

COMPLIANCE AUDIT

Grand Valley Volunteer Fireman's Relief Association

Warren County, Pennsylvania
For the Period
January 1, 2015 to December 31, 2017

January 2019



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 Fireman's
Relief Association
Warren County

We have conducted a compliance audit of the Grand Valley Volunteer Fireman's Relief Association (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, 2015 to December 31, 2017.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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 required to be and was not 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 copies of canceled or imaged checks from the relief association. While the relief association provided copies of bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2017:


- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 – Noncompliance With Prior Audit Recommendation – Inappropriate
Payment Of Discretionary Benefits

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.

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.

January 9, 2019


EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	3
Finding and Recommendation:	
Finding – Noncompliance With Prior Audit Recommendation – Inappropriate Payment Of Discretionary Benefits.....	4
Supplementary Financial Information	6
Report Distribution List	8

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>2015</u>	<u>2016</u>	<u>2017</u>
Eldred Township	Warren	\$3,136	\$3,147	\$3,117
Southwest Township	Warren	\$1,279	\$1,284	\$1,249
Triumph Township	Warren	\$ 671	\$ 700	\$ 652 *

* Although Triumph Township prepared and returned a Certification Form AG 385 for 2017 by the March 31 annual filing date in accordance with Act 205, the township did not distribute the 2017 state aid to the relief association in a timely manner. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 25, 2017, who forwarded this state aid to the relief association on December 22, 2017, which is not 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, upon receipt of the state aid allocation, the relief association deposited the funds, on January 2, 2018, into a relief association account.

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:

Grand Valley Volunteer Fire Department

GRAND VALLEY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Inappropriate Payment Of Discretionary Benefits

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

GRAND VALLEY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Inappropriate Payment Of Discretionary Relief Benefits

Condition: The relief association disbursed \$1,000 to individuals that 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.

A similar condition was noted in our prior audit report.

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: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures to ensure that inappropriate payments of discretionary benefits were discontinued.

GRAND VALLEY VOLUNTEER FIREMAN'S 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 used to support individuals who actively participate or participated in providing fire service.

Recommendation: We again recommend that the relief association officials immediately cease and desist from paying benefits to individuals not entitled to receive benefits. We also recommend that the relief association be reimbursed \$1,000 for the unauthorized expenditure and 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: 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.

GRAND VALLEY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2017

Cash	<u>\$ 19,402</u>
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GRAND VALLEY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 7,345
Relief benefits	800
Total Benefit Services	<u>\$ 8,145</u>
Fire Services:	
Equipment purchased	<u>\$ 10,718</u>
Administrative Services:	
Bond premiums	<u>\$ 300</u>
Other Expenditures:	
Unauthorized expenditure	<u>\$ 1,000</u>
Total Expenditures	<u><u>\$ 20,163</u></u>

GRAND VALLEY VOLUNTEER FIREMAN'S 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 Fireman's Relief Association Governing Body:

Mr. Richard Stewart
President

Mr. Robert 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
Secretary
Eldred Township

Ms. Barbara A. Kemp
Secretary
Southwest Township

Mr. Richard L. Brown
Secretary
Triumph 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.