

COMPLIANCE AUDIT

Carmichaels Borough and Cumberland
Township Volunteer Firemen's
Relief Association of Carmichaels,
Greene County, Pennsylvania
For the Period
January 1, 2018 to December 31, 2020

April 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. James C. Baily, President
Carmichaels Borough and Cumberland
Township Volunteer Firemen's Relief
Association of Carmichaels, Greene County,
Pennsylvania

We have conducted a compliance audit of the Carmichaels Borough and Cumberland Township Volunteer Firemen's Relief Association of Carmichaels, Greene County, 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 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2018 to December 31, 2020.

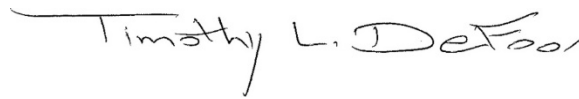
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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, 2020, 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 – Untimely Deposit Of State Aid

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.



Timothy L. DeFoor
Auditor General

April 2, 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Carmichaels Borough	Greene	\$1,901	\$2,130*	\$2,138
Cumberland Township	Greene	\$8,365	\$9,167	\$9,316
Greene Township	Greene	\$ 773	\$ 843	\$ 859

* The 2019 state aid allocation received from Carmichaels Borough was not deposited by the relief association until January 27, 2021 as disclosed in the finding in this report.

Based on the relief association’s records, its total cash and investments as of December 31, 2020 was \$153,731, as illustrated below:

Cash	\$ 53,731
Fair Value of Investments	<u>100,000</u>
Total Cash and Investments	<u><u>\$ 153,731</u></u>

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$33,061, 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	\$ 27,516
Death benefits	<u>5,000</u>
Total Benefit Services	<u>\$ 32,516</u>
Administrative Services:	
Bond premiums	<u>\$ 545</u>
Total Expenditures	<u><u>\$ 33,061</u></u>

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:

Carmichaels and Cumberland Township Volunteer Fire Company

CARMICHAELS BOROUGH AND CUMBERLND TOWNSHIP VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION OF CARMICHAELS, GREENE COUNTY, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Untimely Deposit Of State Aid

Condition: The relief association did not deposit the 2019 state aid allocation it received from Carmichaels Borough, in the amount of \$2,130, until January 27, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 16, 2019, who forwarded this state aid to the relief association on October 5, 2019, 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); however, the state aid allocation was erroneously deposited into the affiliated fire company's account. Therefore, the relief association did not ensure the funds were deposited timely into a relief association 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 establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: The relief association official inadvertently deposited the 2019 state aid allocation from Carmichaels Borough into the affiliated fire company's account.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

CARMICHAELS BOROUGH AND CUMBERLND TOWNSHIP VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION OF CARMICHAELS, GREENE COUNTY, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

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.

CARMICHAELS BOROUGH AND CUMBERLND TOWNSHIP VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION OF CARMICHAELS, GREENE COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Carmichaels Borough and Cumberland Township Volunteer Firemen's Relief Association of
Carmichaels, Greene County, Pennsylvania Governing Body:

Mr. James C. Baily
President

Mr. Martin Yoskovich
Secretary

Mr. Paul Matyk, Jr.
Treasurer

Mr. Todd Allison
Director

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

Ms. Shelley Anderson
Secretary
Carmichaels Borough

Ms. Debra Rush
Secretary
Cumberland Township

Ms. Judith D. Hamlin
Secretary
Greene Township

CARMICHAELS BOROUGH AND CUMBERLND TOWNSHIP VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION OF CARMICHAELS, GREENE COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

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