

# COMPLIANCE AUDIT

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## Bobtown Volunteer Firemans Relief Association of Bobtown, Pennsylvania Greene County For the Period January 1, 2014 to December 31, 2016

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May 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Scott Martin, President  
Bobtown Volunteer Firemans Relief Association  
of Bobtown Pennsylvania  
Greene County

We have conducted a compliance audit of the Bobtown Volunteer Firemans Relief Association of Bobtown Pennsylvania (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 35Pa.C.S. § 7411 *et seq.*, for the period January 1, 2014 to December 31, 2016.

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.

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, 2014 to December 31, 2016, 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 Maintain Surety (Fidelity) Bond Coverage

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

Greene Township failed to complete and return reporting Certification Form AG 385, for the year 2016 that would have enabled them to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the year 2016. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2016 from this municipality during 2016; and therefore, those funds were not available to the relief association for general operating expenses or for investment purposes. Greene Township should submit future Form AG 385s by the March 31 annual filing date in accordance with Act 205 to ensure proper receipt and distribution of state aid to the relief association in subsequent periods. In addition, Greene Township should contact the Municipal Pension and Fire Relief Programs Unit at 1-800-882-5073 or e-mail [Comptroller@PaAuditor.gov](mailto:Comptroller@PaAuditor.gov) to resolve the matter of the unfiled Certification Form AG 385 for the year 2016.

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 relief association officials for the cooperation extended to us during the conduct of the audit.

May 9, 2017



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 35Pa.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. The relief association's bylaws define the specific operational procedures by which the 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 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 that is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Dunkard Township	Greene	\$10,619	\$10,499	\$10,486
Greene Township	Greene	\$ 871	\$ 865	*

\* Greene Township failed to complete and return reporting Certification Form AG 385, for the year 2016 that would have enabled them to receive their foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the year 2016. Consequently, the relief association did not receive their foreign fire tax allocation for the year 2016 from this municipality for general operating expenses or for investment purposes.

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:

Bobtown Volunteer Fire Company

BOBTOWN VOLUNTEER FIREMANS RELIEF ASSOCIATION OF  
BOBTOWN, PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Failure to Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association’s Surety (Fidelity) bond coverage expired on September 24, 2015. As of December 31, 2016, the relief association’s cash assets totaled \$29,336.

Criteria: Act 118 at 35Pa.C.S. § 7415(c) (4) states, in part, that:

. . . The disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials indicated that they were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association’s cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer in an amount greater than the relief association’s maximum cash balance, as required by Act 118. 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.

BOBTOWN VOLUNTEER FIREMANS RELIEF ASSOCIATION OF  
BOBTOWN, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2016

Cash	<u>\$ 29,336</u>
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BOBTOWN VOLUNTEER FIREMANS RELIEF ASSOCIATION OF  
BOBTOWN, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Fire Services:

Equipment purchased	\$ 5,953
Equipment maintenance	<u>3,549</u>
Total Fire Services	<u>\$ 9,502</u>

Administrative Services:

Other administrative expenses	26
Bond premiums	<u>250</u>
Total Administrative Services	<u>\$ 276</u>

Other Expenditures:

Payments on loan	<u>\$ 22,112</u>
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Total Expenditures	<u><u>\$ 31,890</u></u>
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BOBTOWN VOLUNTEER FIREMANS RELIEF ASSOCIATION OF  
BOBTOWN, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Bobtown Volunteer Firemans Relief Association of Bobtown Pennsylvania Governing Body:

**Mr. Scott Martin**  
President

**Ms. Susan Martin**  
Secretary

**Ms. Ronda Reynolds**  
Treasurer

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

**Ms. Michelle L. Hurley**  
Secretary  
Dunkard Township

**Ms. Bridget C. Kushner**  
Secretary  
Greene Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).