

COMPLIANCE AUDIT

Grand Valley Volunteer Firemen's Relief Association Warren County, Pennsylvania For the Period January 1, 2012 to December 31, 2014

November 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Richard Stewart, President
GRAND VALLEY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Warren County

We have conducted a compliance audit of the Grand Valley 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 Grand Valley 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 Grand Valley Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report.
- The Grand Valley 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.

Finding – Inappropriate Payment of Discretionary Relief Benefits

- The Grand Valley Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$24,075 and no investments.

The contents of this report were discussed with the management of the Grand Valley 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.

September 24, 2015



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

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Eldred Township	Warren	\$3,083	\$3,460	\$3,289
Southwest Township	Warren	\$1,202	\$1,364	\$1,293
Triumph Township	Warren	\$ 657	\$ 747	\$ 707

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

Grand Valley Volunteer Fire Department

GRAND VALLEY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Federal Tax Identification Number

By reactivating its federal tax identification number and furnishing it to the financial institution in which the relief association maintains funds

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment

- Untimely Deposit Of State Aid

By adopting internal control procedures to ensure the timely deposit of all income received

- Undocumented Expenditures

By providing adequate documentation to evidence the propriety of one undocumented expenditure for \$424 and receiving reimbursement of \$774 from the affiliated fire company for the remaining undocumented expenditure that was made in the prior audit period

GRAND VALLEY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inappropriate Payment of Discretionary Relief Benefits

Condition: The relief association disbursed \$4,500 to individuals who were not entitled to receive relief association offered benefits. While relief associations may pay discretionary relief benefits, they may not be paid to individuals that did not suffer injury or misfortune by reason of their participation in fire service.

Criteria: Act 118 at 53 P.S. § 8502 (3) states:

Volunteer firefighter comprehends any member of a fire company, organized and existing under the laws of the Commonwealth of Pennsylvania, and also any member of any police unit, rescue squad, ambulance corps, or other like organization affiliated with one or more fire companies, and refers to any individual who is a member of such a fire company or affiliated organization and who participates in the fire service, but does not look to that service as his primary means of livelihood.

In addition, Act 118 at 53 P.S. § 8503 states:

The purpose of the legislature in enacting this statute is to encourage individuals to take part in the fire service as volunteer firefighters, by establishing criteria and standards for the orderly administration and conduct of the affairs of firefighters' relief associations, so as to ensure as far as circumstances will reasonably permit, that funds shall be available for the protection of volunteer firefighters and their heirs:

Furthermore, Act 118 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under the Act of June 28, 1895 (P.L. 408), as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that relief association disbursements are made in accordance with Act 118 and that relief association benefits are only extended to individuals entitled to receive benefits. The relief association has mistakenly permitted individuals not actively engaged in providing fire service to be considered eligible for these relief benefits.

GRAND VALLEY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. In addition, expending funds for unauthorized purposes diminishes funds that may be otherwise be used to support individuals who actively participate or participated in providing fire service.

Recommendation: We recommend the relief association immediately cease and desist from paying benefits to individuals not entitled to receive benefits. Any future payment of benefits to or on behalf of individuals for reasons not related to their participation in fire service will be considered unauthorized expenditures. We also recommend that relief association officials become familiar with Act 118 at 53 P.S. § 8501 et. seq. to aid them in determining the propriety of future expenditures. 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.

GRAND VALLEY 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	\$ 3,009
Relief benefits	4,500
Total Benefit Services	<u>\$ 7,509</u>
Fire Services:	
Equipment purchased	<u>\$ 5,232</u>

GRAND VALLEY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Grand Valley Volunteer Firefighters' Relief Association Governing Body:

Mr. Richard Stewart	President
Mr. Carl Lindquist	Vice President
Ms. Connie Tenney	Secretary
Mr. Robert L. McClelland	Treasurer

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

Ms. Diana M. Maille Eldred Township	Secretary
Ms. Barbara A. Kemp Southwest Township	Secretary
Mr. Richard L. Brown Triumph 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.