

COMPLIANCE AUDIT

The Warrior Run Area Firemen's Relief Association

Northumberland County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2019

February 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Wayne Hawley, President
The Warrior Run Area Firemen's
Relief Association
Northumberland County

We have conducted a compliance audit of The Warrior Run Area Firemen's 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, 2018 to December 31, 2019.

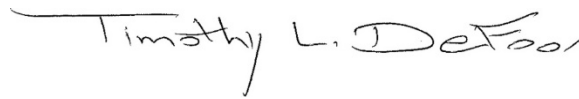
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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.

Based on our audit procedures, we conclude that, for the period January 1, 2018 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 – Unauthorized Expenditures

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

TIMOTHY L. DEFOOR
Auditor General

February 2, 2021

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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>2018</u>	<u>2019</u>
Anthony Township	Montour	\$ 3,387	\$ 3,530
Limestone Township	Montour	\$ 3,064	\$ 3,361
Delaware Township	Northumberland	\$21,245	\$23,035
Lewis Township	Northumberland	\$ 9,947	\$10,787
McEwensville Borough	Northumberland	\$ 1,160	\$ 1,235
Turbotville Borough	Northumberland	\$ 3,021	\$ 3,248
Watsonstown Borough	Northumberland	\$ 9,531	\$10,424
Gregg Township	Union	\$15,946	\$17,348

Based on the relief association's records, its total cash and investments as of December 31, 2019 were \$161,161, as illustrated below:

Cash	\$ 110,810
Fair Value of Investments	<u>50,351</u>
Total Cash and Investments	<u><u>\$ 161,161</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2019 were \$139,141, 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	\$ 17,654
Fire Services:	
Equipment purchased	\$ 73,166
Equipment maintenance	44,423
Training expenses	1,140
Total Fire Services	<u>\$ 118,729</u>
Administrative Services:	
Other administrative expenses	\$ 55
Bond premiums	117
Total Administrative Services	<u>\$ 172</u>
Other Expenditures:	
Unauthorized expenditures – See Finding	<u>\$ 2,586</u>
Total Expenditures	<u><u>\$ 139,141</u></u>

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:

Warrior Run Area Consolidated Fire Protection Cooperative

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

THE WARRIOR RUN AREA FIREMEN’S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
09/25/2018	255	Fire company Surety (Fidelity) bond premium	\$ 1,293
11/15/2019	751	Fire company Surety (Fidelity) bond premium	1,293
Total			<u>\$ 2,586</u>

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.

Costs associated with the purchase of the fire company’s Surety (Fidelity) bond policy do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: The relief association official erroneously paid the fire company’s Surety (Fidelity) bond premiums instead of the relief association’s Surety (Fidelity) bond premiums.

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.

Recommendation: We recommend that the relief association be reimbursed \$2,586 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. In addition, relief association officials should ensure that they are only paying relief association invoices with relief association funds. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

THE WARRIOR RUN AREA FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

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 \$2,586 for the unauthorized expenditures on November 18, 2020.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$2,586 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

THE WARRIOR RUN AREA FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Warrior Run Area Firemen's Relief Association Governing Body:

Mr. Wayne Hawley
President

Mr. James Stehr, Jr.
Secretary

Ms. Sandra Snyder
Treasurer

THE WARRIOR RUN AREA FIREMEN'S 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. Penny Jo Rishel
Secretary
Anthony Township

Ms. Mary Jane Snyder
Secretary
Limestone Township

Mr. Mark L. Burrows
Secretary
Delaware Township

Ms. Lucinda R. Bomberger
Secretary
Lewis Township

Ms. Brendi L. Brooke
Secretary
McEwensville Borough

Mr. Joe Mileta
Secretary
Turbotville Borough

Ms. Brendi L. Brooke
Secretary
Watsonstown Borough

Ms. Jodi Willow
Secretary
Gregg 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.