

COMPLIANCE AUDIT

The Marienville Volunteer Firemen's Relief Association

Forest County, Pennsylvania

For the Period

January 1, 2012 to December 31, 2014

June 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Randall Parratt, President
MARIENVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Forest County

We have conducted a compliance audit of the Marienville 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, 2012 to December 31, 2014.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Marienville 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. Volunteer firefighters' 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we concluded that, for the period January 1, 2012 to December 31, 2014:

- The Marienville Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matter described in the finding below and discussed later in this report, the Marienville Volunteer Firefighters' Relief Association did not, in all significant respects, receive state aid and expend state aid and accumulate relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

Finding – Failure To Deposit State Aid

- The Marienville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$44,687 and no investments.

The contents of this report were discussed with the management of the Marienville Volunteer Firefighters' 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.

May 15, 2015



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background | 1 |
| Status of Prior Findings | 3 |
| Finding and Recommendation: | |
| Finding – Failure To Deposit State Aid | 4 |
| Accompanying Expenditure Information | 6 |
| Report Distribution List | 7 |

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

| <u>Municipality</u> | <u>County</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|---------------------|---------------|-------------|-------------|-------------|
| Barnett Township | Forest | \$ 1,726 | \$ 1,899 | \$ 1,798 |
| Green Township | Forest | \$ 341 | \$ 385 | \$ 329* |
| Howe Township | Forest | \$ 1,268 | \$ 1,511 | \$ 1,429 |
| Jenks Township | Forest | \$14,978 | \$16,652 | \$15,851** |
| Kingsley Township | Forest | \$ 1,475 | \$ 1,623 | \$ 1,537 |

* The 2014 state aid allocation received from Green Township was not deposited by the Marienville Volunteer Firefighters' Relief Association until April 20, 2015 as disclosed in the finding in this report.

** The 2014 state aid allocation from Jenks Township was not deposited by the Marienville Volunteer Firefighters' Relief Association until January 30, 2015 as disclosed in the finding in this report.

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

Marienville Volunteer Fire Company, Inc.

MARIENVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

The Marienville Volunteer Firefighters' Relief Association has complied with the prior audit findings and recommendations, as follows:

- Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment and performing and documenting an annual physical inventory of all relief association owned equipment

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership

- Failure To Secure Ownership Interest In A Equipment Purchase

By executing a written formal agreement with the affiliated fire service organization that adequately secures proportional interest in the jointly purchase of equipment

We commend the relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. The association management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

MARIENVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Deposit State Aid

Condition: Upon the commencement of our audit, the relief association had not deposited the 2014 state aid distributed by Green Township, in the amount of \$329, into a relief association account. The foreign fire insurance tax allocation was distributed to Green Township on September 23, 2014, who forwarded this state aid to the volunteer firefighters' relief association on October 14, 2014, 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). In addition, the relief association did not receive the 2014 state aid distributed to Jenks Township in the amount of \$15,851. Specifically, the foreign fire insurance tax allocation was distributed to Jenks Township on September 23, 2014, however, the municipality erroneously deposited the 2014 state aid into a township 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 practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: Relief association officials failed to establish internal control procedures to ensure that all state aid received is deposited into a relief association account.

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommended that the relief association officials immediately locate and deposit the \$329 state aid allocation it received from Green Township. In addition, the relief association should deposit the \$15,851 state aid it received from Jenks Township. The relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MARIENVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, on April 20, 2015 the relief association located the \$329 state aid distributed by Green Township and deposited that amount into the relief association's bank account. Additionally the relief association deposited the state aid distributed by Jenks Township on January 30, 2015, in the amount of \$15,851, into the relief association's bank account.

Auditor's Conclusion: We reviewed documentation verifying that state aid received from Green Township and Jenks Township in the amounts of \$329 and \$15,851 respectively, was deposited into the relief association's account. Compliance for the deposit of state aid received during the next audit period will be subject to verification through our next audit.

MARIENVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2014

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 | <u>\$ 10,915</u> |
| Fire Services: | |
| Equipment purchased | \$ 36,566 |
| Equipment maintenance | 3,741 |
| Training expenses | 128 |
| Fire prevention materials | <u>2,017</u> |
| Total Fire Services | <u>\$ 42,452</u> |

MARIENVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Marienville Volunteer Firefighters' Relief Association Governing Body:

| | |
|----------------------|----------------|
| Mr. Randall Parratt | President |
| Mr. Brian Popoleo | Vice President |
| Mr. Jason Carroll | Secretary |
| Mr. R. James Parrett | Treasurer |

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

| | |
|---|-----------|
| Ms. Kay Boyer Barnett Township | Secretary |
| Ms. Carla C. Woodside Green Township | Secretary |
| Ms. Majorie Villarreal Howe Township | Secretary |
| Ms. Misty D. Dittman Jenks Township | Secretary |
| Ms. Lois M. Brady Kingsley Township | Secretary |

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.