

COMPLIANCE AUDIT

The Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA Westmoreland County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

February 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Gary Gauker, President
The Oklahoma Volunteer Firemen's
Relief Association of
Oklahoma Boro, PA
Westmoreland County

We have conducted a compliance audit of The Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA (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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. 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 objectives 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 objectives. 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 did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Because of the significance of the matter described in the finding below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In 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 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 31, 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>2016</u>	<u>2017</u>
Oklahoma Borough	Westmoreland	\$3,878	\$3,513

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:

Oklahoma Volunteer Fire Department

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: As was noted in the prior audit, the relief association did not receive its proportional ownership interest of the proceeds from the sale of a jointly purchased vehicle with the affiliated fire department. As of December 31, 2015, the relief association had expended \$31,598 in relief association funds toward the purchase of a 2009 Pierce Pumper which had a total overall cost of \$248,770 in 2014. This vehicle was sold, through a broker, to another fire department for \$195,000 with no pro-rata share going to the relief association, and it resulted in a potential withhold of state aid in the prior audit. The relief association's pro-rata share was determined to be \$24,765. Subsequent to the prior audit, an agreement, dated February 27, 2017, from the Department of the Auditor General was drawn up regarding the establishment of a six-year repayment plan for the affiliated fire department. Under the terms of the agreement the relief association should have received a down payment of \$1,238 and monthly payments of \$327; however, no payments were received until November 24, 2018, when a \$7,200 payment was received, which was \$251 less than the \$7,451 that was due to the relief association up to October 2018.

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.

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.

Cause: Even though notified of this condition during our prior audit, relief association officials again did not ensure that it received its proportional ownership interest due from the proceeds of the sale of a jointly purchased vehicle with the affiliated fire department.

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: The failure to receive its proportional ownership interest of the proceeds from the sale of a jointly purchased vehicle with the affiliated fire department places the relief association's ownership interest at greater risk in addition to funds not being available for authorized purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We again recommend that the relief association officials adhere to the formal written agreement with the fire company that enumerates the collection of the relief association's proportionate sales proceeds due to the sale of the vehicle. This includes the collection of the outstanding overdue balance of \$251 and all and any other future payments due in accordance with the agreement dated February 27, 2017. If such action is not taken, we recommend that the relief association be reimbursed the balance owed of \$17,565. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2017

Cash	<u>\$ 11,126</u>
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THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 2,369
	<hr/>
Total Expenditures	\$ 2,369
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DRAFT

THE OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA Governing Body:

Mr. Gary Gauker
President

Mr. Don Polka
Treasurer

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

Ms. Alecia Sherbondy
Secretary
Oklahoma 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.