

COMPLIANCE AUDIT

Union Township Volunteer Firemen Association of Lawrence 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



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Leslie Shannon, President
Union Township Volunteer Firemen
Association of Lawrence County

We have conducted a compliance audit of the Union Township Volunteer Firemen Association of Lawrence County (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, nor was it required to be, 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.

We were not able to obtain an independent confirmation of a portion of investment balance directly from the financial institution. 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 \$99,508, we were not able to verify a portion of this investment balance.

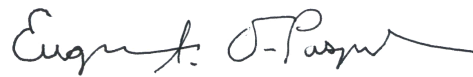
In addition, due to a stay at home order issued by the Governor of the Commonwealth of Pennsylvania during the COVID-19 pandemic, we were unable to observe any of the relief association's equipment to verify its existence.

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 finding listed below and discussed later in this report.

Finding – Inappropriate Commingling Of Funds

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 23, 2020



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.

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Union Township	Lawrence	\$ 25,074	\$ 22,879	\$ 25,131

BACKGROUND – (Continued)

Based on the relief association’s records, their total cash and investments as of December 31, 2019 were \$125,241, as illustrated below:

Cash	\$ 25,733
Fair Value of Investments	<u>99,508</u>
Total Cash and Investments	<u>\$ 125,241</u>

Based on the relief association’s records, their total expenditures for the period January 1, 2017 to December 31, 2019 were \$164,293, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance 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.¹ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:	
Insurance premiums	\$ 7,643
Death benefits	6,000
Tokens of sympathy and goodwill	<u>367</u>
Total Benefit Services	<u>\$ 14,010</u>
Fire Services:	
Equipment purchased	\$ 43,523
Equipment maintenance	20,038
Training expenses	2,816
Fire prevention materials	<u>2,492</u>
Total Fire Services	<u>\$ 68,869</u>
Administrative Services:	
Bond premiums	<u>\$ 324</u>
Total Investments Purchased	<u>\$ 50,041</u>
Other Expenditures:	
Payments on loan	<u>\$ 31,049</u>
Total Expenditures	<u>\$ 164,293</u>

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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:

Union Township Volunteer Fire Department

UNION TOWNSHIP VOLUNTEER FIREMEN ASSOCIATION OF LAWRENCE COUNTY
FINDING AND RECOMMENDATION

Finding – Inappropriate Commingling Of Funds

Condition: The relief association inappropriately deposited funds from a relief association owned certificate of deposit in the amount of \$4,109 into the fire department’s checking account.

Criteria: Relief association funds should not be commingled with any other organization’s funds in order to maintain effective control of its assets. Further, prudent business practice dictates that the relief association should closely monitor that all proceeds from relief association owned assets are timely deposited into a relief association account.

Cause: Relief association officials were unaware at the time that the certificate of deposit was owned by the relief association. Although the relief association does maintain its own checking account the funds were mistakenly deposited into the affiliated fire department’s checking account.

Effect: The practice of depositing relief owned assets into the fire department’s account reduces the relief association’s control over custody of assets. As a result of the funds being deposited into a fire company account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed for the \$4,109 received from the certificate of deposit. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all proceeds from relief association owned assets are timely deposited into a relief association account.

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 department reimbursed the relief association \$4,109 for the certificate of deposit on June 16, 2020.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$4,109 was received. Continued compliance will be subject to verification through our next audit.

UNION TOWNSHIP VOLUNTEER FIREMEN ASSOCIATION OF LAWRENCE COUNTY
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Union Township Volunteer Firemen Association of Lawrence County Governing Body:

Mr. Leslie Shannon
President

Mr. Patrick M. Angiolelli
Secretary

Mr. Ryan Mrozek
Treasurer

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

Ms. Susan Cumberledge
Secretary
Union 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.