

COMPLIANCE AUDIT

Firemen's Relief Association of Tunkhannock, PA

Wyoming County

For the Period

January 1, 2014 to December 31, 2016

July 2017



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
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www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. William Gaylord, President
Firemen's Relief Association
of Tunkhannock, PA
Wyoming County

We have conducted a compliance audit of the Firemen's Relief Association of Tunkhannock, 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, 2014 to December 31, 2016.

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.

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, 2014 to December 31, 2016, 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 – Untimely Receipt And 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 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.

July 13, 2017



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>2014</u>	<u>2015</u>	<u>2016</u>
Eaton Township	Wyoming	\$11,828	\$11,680	\$11,665
Lemon Township	Wyoming	\$ 8,856	\$ 8,618*	\$ 8,656*
Tunkhannock Borough	Wyoming	\$11,235	\$11,158	\$11,614
Tunkhannock Township	Wyoming	\$30,485	\$30,527	\$30,772

* The 2015 and 2016 state aid allocations received from Lemon Township were not received or deposited by the relief association in accordance with Act 205 as disclosed in the finding 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:

Triton Hose Company No. 1

FIREMEN'S RELIEF ASSOCIATION OF TUNKHANNOCK, PA
FINDING AND RECOMMENDATION

Finding – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not receive and deposit the 2015 and 2016 state aid allocations from Lemon Township, in the amounts of \$8,618 and \$8,656, respectively, in accordance with Act 205. The 2016 foreign fire insurance tax allocation was distributed to the municipal treasurer on September 30, 2016, and for 2015, the foreign fire insurance tax allocation was distributed to the municipal treasurer on August 1, 2016, due to the late filing of Certification Form AG 385 by the township; however, municipal officials failed to forward these allocations to the relief association within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), as follows:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2015	Lemon Township	\$8,618	Unknown*	January 17, 2017
2016	Lemon Township	\$8,656	Unknown*	January 17, 2017

* The date the municipality distributed the 2015 and 2016 state aid to the relief association could not be determined because the township failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the annual state aid allocations received by the municipality disclosing this information.

Upon receiving both the 2015 and 2016 state aid allocations late, the relief association immediately deposited the funds into an appropriate relief association account.

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 the relief association should establish adequate internal control procedures to ensure the timely receipt and deposit of funds in accordance with this act.

FIREMEN'S RELIEF ASSOCIATION OF TUNKHANNOCK, PA
FINDING AND RECOMMENDATION

Finding – (Continued):

Cause: Relief association officials failed to establish internal control procedures which require that all income due the relief association is received, recorded and deposited in a timely manner.

Effect: As a result of the untimely receipt and deposit of funds, these funds were not available to pay general operating expenses or for investment purposes. In addition, untimely receipt and deposits of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that relief association officials become familiar with when state aid is distributed annually to municipalities (by the last day of September on an annual basis) and adopt internal control procedures to effectively monitor the municipality's annual distributions of state aid allocations 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 indicated they will take action to comply with the recommendation.

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

FIREMEN'S RELIEF ASSOCIATION OF TUNKHANNOCK, PA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 96,672
Fair Value of Investments	<u>685,666</u>
Total Cash and Investments	<u>\$ 782,338</u>

FIREMEN'S RELIEF ASSOCIATION OF TUNKHANNOCK, PA
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 21,197
Relief benefits	180
Total Benefit Services	\$ 21,377
Fire Services:	
Equipment purchased	\$ 558,812
Equipment maintenance	14,796
Training expenses	1,047
Total Fire Services	\$ 574,655
Administrative Services:	
Other administrative expenses	\$ 4,691
Bond premiums	3,173
Total Administrative Services	\$ 7,864
Investments Purchased	\$ 200,000
Total Expenditures	\$ 803,896

FIREMEN'S RELIEF ASSOCIATION OF TUNKHANNOCK, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Firemen's Relief Association of Tunkhannock, PA Governing Body:

Mr. William Gaylord
President

Mr. Ronald Kukuchka
Vice President

Mr. John Lee
Secretary

Ms. Wilma Gay
Treasurer

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

Ms. Brenda Novak
Secretary
Eaton Township

Ms. Samantha Hoover
Secretary
Lemon Township

Ms. Dawn Welch
Secretary
Tunkhannock Borough

Ms. Judy Gingher
Secretary
Tunkhannock Township

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.