

# COMPLIANCE AUDIT

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## Hemlock Township Fireman's Relief Association

Columbia County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2020

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September 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Rick Wenner, President  
Hemlock Township Fireman's  
Relief Association  
Columbia County

We have conducted a compliance audit of the Hemlock Township 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, 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.

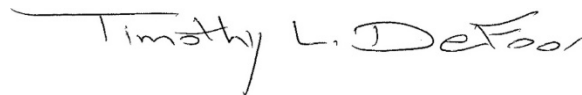
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 findings listed below and discussed later in this report.

Finding No. 1 – Untimely Receipt And Deposit Of State Aid

Finding No. 2 – Inadequate Signature On Minutes Of Meetings

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

September 7, 2021

Timothy L. DeFoor  
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.

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>
Hemlock Township	Columbia	\$18,184	\$18,806	\$18,675
Madison Township	Columbia	\$ 2,404	\$ 2,562	\$ 2,571*
Mount Pleasant Township	Columbia	\$ 2,072	\$ 2,268	\$ 2,285
West Hemlock Township	Montour	\$ 1,000	\$ 1,094	\$ 1,100

## BACKGROUND – (Continued)

\* The 2020 state aid allocation received from Madison Township was not deposited by the relief association until January 25, 2021 as disclosed in Finding No. 1 in this report.

Based on the relief association's records, its total cash as of December 31, 2020 was \$54,314, as illustrated below:

Cash	<u>\$ 54,314</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$113,957, 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.<sup>1</sup> **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	<u>\$ 11,660</u>
Fire Services:	
Equipment purchased	\$ 80,385
Equipment maintenance	18,464
Training expenses	<u>2,620</u>
Total Fire Services	<u>\$ 101,469</u>
Administrative Services:	
Other administrative expenses	\$ 216
Bond premiums	<u>612</u>
Total Administrative Services	<u>\$ 828</u>
Total Expenditures	<u>\$ 113,957</u>

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:

Buckhorn Community Volunteer Fire Company No. 1

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<sup>1</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

HEMLOCK TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Untimely Receipt And Deposit Of State Aid**

Condition: The relief association did not deposit the 2020 state aid allocation it received from Madison Township, in the amount of \$2,571, until January 25, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who erroneously forwarded this state aid to the affiliated fire company, instead of the relief association, on November 9, 2020 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 should be sent directly to the relief association. Since the state aid allocation was sent to the affiliated fire company, instead of the relief association, the state allocation was erroneously deposited by the affiliated fire company. Once the error was discovered, the affiliated fire company reimbursed the relief association. Consequently, the relief association did not ensure the funds were received and 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 officials stated that the 2020 Madison Township state aid allocation was issued to the affiliated fire company as part of one check that also included funds for the affiliated fire company's workmen's compensation benefit. Once the relief association officials noticed the discrepancy, the affiliated fire company reimbursed the relief association the full amount of the 2020 Madison Township state aid allocation. Also, the relief association officials failed to establish procedures which require that all income received be received and deposited in a timely manner.

Effect: As a result of the untimely receipt and 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.

HEMLOCK TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. 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.

**Finding No. 2 – Inadequate Signature On Minutes Of Meetings**

Condition: The relief association failed to maintain adequate minutes of meetings as required by Act 118. Specifically, the relief association's minutes did not include a date the minutes were prepared or the hand written signature of the recording officer.

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Further, prudent business practice dictates that the application of a hand written signature and a date of when the minutes were prepared assists in validating the authenticity of the authorized recording officer's signature and in the authenticity of the relief association's meeting minutes.

Cause: Relief association officials stated that they were unaware that the application of the date the minutes were prepared and an original hand written signature was needed.

Effect: Without the application of a dated hand written signature on the minutes of meetings, adequate evidence that authentic minutes of relief association business was presented before the membership for approval does not exist.



HEMLOCK TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials ensure a dated hand written signature by the recording officer is included on all minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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.

HEMLOCK TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Hemlock Township Fireman's Relief Association Governing Body:

**Mr. Rick Wenner**  
President

**Mr. Brent Traugh**  
Vice President

**Mr. Bruce Flagg**  
Secretary

**Mr. Scott Traugh**  
Treasurer

**Mr. Kenneth Wenner**  
Trustee

**Mr. Garey Bittenbender**  
Trustee

HEMLOCK TOWNSHIP FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Larine S. Kramer**  
Secretary  
Hemlock Township

**Ms. Vicki Moyer**  
Secretary  
Madison Township

**Ms. Wendy Westover**  
Secretary  
Mount Pleasant Township

**Ms. Belinda Wintersteen**  
Secretary  
West Hemlock 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).