

COMPLIANCE AUDIT

Millville Community Volunteer Firemen's Relief Association of Millville, Pennsylvania Columbia County For the Period January 1, 2016 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Earl Mordan, President
Millville Community Volunteer
Firemen's Relief Association
of Millville, Pennsylvania
Columbia County

We have conducted a compliance audit of the Millville Community Volunteer Firemen's Relief Association of Millville, Pennsylvania (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, 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, 2016 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 findings listed below and discussed later in this report.

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

Finding No. 2 – 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 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.

October 23, 2018



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>
Greenwood Township	Columbia	\$11,719	\$11,405
Madison Township	Columbia	\$ 5,398	\$ 5,276
Millville Borough	Columbia	\$ 5,506	\$ 4,994*
Mount Pleasant Township	Columbia	\$ 2,415	\$ 2,264
Pine Township	Columbia	\$ 3,608	\$ 3,661

* A portion of the 2017 state aid allocation received from Millville Borough was not deposited by the relief association until August 2, 2018 as disclosed in Finding No. 1 in this report.

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:

Millville Community Fire Company

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

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

Condition: The relief association did not receive and deposit a portion of the 2017 state aid allocation it received from Millville Borough, in the amount of \$500, until August 2, 2018. The foreign fire insurance tax allocation of \$4,994 was distributed to the municipal treasurer on September 22, 2017, who forwarded \$4,494 of the state aid to the relief association on October 11, 2017. Due to a clerical error by Millville Borough, the relief association did not receive the remaining funds of \$500 until August 2, 2018; however, upon receipt of the state aid allocation, the relief association deposited the funds into a relief association account. Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not ensure the funds were received and deposited timely.

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: Relief association officials failed to establish internal control procedures to ensure that all income due the relief association was received, recorded and deposited into a relief association account 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 receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

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.

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 – 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>
08/03/2016	6498	Training – college credited EMT	\$ 1,199
09/07/2016	6504	Training – books for college credited EMT	554
03/01/2017	6521	Training – nonmember of relief	160
Total			<u>\$ 1,913</u>

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

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

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Costs associated with advanced EMT training expenses and training for nonmembers of the relief association 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.

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (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.

Recommendation: We recommend that the relief association be reimbursed \$1,913 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 \$1,913 for the unauthorized expenditures on August 2, 2018.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,913 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$	96,549
Fair Value of Investments		<u>30,603</u>
Total Cash and Investments	\$	<u><u>127,152</u></u>

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 12,037
Death benefits	1,000
Tokens of sympathy and goodwill	313
Total Benefit Services	\$ 13,350
Fire Services:	
Equipment purchased	\$ 17,411
Equipment maintenance	6,927
Training expenses	9,006
Total Fire Services	\$ 33,344
Administrative Services:	
Other administrative expenses	\$ 85
Other Expenditures:	
Undocumented expenditures*	300
Unauthorized expenditures	1,913
Total Other Expenditures	\$ 2,213
Total Expenditures	\$ 48,992

* The relief association was unable to provide adequate supporting documentation evidencing the propriety of an insignificant expenditure amounting to \$300 made during 2017. As a result of this audit, the affiliated fire company reimbursed the relief association \$300 for the undocumented expenditure on August 2, 2018.

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Millville Community Volunteer Firemen's Relief Association of Millville, Pennsylvania
Governing Body:

Mr. Earl Mordan
President

Ms. Cheryl A. Eyer
Secretary

Mr. Ronald E. Eyer
Treasurer

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

Mr. Joseph Farr
Secretary
Greenwood Township

Ms. Holly Greenly
Secretary
Madison Township

Ms. Beverly Lutcavage
Secretary
Millville Borough

Ms. Wendy Westover
Secretary
Mount Pleasant Township

Ms. Linda Gordner
Secretary
Pine Township

MILLVILLE COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
MILLVILLE, PENNSYLVANIA
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