



**VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF
NEVILLE**

CUMBERLAND COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO DECEMBER 31, 2012

RELEASED JUNE 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. David W. Bobb, President
NEWVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cumberland County
Newville, PA

We have conducted a compliance audit of the Newville Volunteer Firefighters' 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, 2009 to December 31, 2012.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Newville Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Newville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Newville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2012, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period January 1, 2009 to December 31, 2012, found the Newville Volunteer Firefighters' 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. The results of our tests also indicated the Newville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance of \$63,940 and an investment balance with a fair value of \$73,045.

Finding – Untimely Deposit and Receipt of State Aid

The contents of this report were discussed with the management of the Newville Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

March 5, 2014



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 Newville Fireman's Relief Association, Inc., herein referred to as Newville Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Newville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Lower Mifflin Township	Cumberland	\$ 4,282	\$ 4,851	\$ 8,343	\$ 4,657
Newville Borough	Cumberland	\$ 6,806	\$ 7,661	\$ 11,687	\$ 6,634*
North Newton Township	Cumberland	\$ 7,637	\$ 8,595	\$ 12,000	\$ 6,800
Upper Mifflin Township	Cumberland	\$ 4,085	\$ 4,598	\$ 7,099	\$ 4,040
West Pennsboro Township	Cumberland	\$ 20,000	\$ 13,825	\$ 25,000	\$12,000

*The relief association did not deposit the 2012 allocation amounting to \$6,634 in a timely manner as disclosed in the finding section of this report.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Newville Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Friendship Hose Company No. 1, Inc

NEWVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Deposit And Receipt Of State Aid

Condition: The Newville Volunteer Firefighters' Relief Association did not receive the 2012 state aid allocation it received from Newville Borough, in the amount of \$6,634, until December 21, 2012, which was 88 days after the municipality received the funds from the Commonwealth of Pennsylvania, on September 24, 2012. In addition, the relief association did not actually deposit the state aid allocation received until January 8, 2013.

Moreover, subsequent to the audit period, the relief association did not receive its 2013 state aid allocation from Newville Borough, in the amount of \$7,579, until January 18, 2014, which was 117 days after the municipality received the funds from the Commonwealth of Pennsylvania, on September 23, 2013.

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 foreign fire insurance tax allocation was distributed to the municipal treasurer on September 24, 2012, who did not forward this state aid to the volunteer firefighters' relief association until December 21, 2012, 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, the relief association failed to establish adequate internal control procedures to ensure that all income received was recorded and deposited in a timely manner. According to relief association officials, it was unknown why the borough did not distribute the 2012 state aid within 60 days of receipt, as required; however, the relief association also failed to deposit the 2012 state aid until January 8, 2013. Regarding the 2013 allocation, relief association officials were told by the municipality that due to the municipality running low on funds, the borough used the fire allocation to pay for the municipality's general operating expenses and then later replaced the funds. The relief association did monitor the municipality's receipt of the 2013 state aid allocation and documented their attempts to contact the municipality for the 2013 allocation.

NEWVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of the untimely receipt and deposit of the state aid allocations, funds were not available to pay general operating expenses or for investment purposes. In addition, the untimely receipt and deposit of the state aid allocations increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend the relief association timely deposit all state aid received and adopt internal control procedures to ensure the timely deposit of all future income received. In addition we recommend that relief association officials continue to monitor the municipality's distribution of state aid allocations to ensure that the allocation is distributed to the relief association within the 60 days of the date of receipt. 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.

NEWVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2012

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 18,686
Fire Services:	
Equipment purchased	\$ 119,623
Equipment maintenance	13,052
Training expenses	31,350
Fire prevention materials	324
Total Fire Services	\$ 164,349
Administrative Services:	
Other administrative expenses	\$ 4,129
Other Expenditures:	
Principal payments on loan	\$ 5,000

NEWVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Newville Volunteer Firefighters' Relief Association Governing Body:

Mr. David W. Bobb	President
Ms. Nancy Baker	Vice President
Ms. Teresea Bear	Secretary
Ms. Nicole Griffie	Treasurer

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

Ms. Shelby L. Winter, Secretary Lower Mifflin Township	Mr. Fred Potzer, Secretary Newville Borough
Ms. Bonnie L. Myers, Secretary North Newton Township	Ms. Ruth Ann Myers, Secretary Upper Mifflin Township
Ms. Evelyn M. Swartz, Secretary West Pennsboro Township	

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.