

# COMPLIANCE AUDIT

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## Lower Augusta Volunteer Firemen's Relief Association Northumberland County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

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March 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Scott J. Young, President  
Lower Augusta Volunteer Firemen's  
Relief Association  
Northumberland County

We have conducted a compliance audit of the Lower Augusta Volunteer Firemen'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, 2017 to December 31, 2019.

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, 2017 to December 31, 2019, 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 Expenditures

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.

March 17, 2020



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>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------|----------------|-------------|-------------|-------------|
| Lower Augusta Township | Northumberland | \$5,576     | \$5,093     | \$4,429     |

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:

Lower Augusta Volunteer Fire Department

LOWER AUGUSTA VOLUNTEER FIREMEN’S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditures**

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

| <u>Date</u> | <u>Check No.</u> | <u>Description</u>              | <u>Amount</u> |
|-------------|------------------|---------------------------------|---------------|
| 02/19/2018  | 1060             | Training for non-relief members | \$ 59         |
| 03/19/2018  | 1062             | Medical supplies                | 928           |
| Total       |                  |                                 | <u>\$ 987</u> |

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

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

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the purchase of EMT supplies and training for non-relief association members 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.

**Recommendation:** We recommend that the relief association be reimbursed \$987 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 \$987 for the unauthorized expenditure on February 3, 2020.

**Auditor’s Conclusion:** We reviewed documentation verifying that the reimbursement of \$987 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

LOWER AUGUSTA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2019

|      |                 |
|------|-----------------|
| Cash | <u>\$ 8,280</u> |
|------|-----------------|



LOWER AUGUSTA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2019

Expenditures:

Benefit Services:

|                    |           |
|--------------------|-----------|
| Insurance premiums | \$ 12,848 |
|--------------------|-----------|

Fire Services:

|                     |           |
|---------------------|-----------|
| Equipment purchased | \$ 11,275 |
|---------------------|-----------|

|                   |       |
|-------------------|-------|
| Training expenses | 2,114 |
|-------------------|-------|

|                     |           |
|---------------------|-----------|
| Total Fire Services | \$ 13,389 |
|---------------------|-----------|

Administrative Services:

|                               |       |
|-------------------------------|-------|
| Other administrative expenses | \$ 24 |
|-------------------------------|-------|

|               |     |
|---------------|-----|
| Bond premiums | 300 |
|---------------|-----|

|                               |        |
|-------------------------------|--------|
| Total Administrative Services | \$ 324 |
|-------------------------------|--------|

Other Expenditures:

|                             |        |
|-----------------------------|--------|
| Undocumented expenditures * | \$ 175 |
|-----------------------------|--------|

|                           |     |
|---------------------------|-----|
| Unauthorized expenditures | 987 |
|---------------------------|-----|

|                          |          |
|--------------------------|----------|
| Total Other Expenditures | \$ 1,162 |
|--------------------------|----------|

|                    |           |
|--------------------|-----------|
| Total Expenditures | \$ 27,723 |
|--------------------|-----------|

\* The relief association was unable to provide adequate supporting documentation evidencing the propriety of insignificant expenditures amounting to \$175 made during the audit period. We disclosed this issue to relief association officials during the conduct of our audit and the relief association received reimbursement on February 3, 2020.

LOWER AUGUSTA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Lower Augusta Volunteer Firemen's Relief Association Governing Body:

**Mr. Scott J. Young**  
President

**Mr. Carl Minnier**  
Vice President

**Ms. Lori Mulberger**  
Secretary

**Mr. Jonas King**  
Treasurer

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

**Mr. Jeremy W. Herrold**  
Secretary  
Lower Augusta 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).