



**THE EXETER PARK VOLUNTEER HOSE COMPANY
FIREMENS RELIEF ASSOCIATION**

LUZERNE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO AUGUST 9, 2012

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. William Hulse, President
EXETER PARK VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Luzerne County

We have conducted a compliance audit of the former Exeter Park Volunteer Firefighters' 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, 2009 to August 9, 2012.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the volunteer firefighters' 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Exeter Park Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complied with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Exeter Park Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Exeter Park Volunteer Firefighters' Relief Association's liquidation of its cash, investments, and certain other assets and liabilities as of August 9, 2012, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2009 to August 9, 2012, found the former Exeter Park Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report and, 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. The results of our tests also indicated the Exeter Park Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of August 9, 2012, the Exeter Park Volunteer Firefighters' Relief Association dissolved its organization.

Finding – Failure to Maintain Surety (Fidelity) Bond Coverage

The contents of this report were discussed with the management of the former Exeter Park Volunteer Firefighters' Relief Association on April 12, 2013. As a result of dissolution, the former Exeter Park Volunteer Firefighters' Relief Association transferred monetary asset and equipment to the West Wyoming No. 1 Volunteer Firefighters' Relief Association.

November 7, 2013



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 Exeter Park Volunteer Hose Company Firemens Relief Association, herein referred to as Exeter Park Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The former Exeter Park Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Exeter Borough	Luzerne	\$5,000	*	*

*In 2010, Exeter Borough ceased allocations of state aid to the Exeter Park Volunteer Firefighters' Relief Association and allocated state aid to the Exeter Borough Volunteer Firefighters' Relief Association in 2010, 2011, and 2012.

Effective August 9, 2012, the Exeter Park Volunteer Firefighters' Relief Association dissolved its organization and transferred all of its' monetary assets and equipment to the West Wyoming No. 1 Volunteer Firefighters' Relief Association.

The former Exeter Park Volunteer Firefighters' Relief Association and the affiliated fire service organization are separate, legal entities. The Exeter Park Volunteer Firefighters' Relief Association was affiliated with the following fire service organization:

Exeter Park Volunteer Hose Company

EXETER PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The officials of the former Exeter Park Volunteer Firefighters' Relief Association complied with the following prior audit finding and recommendation:

- Failure to Segregate Relief Association Officers Duties

By ensuring that there is adequate segregation of duties between the relief association's secretary and treasurer.

EXETER PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on April 22, 2010, and was not renewed through the dissolution date of August 9, 2012.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage for cash assets up until the dissolution date of August 9, 2012.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: Due to the dissolution of the Exeter Park Volunteer Firefighters' Relief Association, we are providing officials of the West Wyoming No. 1 Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Exeter Park Volunteer Firefighters' Relief Association during the course of this audit. We recommend that the West Wyoming No. 1 Volunteer Firefighters' Relief Association ensure that they obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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.

EXETER PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO AUGUST 9, 2012

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Fire Services:	
Equipment maintenance	\$ 6,737
Administrative Services:	
Miscellaneous administrative expenses	\$ 1,269
Other Expenditures:	
Principal payments on loan	\$ 5,000
Transfer of monetary assets*	599
Undocumented expenditure	53
Total Other Expenditures	\$ 5,652

*Transfer of Monetary Assets

As of August 9, 2012, the Exeter Park Volunteer Firefighters' Relief Association dissolved; consequently, the former relief association transferred all of its' monetary assets to the West Wyoming No. 1 Volunteer Firefighters' Relief Association.

Due to the dissolution of the Exeter Park Volunteer Firefighters' Relief Association, we are providing officials of the West Wyoming No. 1 Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Exeter Park Volunteer Firefighters' Relief Association.

EXETER PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Exeter Park Volunteer Firefighters' Relief Association Governing Body:

Mr. William Hulse	President
Mr. Thomas Craig	Vice President
Ms. Valerie Shrey	Secretary
Mr. Joseph Gutowski	Treasurer

West Wyoming No. 1 Volunteer Firefighters' Relief Association Governing Body:

Mr. John Appel	President
Mr. Daniel Thomas	Vice President
Mr. Warren Breisch	Secretary
Mr. Gerald Zabolski	Treasurer

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

Ms. Debra Serbin, Secretary
Exeter Borough

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.