

COMPLIANCE AUDIT

Patton Fire Company #1 Relief Association Cambria County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

June 2020



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
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Gary Haluska, President
Patton Fire Company #1
Relief Association
Cambria County

We have conducted a compliance audit of the Patton Fire Company #1 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.

Due to a stay at home order issued by the Governor of the Commonwealth of Pennsylvania during the COVID-19 pandemic, we were unable to observe any of the relief association's equipment to verify its existence.

We were also not able to obtain independent confirmations of a portion of the investment balance directly from the financial institutions. Therefore, while the relief association provided copies of investment statements that indicated that, as of December 31, 2019, the relief association had an investment balance with a fair value of \$179,204, we were not able to verify a portion of this investment balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the two preceding paragraphs, 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 findings listed below and discussed later in this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Untimely Deposit Of State Aid

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.

May 21, 2020



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding No. 1 – Unauthorized Expenditures.....	3
Finding No. 2 – Untimely Deposit Of State Aid.....	4
Supplementary Financial Information	6
Report Distribution List	8

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>2017</u>	<u>2018</u>	<u>2019</u>
Chest Springs Borough	Cambria	\$ 338	\$ 305	\$ 327
Chest Township	Cambria	\$ 2,168	\$ 1,986	\$ 2,136
Clearfield Township	Cambria	\$ 3,926*	\$ 3,624	\$ 3,991
East Carroll Township	Cambria	\$ 4,044	\$ 3,682	\$ 3,932
Elder Township	Cambria	\$ 1,737	\$ 1,585	\$ 1,705
Patton Borough	Cambria	\$ 7,003	\$ 6,376	\$ 6,895

* The 2017 state aid allocation received from Clearfield Township was not deposited by the relief association until April 29, 2020 as disclosed in Finding No. 2 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:

Patton Fire Company #1

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1– Unauthorized Expenditures

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

Date	Check No.	Description	Amount
01/10/17	2345	Maintenance of fire company owned vehicle	\$ 2,296
04/25/17	2356	Maintenance of fire company owned vehicle	561
01/23/18	2404	Maintenance of fire company owned vehicle	7,596
05/08/18	2418	Maintenance of fire company owned vehicle	84
04/22/19	2446	Maintenance of fire company owned vehicle	236
10/08/19	2454	Maintenance of fire company owned vehicle	730
10/22/19	2457	Maintenance of fire company owned vehicle	116
Total			\$ 11,619

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

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

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

- (15) To purchase fire hoses and nozzles.

Costs associated with the purchase of maintenance on fire company-owned vehicles 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.

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$11,619 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 \$11,058 and \$561 for the unauthorized expenditures on May 13, 2020 and May 18, 2020, respectively.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$11,619 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Untimely Deposit Of State Aid

Condition: The relief association did not deposit the 2017 state aid allocation distributed from Clearfield Township, in the amount of \$3,926, until April 29, 2020. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 25, 2017, who forwarded this state aid to the relief association on October 5, 2017, 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, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

Criteria: Section 706 (b) (2) of the Act of December 18, 1984, (P.L. 1005, and 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.

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The state aid allocation was erroneously deposited into the relief association's affiliated fire company's account. 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 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.

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 as a result of our audit, on April 29, 2020, the affiliated fire company reimbursed the relief association \$3,926 for the untimely deposit of state aid.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$3,926 was received and deposited. Continued compliance for the timely deposit of state aid during the next audit period will be subject to verification through our next audit.

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2019

Cash	\$ 46,238
Fair Value of Investments	<u>179,204</u>
Total Cash and Investments	<u>\$ 225,442</u>

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2019

Expenditures:

Benefit Services:	
Insurance premiums	\$ 20,148
Death benefits	1,500
Total Benefit Services	\$ 21,648
Fire Services:	
Equipment purchased	\$ 36,975
Equipment maintenance	11,024
Training expenses	12,196
Total Fire Services	\$ 60,195
Administrative Services:	
Officer compensation	\$ 2,000
Other administrative expenses	798
Bond premiums	200
Total Administrative Services	\$ 2,998
Other Expenditures	
Unauthorized expenditures	\$ 11,619
Total Expenditures	\$ 96,460

PATTON FIRE COMPANY #1 RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Patton Fire Company #1 Relief Association Governing Body:

Mr. Gary Haluska
President

Ms. Amber Storm
Secretary

Mr. Leonard W. Whiteford
Treasurer

PATTON FIRE COMPANY #1 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. Nicole D. Farabaugh
Secretary
Chest Springs Borough

Ms. Mary K. Schaeffer
Secretary
Chest Township

Ms. Lynne P. Thomas
Secretary
Clearfield Township

Ms. Mary Jane Rowland
Secretary
East Carroll Township

Ms. Robin Quist
Secretary
Elder Township

Ms. Donna M. Dunegan
Secretary
Patton 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.