

COMPLIANCE AUDIT

Relief Association of the Blooming Grove Township Volunteer Fire Department No. 1, Inc. Pike County, Pennsylvania For the Period January 1, 2018 to December 31, 2019

March 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Robert Donahue, President
Relief Association of the Blooming Grove
Township Volunteer Fire Department
No. 1, Inc.
Pike County

We have conducted a compliance audit of the Relief Association of the Blooming Grove Township Volunteer Fire Department No. 1, Inc. (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, 2018 to December 31, 2019.

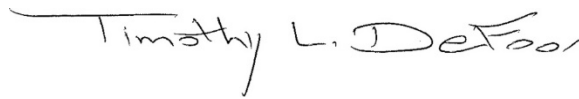
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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.

Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2019, 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 finding listed below and discussed later in this report.

Finding – Failure To Segregate Relief Association Officers’ Duties

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

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

TIMOTHY L. DEFOOR
Auditor General

February 12, 2021

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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. 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>
Blooming Grove Township	Pike	*\$17,773	\$18,500

*The 2018 state aid allocation received and deposited by the relief association from Blooming Grove Township was \$5 less than recorded on the 2018 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B. The borough is still required to distribute the remaining \$5 state aid allocation to the relief association.

Based on the relief association's records, its total cash and investments as of December 31, 2019 were \$100,915, as illustrated below:

Cash	\$ 16,857
Fair Value of Investments	<u>84,058</u>
Total Cash and Investments	<u><u>\$ 100,915</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2019 were \$44,394, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance 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.¹ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:

Insurance premiums	\$	10,376
Tokens of sympathy and goodwill		337
Total Benefit Services	\$	<u>10,713</u>

Fire Services:

Equipment purchased	\$	15,349
Equipment maintenance		7,246
Training expenses		2,966
Total Fire Services	\$	<u>25,561</u>

Administrative Services:

Other administrative expenses	\$	249
Bond premiums		521
Total Administrative Services	\$	<u>770</u>

Total Investments Purchased	\$	<u>7,100</u>
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Other Expenditures:

Unauthorized expenditure *	\$	<u>250</u>
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Total Expenditures	\$	<u><u>44,394</u></u>
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* During 2018, the relief association made an insignificant disbursement in the amount of \$250 which was not authorized by Act 118. We disclosed this issue to relief association officials on December 8, 2020.

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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

Blooming Grove Township Volunteer Fire Department No. 1

RELIEF ASSOCIATION OF THE BLOOMING GROVE TOWNSHIP VOLUNTEER FIRE
DEPARTMENT NO. 1, INC.
FINDING AND RECOMMENDATION

Finding – Failure To Segregate Relief Association Officers’ Duties

Condition: During the current audit, we detected that the same individual holds the position of both secretary and treasurer.

Criteria: Prudent business practice dictates that the duties of the secretary and treasurer be sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors or irregularities.

The minimum requirements of the secretary’s position, pertaining to a relief association, are to maintain detailed minutes of meetings authorizing the relief association’s financial operations. The secretary should review and coordinate the amending of the bylaws governing the relief association so that the bylaws meet the minimum requirements of Act 118.

The minimum requirements of the treasurer’s position, pertaining to a relief association, are to maintain an account of all funds belonging to the relief association. The treasurer shall maintain a journal and ledger detailing all financial transactions of the relief association along with documentation supporting the receipts and disbursements. The treasurer should co-sign all negotiable instruments along with another relief association officer. Also, financial statements should be prepared at least on an annual basis by the treasurer.

In addition, the relief association’s bylaws at Article III, Section 1 states, in part:

The president, vice-president, secretary and treasurer of the Blooming Grove Township Volunteer Fire Department No. 1, Inc. shall be the officers of the Relief Association, EXCEPT when the secretary and treasurer of the Blooming Grove Township Volunteer Fire Department No. 1, Inc. may be the same person. In that case, the position of the secretary and treasurer for the Relief Association must be held by two separate individuals, and included in nominations for two years at the regular November meeting and election held at the regular December meeting. They shall take office and shall assume their duties at the regular January meeting.

Cause: The relief association treasurer indicated that the reason for her holding the same position was because there were not enough active members to voluntarily assume the position of secretary; therefore, she took on the role of secretary when the prior secretary became ill.

Effect: An inadequate segregation of duties could prevent relief association officials and members from effectively monitoring the relief association’s financial transactions. Additionally, it negates the checks and balances necessary to detect and correct financial errors or irregularities in the relief association’s accounting system.

RELIEF ASSOCIATION OF THE BLOOMING GROVE TOWNSHIP VOLUNTEER FIRE
DEPARTMENT NO. 1, INC.
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials ensure that there is adequate segregation of duties between the relief association's secretary and treasurer. We also recommend that the relief association officials review its accounting and internal control procedures to ensure that the duties being performed by the secretary and treasurer are sufficiently segregated so that relief association assets are adequately safeguarded. 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.

RELIEF ASSOCIATION OF THE BLOOMING GROVE TOWNSHIP VOLUNTEER FIRE
DEPARTMENT NO. 1, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Relief Association of the Blooming Grove Township Volunteer Fire Department No. 1, Inc.
Governing Body:

Mr. Robert Donahue
President

Ms. Jo-Anna Donahue
Secretary/Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Ms. Jo-Anna Donahue
Secretary
Blooming Grove Township

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.