governing Body:

Mr. Jody Sanders
President

Mr. Marshal Stover
Vice President/Board Member

Mr. Arley Scott
Secretary

Mr. John R. Beck
Treasurer

Mr. Casey Rock
Chairman of the Board

Mr. David Martin
Board Member

Mr. Mackenzie Leaper
Board Member

Mr. Gerald Smith
Board Member

Mr. Brian Starliper
Board Member

Mr. Tyler Shank
Board Member

Mr. Matthew Rosenberry
Board Member

Mr. Andrew Gilliland
Board Member

WAYNESBORO FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Vicki E. Nunemaker
Secretary
Quincy Township

Ms. Karen S. Hargrave
Secretary
Washington Township

Ms. Melinda Knott
Secretary
Waynesboro Borough

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.