

COMPLIANCE AUDIT

Greencastle-Antrim Volunteer Firefighter's Relief Association, Incorporated

Franklin County, Pennsylvania
For the Period
January 1, 2016 to December 31, 2018

July 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Kevin Barnes, President
Greencastle-Antrim Volunteer Firefighter's
Relief Association, Incorporated
Franklin County

We have conducted a compliance audit of the Greencastle-Antrim Volunteer Firefighter's Relief Association, Incorporated (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, 2016 to December 31, 2018.

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 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 objective. 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, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2016 to December 31, 2018, 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 – Unauthorized Expenditures

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

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 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.

June 28, 2019



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 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>2016</u>	<u>2017</u>	<u>2018</u>
Antrim Township	Franklin	\$102,939	\$93,633	\$85,764
Greencastle Borough	Franklin	\$ 28,425	\$25,229	\$23,014

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:

Rescue Hose Company #1, Inc. of Greencastle, Pennsylvania

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
INCORPORATED
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
02/14/16	1433	CDL physicals for relief association members	\$ 267
10/10/17	1045	Radio installation in ambulance	520
11/18/17	1052	Portable radios for 3 ambulances	14,137
12/11/18	1116	Radio system for ambulance	4,798
Total			<u>\$ 19,722</u>

Criteria: Section 7416(f) of Act 118 states:

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

- (9) To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of a fire company to the extent that the bills are not covered by insurance provided by the relief association.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (15) To purchase fire hoses and nozzles.

Costs associated with the purchase of equipment for an ambulance and CDL physicals do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

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.

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
INCORPORATED
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$19,722 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 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 \$19,722 for the unauthorized expenditures on June 14, 2019.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$19,722 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: In 2002, the relief association had expended \$9,065 towards the joint purchase of a 2002 Ford F-350 Type 1 Ambulance with the affiliated fire company which had a total cost of \$111,565. The relief association entered into an agreement with the affiliated fire company dated October 5, 2004 stating that the relief association would receive the pro-rata share percentage of 8.13% if the vehicle was ever sold. On February 14, 2017, the jointly purchased vehicle was sold for \$5,000; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
INCORPORATED
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials did execute a formal written agreement with the fire company; however, they failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of a jointly purchased vehicle with the affiliated fire company into a relief association account.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$407 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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 \$407 for the pro-rata share of the proceeds from the sale of the jointly purchased vehicle on June 14, 2019.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$407 was received and deposited into the relief association's account on June 14, 2019. Compliance for timely deposits made during the next audit period will be subject to verification through our next audit.

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
INCORPORATED
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 147,446
Fair Value of Investments	1,028,505
Book Value of Other Investments	<u>194,761</u>
Total Cash and Investments	<u>\$ 1,370,712</u>

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
 INCORPORATED
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 112,266
Death benefits	6,500
Tokens of sympathy and goodwill	824
Total Benefit Services	\$ 119,590
Fire Services:	
Equipment purchased	\$ 502,560
Equipment maintenance	72,612
Training expenses	12,090
Fire prevention materials	7,015
Total Fire Services	\$ 594,277
Administrative Services:	
Other administrative expenses	\$ 12,809
Bond premiums	1,533
Total Administrative Services	\$ 14,342
Total Investments Purchased	\$ 300,000
Other Expenditures:	
Unauthorized expenditures	\$ 19,722
Total Expenditures	\$ 1,047,931

GREENCASTLE-ANTRIM VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION,
INCORPORATED
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Greencastle-Antrim Volunteer Firefighter's Relief Association, Incorporated Governing Body:

Mr. Kevin Barnes
President

Mr. Brian Barkdoll
Secretary

Mr. Ben Thomas, Jr.
Treasurer

Mr. Wayne Young
Director

Mr. Keith Mowen
Director

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

Ms. Jennifer Becknell
Secretary
Antrim Township

Mr. Eden Ratliff
Secretary
Greencastle Borough

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.