COMPLIANCE AUDIT

Point Marion Firemen’s Relief Association of Point Marion Pennsylvania
Fayette County, Pennsylvania
For the Period
January 1, 2011 to December 31, 2013

August 2014
Mr. Terry O’Neil, President
POINT MARION VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATION
Fayette County

We have conducted a compliance audit of the Point Marion 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, 2011 to December 31, 2013.

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 findings 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 Point Marion Volunteer Firefighters’ 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. 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 Point Marion Volunteer Firefighters’ Relief Association’s recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Point Marion Volunteer Firefighters’ Relief Association’s cash, investments, and certain other assets and liabilities as of December 31, 2013, 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, 2011 to December 31, 2013, found the Point Marion Volunteer Firefighters’ Relief Association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the Point Marion Volunteer Firefighters’ Relief Association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Point Marion Volunteer Firefighters’ 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 – Noncompliance With Prior Audit Recommendation- Untimely Deposit Of State Aid

The results of our tests also indicated the Point Marion Volunteer Firefighters’ Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2013, had a cash balance of $31,560 and an investment balance with a fair value of $74,363.

The contents of this report were discussed with the management of the Point Marion Volunteer Firefighters’ Relief Association and, where appropriate, their response has been included in the report.

August 12, 2014
Eugene A. DePasquale
Auditor General
CONTENTS

Page

Background .................................................................................................................................................. 1

Status of Prior Finding .......................................................................................................................... 3

Finding and Recommendation:

Finding – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid
........................................................................................................................................................................... 4

Accompanying Expenditure Information ................................................................................................. 6

Report Distribution List ............................................................................................................................ 7
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 Point Marion Firemen’s Relief Association Of Point Marion Pennsylvania, herein referred to as the Point Marion Volunteer Firefighters’ 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 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.
The Point Marion Volunteer Firefighters’ Relief Association was allocated state aid from the following municipalities:

<table>
<thead>
<tr>
<th>Municipality</th>
<th>County</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicholson Township</td>
<td>Fayette</td>
<td>$ 4,893</td>
<td>$2,785</td>
<td>$3,363</td>
</tr>
<tr>
<td>Point Marion Borough</td>
<td>Fayette</td>
<td>$ 8,306</td>
<td>$4,711</td>
<td>$5,419</td>
</tr>
<tr>
<td>Springhill Township</td>
<td>Fayette</td>
<td>$11,427</td>
<td>$6,575</td>
<td>$7,645</td>
</tr>
</tbody>
</table>

However, the 2013 state aid allocations received from Nicholson Township and Point Marion Borough were not deposited until January 2, 2014 and the 2013 allocation of state aid received from Springhill Township was not deposited until March 11, 2014 as disclosed in the finding and recommendation section of this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The Point Marion Volunteer Firefighters’ Relief Association is affiliated with the following fire service organization:

Point Marion Volunteer Fire Company
COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Point Marion Volunteer Firefighters’ Relief Association has complied with one of the two prior audit findings and recommendations, as follows:

- Failure To Define Discretionary Benefits
  
  By amending the relief association’s bylaws to reflect the amount of benefits to be paid.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Point Marion Volunteer Firefighters’ Relief Association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Untimely Deposit Of State Aid

We are concerned with the volunteer firefighters’ relief association’s failure to correct a previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.
Finding – Noncompliance With Prior Audit Recommendation - Untimely Deposit Of State Aid

Condition: As cited in our prior two audit reports, the relief association again did not deposit the state aid allocation it received from Nicholson Township, Point Marion Borough and Springhill Township, in a timely manner, for year 2013. The foreign fire insurance tax allocation was distributed to the municipal treasurers on October 21, 2013 (Nicholson Township), October 4, 2013 (Point Marion Borough), and September 23, 2013 (Springhill Township), respectively, who forwarded this state aid to the volunteer firefighters’ relief association on October 21, 2013 (Nicholson Township), October 4, 2013 (Point Marion Borough), and September 23, 2013 (Springhill Township), respectively, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). However, the relief association failed to deposit the state aid to relief association accounts in a timely manner, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Municipality</th>
<th>Amount</th>
<th>Date Municipality Distributed Aid</th>
<th>Deposit Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Nicholson Township</td>
<td>$3,363</td>
<td>10/21/2013</td>
<td>01/02/2014</td>
</tr>
<tr>
<td>2013</td>
<td>Point Marion Borough</td>
<td>$5,419</td>
<td>10/04/2013</td>
<td>01/02/2014</td>
</tr>
<tr>
<td>2013</td>
<td>Springhill Township</td>
<td>$7,645</td>
<td>09/23/2013</td>
<td>03/11/2014</td>
</tr>
</tbody>
</table>

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.

Cause: Even though notified of this condition during our prior two audits, the relief association again, failed to establish internal control procedures which require that all income received by the relief association be recorded and deposited in a timely manner.

It should be noted that the 2013 state aid allocation from Springhill Township was lost and was replaced by Springhill Township and redistributed to the relief association on March 6, 2014.
Finding – (Continued)

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

**Recommendation:** We again recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all 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:** We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.
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:

<table>
<thead>
<tr>
<th>Benefit Services:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance premiums</td>
<td>$10,261</td>
</tr>
<tr>
<td>Death benefits</td>
<td>30,000</td>
</tr>
<tr>
<td>Total Benefit Services</td>
<td>$40,261</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Administrative Services:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Officer compensation</td>
<td>$300</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>59</td>
</tr>
<tr>
<td>Total Administrative Services</td>
<td>$359</td>
</tr>
</tbody>
</table>
This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Point Marion Volunteer Firefighters’ Relief Association Governing Body:

Mr. Terry O’Neil President
Mr. Robert Cox Vice President
Mr. Robert J. Swanger Secretary
Mr. Harold L. Whyel Treasurer

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

Mr. Richard A. Jarrett Secretary
Nicholson Township

Mr. Arthur Strimel Secretary
Point Marion Borough

Ms. Linda A. Smith Secretary
Springhill Township

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.