

# COMPLIANCE AUDIT

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## Swoyersville #1 Firemen's Relief Association of Swoyersville, Pennsylvania Luzerne County For the Period January 1, 2012 to November 25, 2014

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June 2016



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Carl P. Worthington, Treasurer  
Swoyersville #1 Firemen's Relief Association of  
Swoyersville, Pennsylvania  
Luzerne County

We have conducted a compliance audit of the former Swoyersville #1 Firemen's Relief Association of Swoyersville, 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, 2012 to November 25, 2014.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

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.

As of November 25, 2014, the former relief association dissolved its organization. However, as of the date of this report, the relief association was unable to liquefy an investment in stocks held at the financial institution amounting to approximately \$1,875 as disclosed in the finding section of this report. We were not able to obtain an independent confirmation of the investment balance directly from the financial institution; therefore, we were not able to verify this investment balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2012 to November 25, 2014:

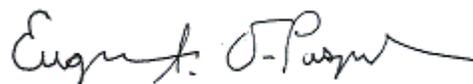
- The former relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The former relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the finding listed below and discussed later in this report.

Finding – Improper Merger

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 former relief association and, where appropriate, their responses have been included in the report. We would like to thank the former relief association officials for the cooperation extended to us during the conduct of the audit.

June 8, 2016



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 former relief association was 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. The relief association's bylaws define the specific operational procedures by which the relief association conducts 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 the relief association 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Swoyersville Borough	Luzerne	\$1,733	*	**

\* Beginning in 2013, Swoyersville Borough no longer recognized Swoyersville Volunteer Hose Company #1, the affiliated fire company for this relief association, as the fire company providing fire service for the borough. Therefore, the former relief association did not receive a 2013 state aid allocation from the borough.

\*\*As of November 25, 2014, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Swoyersville Volunteer Hose Company #1

SWOYERSVILLE #1 FIREMEN'S RELIEF ASSOCIATION OF  
SWOYERSVILLE, PENNSYLVANIA  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Segregate Relief Association Officers' Duties

By ensuring that there was an adequate segregation of duties between the offices of the secretary and treasurer during the audit period.

SWOYERSVILLE #1 FIREMEN'S RELIEF ASSOCIATION OF  
SWOYERSVILLE, PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Improper Merger**

Condition: The former relief association did not properly document the dissolution of the organization and merger with West Wyoming Hose Company No. 2 Relief Association. Specifically, the former relief association did not maintain meeting minutes documenting the proposed merger and evidencing membership approval of the merger and did not ensure the proper transfer of all remaining assets of the former relief association to West Wyoming Hose Company No. 2 Relief Association.

While the former relief association did properly close the bank account of the former relief association and transfer these funds to the West Wyoming Hose Company No. 2 Relief Association, former relief association officers failed to complete the merger by transferring the assets remaining in a stock investment account. Former relief association officials responsible for the original investment in stocks held in the name of the former relief association are no longer available and the remaining officers were unable to change authorizing officers responsible for this investment account or to liquefy the remaining investment. In addition, former relief association officers were unable to request information on the account and the investment company no longer provides the quarterly investment statements to the former relief association. As of the date of this report, the former relief association owned 135 shares of stock with an approximate fair value of \$1,875 as of the date of this report.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Furthermore, prudent business practice dictates that the relief association should properly document the membership's approval of the merger in the minutes of meetings held by the relief association regarding the merger and ensure that all assets are transferred to West Wyoming Hose Company No. 2 Relief Association.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision and approval to merge with the newly formed relief association. In addition, former relief association officials were unaware of the importance of maintaining appropriate and updated signature authority over relief association accounts held at the financial institution during transitions in relief association officers responsible for the proper safeguarding of assets held at the financial institution.

SWOYERSVILLE #1 FIREMEN'S RELIEF ASSOCIATION OF  
SWOYERSVILLE, PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: Without detailed documentation such as detailed meeting minutes, evidence that the relief association's merger with West Wyoming Hose Company No. 2 Relief Association was presented before the membership for approval does not exist. In addition, West Wyoming Hose Company No. 2 Relief Association did not receive the appropriate transfer of all of the remaining assets held by the former relief association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its assets to the West Wyoming Hose Company No. 2 Relief Association, we are providing officials of the West Wyoming Hose Company No. 2 Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that every attempt is made to liquidate and transfer the stock valued at \$1,875 to West Wyoming Hose Company No. 2 Relief Association. In addition, we recommend that the West Wyoming Hose Company No. 2 Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

SWOYERSVILLE #1 FIREMEN'S RELIEF ASSOCIATION OF  
SWOYERSVILLE, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2012 TO NOVEMBER 25, 2014

Expenditures:

Benefit Services:	
Insurance premiums	\$ 6,445
Death benefits	200
Tokens of sympathy and goodwill	117
Total Benefit Services	\$ 6,762
Fire Services:	
Equipment purchased	\$ 3,278
Equipment maintenance	886
Total Fire Services	\$ 4,164
Administrative Services:	
Bond premiums	\$ 500
Other Expenditures:	
Transfer of monetary assets*	\$ 32,371
Total Expenditures	\$ 43,797

\* Transfer of Monetary Assets/Dissolution of Relief Association.

As of November 25, 2014, the former relief association merged with West Wyoming Hose Company No. 2 Relief Association. The majority of monetary assets were transferred to the West Wyoming Hose Company No. 2 Relief Association, with the exception of 135 shares of common stock valued at \$1,875 as of the date of this report as disclosed in the finding section of this report. Due to the dissolution of the former relief association, we are providing officials of West Wyoming Hose Company No. 2 Relief Association copies of this report.

SWOYERSVILLE #1 FIREMEN'S RELIEF ASSOCIATION OF  
SWOYERSVILLE, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Swoyersville #1 Firemen's Relief Association of Swoyersville, Pennsylvania Governing Body:

**Mr. Carl P. Worthington**  
Treasurer

West Wyoming Hose Company No. 2 Relief Association Governing Body:

**Mr. Frank Hawk, Sr.**  
President

**Mr. John Baker, Sr.**  
Vice President

**Mr. Drew Austin**  
Secretary

**Mr. Carl P. Worthington**  
Treasurer

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

**Mr. Gene Breznay**  
Secretary  
Swoyersville Borough

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).