

COMPLIANCE AUDIT

South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania Lycoming County For the Period May 9, 2017 to December 31, 2018

June 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Philip Hurne, President
South Williamsport Area Fireman's Relief
Association of South Williamsport,
Pennsylvania
Lycoming County

We have conducted a compliance audit of the South Williamsport Area Fireman's Relief Association of South Williamsport, 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 May 9, 2017 to December 31, 2018.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania.
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 May 9, 2017 to December 31, 2018:

- The relief association took appropriate corrective action to address one of the two findings contained in our prior audit report of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania. However, the relief association failed to take appropriate corrective action to address the one remaining finding, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 – Noncompliance With Prior Audit Recommendation – Failure To Secure Possession Of All Relief Association Owned Equipment

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.

June 7, 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Armstrong Township	Lycoming	\$ 2,214	\$ 1,998
South Williamsport Borough	Lycoming	\$31,314	\$28,562

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:

South Williamsport Fire Department

SOUTH WILLIAMSPORT AREA FIREMAN'S RELIEF ASSOCIATION OF SOUTH
WILLIAMSPORT, PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

Due to the dissolution of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania, officials of South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania were provided copies of that entity's final close-out audit report so that officials were made aware of the conditions that were detected in the operations of the former South Williamsport Joint Firemen's Relief Association of South Williamsport during the course of their audit.

The South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania has complied with one of the two prior audit findings and recommendations of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania, as follows:

- Improper Merger

By maintaining detailed minutes of all relief association meetings held during the period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania has not complied with one of the two prior audit findings and recommendations of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania, as follows:

- Failure To Secure Possession Of All Relief Association Owned Equipment

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.

SOUTH WILLIAMSPORT AREA FIREMAN'S RELIEF ASSOCIATION OF SOUTH
WILLIAMSPORT, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Secure Possession Of All Relief Association Owned Equipment

Condition: The relief association did not secure possession of all relief association owned equipment that was to be transferred from the dissolving relief association. An affiliated fire service organization, which is no longer recognized by the municipality as a fire service provider, did not return their relief association owned equipment to the former relief association prior to its dissolution or to the new relief association. The relief association made another attempt to retrieve the equipment on March 17, 2019; however, the relief association still did not receive any of the relief association owned equipment.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure that possession of all relief association owned equipment is obtained in order for an accurate accounting of its equipment assets.

Cause: We notified the now dissolved relief association of this condition during our prior audit of that relief association, and relief association officials with the current relief association again unsuccessfully attempted to adequately secure possession of all its relief association owned equipment from the affiliated fire service organization.

Effect: The failure to obtain possession of all its relief association owned equipment resulted in the inability to account for all relief association owned equipment and the inability to obtain evidence of the propriety of the relief association owned equipment actually transferred to the new relief association due to the transfer not including all equipment owned by the now dissolved relief association.

Recommendation: We recommend that the relief association officials continue their efforts to obtain all of the relief association owned equipment and that evidence supporting the propriety of the relief association owned equipment transferred to the new relief association is documented along with a signed receipt of the recipient. 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: We encourage timely implementation of the recommendation noted in this audit report.

SOUTH WILLIAMSPORT AREA FIREMAN'S RELIEF ASSOCIATION OF SOUTH
WILLIAMSPORT, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 111,104
Fair Value of Investments	<u>196,127</u>
Total Cash and Investments	<u><u>\$ 307,231</u></u>

SOUTH WILLIAMSPORT AREA FIREMAN'S RELIEF ASSOCIATION OF SOUTH
WILLIAMSPORT, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD MAY 9, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 12,863
Relief benefits	636
Total Benefit Services	<u>\$ 13,499</u>
Fire Services:	
Equipment purchased	\$ 45,113
Equipment maintenance	729
Training expenses	5,833
Total Fire Services	<u>\$ 51,675</u>
Administrative Services:	
Other administrative expenses	<u>\$ 1,937</u>
Total Investments Purchased	<u>\$ 40,000</u>
Total Expenditures	<u><u>\$ 107,111</u></u>

SOUTH WILLIAMSPORT AREA FIREMAN’S RELIEF ASSOCIATION OF SOUTH
WILLIAMSPORT, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania
Governing Body:

Mr. Philip Hurne
President

Ms. LaVerna Hurne
Vice President

Ms. Holly Huyck
Secretary

Ms. Sandra Bair
Treasurer

Ms. Kristin Beck
Assistant Treasurer

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

Ms. Cheryl L. Kurtz
Secretary
Armstrong Township

Mr. Michael D. Miller
Secretary
South Williamsport 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.