

# COMPLIANCE AUDIT

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## Lewis Run Volunteer Fire Department Relief Association McKean County, Pennsylvania For the Period January 1, 2015 to December 31, 2017

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January 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  
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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Ms. Vickie G. Johnson, President  
Lewis Run Volunteer Fire Department  
Relief Association  
McKean County

We have conducted a compliance audit of the Lewis Run Volunteer Fire Department 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 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.

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

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 25, 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 municipality:

| <u>Municipality</u> | <u>County</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---------------------|---------------|-------------|-------------|-------------|
| Lewis Run Borough   | McKean        | \$3,097     | \$3,083     | \$2,735     |

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:

Lewis Run Volunteer Fire Department

LEWIS RUN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditure**

Condition: The relief association expended \$2,368 for the affiliated fire company’s commercial insurance package during the current audit period. While relief associations paying for commercial insurance for affiliated fire companies is not authorized by Act 118, the relief association provided documentation that provided evidence that \$2,036 of the commercial insurance package was for liability and portable equipment insurance that is considered authorized. Therefore, the remaining portion of the fire company’s commercial insurance package of \$332 is not authorized by Act 118.

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

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

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of the member’s death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
- (4) To pay in full or in part for damage or loss in any of the categories mentioned in paragraph (2) in a specific case where: (i) no policy of insurance is in force covering the risk; or (ii) the amount payable under insurance policies in force is inadequate to cover the loss.
- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining volunteer firefighters who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation.

Costs associated with the purchase of the fire company’s commercial insurance (other than liability and portable equipment insurance) do not qualify as an authorized volunteer firefighters’ relief association expenditure; consequently, this disbursement is not authorized under Act 118.

LEWIS RUN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Cause: Relief association officials indicated that they were unaware that the expenditure for the fire company's commercial insurance was not authorized by Act 118.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association be reimbursed \$332 for the unauthorized expenditure 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, on November 30, 2018, the affiliated fire company reimbursed the relief association \$332 for the unauthorized expenditure.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$332 was received on November 30, 2018. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.



LEWIS RUN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2017

|      |                 |
|------|-----------------|
| Cash | <u>\$ 3,488</u> |
|------|-----------------|

LEWIS RUN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2017

Expenditures:

|                               |           |
|-------------------------------|-----------|
| Benefit Services:             |           |
| Insurance premiums            | \$ 5,255  |
|                               |           |
| Fire Services:                |           |
| Equipment purchased           | \$ 4,809  |
| Equipment maintenance         | 763       |
| Training expenses             | 2,282     |
| Total Fire Services           | \$ 7,854  |
|                               |           |
| Administrative Services:      |           |
| Other administrative expenses | \$ 9      |
| Bond premiums                 | 100       |
| Total Administrative Services | \$ 109    |
|                               |           |
| Other Expenditures            |           |
| Unauthorized Expenditure      | \$ 332    |
|                               |           |
| Total Expenditures            | \$ 13,550 |

LEWIS RUN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Lewis Run Volunteer Fire Department Relief Association Governing Body:

**Ms. Vickie G. Johnson**  
President

**Ms. Tracey L. Kerr**  
Vice President

**Ms. Kimberly S. Wright**  
Secretary

**Ms. Kathy Mason**  
Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

**Ms. Joanne Caldwell**  
Secretary  
Lewis Run Borough

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).