



INDIANA FIREMEN'S RELIEF ASSOCIATION
INDIANA COUNTY
COMPLIANCE AUDIT REPORT
FOR THE PERIOD
JANUARY 1, 2010 TO DECEMBER 31, 2012

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

William Simmons, President
INDIANA VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Indiana County

We have conducted a compliance audit of the Indiana 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, 2010 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 Indiana 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 Indiana Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Indiana 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, 2010 to December 31, 2012, found the Indiana 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. The results of our tests also indicated the Indiana Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance reported at \$34,062 and an investment balance reported at \$1,206,797. However, we were not able to confirm \$9,812 of the relief association's reported cash balance and \$1,119,741 of the reported investment balance. Therefore, a scope limitation on our audit exists, as detailed in the Observation section of this report.

The contents of this report were discussed with the management of the Indiana Volunteer Firefighters' Relief Association.

October 25, 2013



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 Indiana Firemen's Relief Association, herein referred to as Indiana 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 Indiana Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Armstrong Township	Indiana	\$ 5,600	\$ 9,000	\$ 5,000
Indiana Borough	Indiana	\$73,849	\$107,878	\$62,609
Rayne Township	Indiana	\$ 2,395	\$ 3,598	\$ 2,052
White Township	Indiana	\$88,266	\$145,415	\$83,199

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

Indiana Fire Association

INDIANA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
OBSERVATION

Observation – Scope Limitation

We could not confirm \$9,812 of the VFRA's total cash balance reported at \$34,062, as of December 31, 2012. In addition, we could not confirm \$1,119,741 of the Indiana Volunteer Firefighters' Relief Association's (VFRA) total investment balance reported at \$1,206,797, as of December 31, 2012. While we received a confirmation of \$24,250 of the relief association's \$34,062 reported cash balance, the remaining cash balance of \$9,812 was not confirmed by the respective financial institution. Furthermore, while we received confirmations totaling \$87,056 of the relief association's \$1,206,797 reported investment balance, the remaining investment balance of \$1,119,741 was not confirmed by the respective financial institution. Two separate requests for independent confirmation of these account balances were made on July 17, 2013 and August 12, 2013, respectively, to the financial institution where the VFRA held their cash and investment accounts. While the VFRA provided a December 31, 2012 account statement detailing the cash and investment balances, the financial institution failed to provide independent confirmations of the respective cash and investment balances.

Act 118 at 35 Pa.C.S. § 7418(a) states, in part, that the Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association . . . as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Generally Accepted Government Auditing Standards (GAGAS) Section No. 6.56 states, "Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions." GAGAS Section No. 6.61(f) states, "Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity."

Statement of Auditing Standards (SAS) No. 106 requires auditors to request independent confirmations of investment balances directly from the financial institution from which the VFRA purchased the investment.

Even though we made several requests, confirmations of the VFRA's total cash and investment balances were not provided.

Our inability to confirm the VFRA's total reported cash and investment balances constitutes a scope limitation on our audit, as this scope limitation prevented us from determining the fair values of the VFRA's total cash and investment balances reported at \$34,062 and \$1,206,797, respectively, as of December 31, 2012.

INDIANA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 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	\$ 204,234
Death benefits	15,000
Relief benefits	2,035
Tokens of sympathy and goodwill	943
Total Benefit Services	<u>\$ 222,212</u>
Fire Services:	
Equipment purchased	\$ 117,128
Equipment maintenance	75,072
Training expenses	8,444
Total Fire Services	<u>\$ 200,644</u>
Administrative Services:	
Officer compensation	\$ 2,400
Other administrative expenses	2,501
Total Administrative Services	<u>\$ 4,901</u>
Other Expenditures:	
Principal payments on loan	\$ 233,920
Interest payments on loan	84,549
Repayment of short term loans	540,000
Total Other Expenditures	<u>\$ 858,469</u>

INDIANA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Indiana Volunteer Firefighters' Relief Association Governing Body:

Mr. William Simmons, President

Mr. Chris Caldwell, Vice President

Mr. Ronald Moreau, Secretary

Mr. Thomas Parker, Treasurer

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

Ms. Patricia George, Secretary
Armstrong Township

Mr. William Sutton, Secretary
Indiana Borough

Ms. Wendi Strittmatter, Secretary
Rayne Township

Ms. Cynthia L. Garritano, Secretary
White 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.