

COMPLIANCE AUDIT

Columbia Hose Company No.1, Inc. Fireman's Relief Association Susquehanna County, Pennsylvania For the Period January 1, 2019 to December 31, 2021

June 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Josh Groff, President
Columbia Hose Company No.1, Inc.
Fireman's Relief Association
Susquehanna County

We have conducted a compliance audit of the Columbia Hose Company No.1, Inc. Fireman's Relief Association (relief association) for the period January 1, 2019 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain independent confirmations of the cash balance from the financial institutions. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$75,782, we were not able to verify this cash balance.

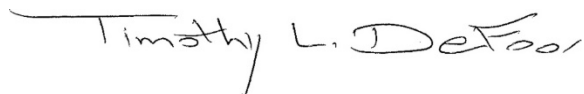
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019 to December 31, 2021:

- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditures

Finding No. 2 – Erroneous Transfer Of Funds

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have 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
May 23, 2022

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Franklin Township	Susquehanna	\$ 616	\$ 615	\$ 530
Jackson Township	Susquehanna	\$ 3,102	\$ 3,103	\$ 2,728
New Milford Borough	Susquehanna	\$ 3,830	\$ 3,865	\$ 3,441
New Milford Township	Susquehanna	\$14,040	\$13,998	\$12,324

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2021 was \$75,782, as illustrated below:

Cash	<u>\$ 75,782</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$88,807, 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.⁴ **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	\$ 6,943
Tokens of sympathy and goodwill	1,138
Total Benefit Services	<u>\$ 8,081</u>

Fire Services:

Equipment purchased	\$ 44,190
Equipment maintenance	5,020
Training expenses	2,824
Total Fire Services	<u>\$ 52,034</u>

Administrative Services:

Other administrative expenses	\$ 3,363
Bond premiums	384
Total Administrative Services	<u>\$ 3,747</u>

Other Expenditures:

Erroneous transfer/withdrawal *	\$ 5,000
Erroneous deposit of fire company money**	19,363
Unauthorized expenditures	582
Total Other Expenditures	<u>\$ 24,945</u>

Total Expenditures	<u><u>\$ 88,807</u></u>
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⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

*The relief association erroneously transferred funds of \$5,000 from its checking account to the fire company's checking account. The fire company reimbursed the relief association subsequent to the period under review on January 20, 2022. See Finding No. 2.

**The relief association erroneously deposited \$19,363 of grant money intended for the fire company. The money was returned to the fire company on August 26, 2020.

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:

Columbia Hose Co. No. 1, Inc.

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR AUDIT FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with two of the three prior audit findings and recommendations, as follows:

- Attempted Theft Of Relief Association Funds

By re-securing the stolen checks and the return of \$1,000 in funds back into the relief association account and preventing the recurrence of this condition during the current audit period.

- Failure To Maintain A Complete And Accurate Equipment Roster

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

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the three prior audit findings. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Unauthorized Expenditures

Although the relief association received partial reimbursement of \$3,418 of the \$3,559 due to the relief association from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by the VFRA Act as further disclosed in Finding No. 1 of this report.

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Condition: As disclosed in our prior audit report, the relief association expended \$3,559 for ambulance items which is not considered authorized by the VFRA Act. During the audit period, the relief association received partial reimbursement from the affiliated fire companies; however, \$141 remains unreimbursed. In addition, the relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/15/2019	3167	Token of sympathy – non member	217
03/15/2019	3173	Token of sympathy – non member	58
03/17/2020	3195	Token of sympathy – non member	78
11/02/2020	EFT	Party Supplies	28
12/04/2020	3206	Gift card to member	100
09/01/2021	3216	Gift card to member	101
Total			<u>\$ 582</u>

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters’ relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.

Costs associated with token of sympathy for non-members, party decoration supplies and gift cards to members do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act. The relief association did not provide a reason why the reimbursement for the prior period unauthorized expenditures was not a complete reimbursement.

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (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 the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$723 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$582 of the \$723 due to the relief association for the unauthorized expenditures on February 24, 2022.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report. The relief association should take immediate action to obtain reimbursement for the remaining unauthorized expenditures of \$141 due to the relief association.

Finding No. 2 – Erroneous Transfer Of Funds

Condition: The relief association erroneously transferred funds of \$5,000 from its checking account to the fire company's checking account.

Criteria: Relief association funds should not be commingled with any other organization's funds in order to maintain effective control of its assets. In addition, adequate accounting and internal controls should include procedures to prevent erroneous transfers.

Cause: The relief association officials stated a lack of oversight as the reason for the erroneous transfer of funds from their account to the fire company account.

Effect: As a result of the erroneous transfer of funds, the relief association was unable to use the funds for other general operating expenses or for investment purposes. In addition, the transfer to the fire company's account reduces the relief association's control over cash disbursements.

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$5,000 for the erroneous transfer. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$5,000 for the erroneous transfer of funds on January 20, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$5,000 was received. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Columbia Hose Company No.1, Inc. Fireman's Relief Association Governing Body:

Mr. Josh Groff
President

Ms. Debra Gardner
Secretary

Ms. Jessica Hein
Treasurer

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

Ms. Jean Sullivan
Secretary
Franklin Township

Mr. Jeffrey Page
Secretary
Jackson Township

Ms. Amy Hine
Secretary
New Milford Borough

Ms. Mary Jo Weston
Secretary
New Milford Township

COLUMBIA HOSE COMPANY NO. 1, INC. FIREMAN'S RELIEF ASSOCIATION
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