

# COMPLIANCE AUDIT

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## Imler Area Volunteer Firemen's Relief Association

Bedford County, Pennsylvania

For the Period

January 1, 2011 to December 31, 2013

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August 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Richard Long, President  
IMLER AREA VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Bedford County

We have conducted a compliance audit of the Imler Area 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 Imler Area 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 Imler Area Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Imler Area 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.

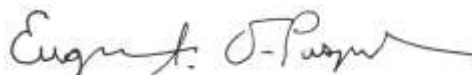
The results of our audit, for the period January 1, 2011 to December 31, 2013, found the Imler Area Volunteer Firefighters' Relief Association took appropriate corrective action to address five of the six findings contained in our prior audit report. However, the Imler Area Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the 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 Imler Area 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 Imler Area Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2013, had a cash balance of \$15,108 and an investment balance with a fair value of \$33,086.

The contents of this report were discussed with the management of the Imler Area Volunteer Firefighters' Relief Association.

August 4, 2014



Eugene A. DePasquale  
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Findings .....	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 Imler Area Volunteer Firemen's Relief Association, herein referred to as the Imler Area 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.

**BACKGROUND – (Continued)**

The Imler Area Volunteer Firefighters’ Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
East Saint Clair Township	Bedford	\$ 8,745	\$4,918	\$5,554
Kimmel Township	Bedford	\$ 6,327	\$3,781	\$4,483
King Township	Bedford	\$11,754	\$6,673	\$7,547
Lincoln Township	Bedford	\$ 2,094	\$1,192	\$1,464
Pavia Township	Bedford	\$ 2,200	\$1,004	\$1,161
Saint Clarisville Borough	Bedford	\$ 691	\$ 369	\$ 450

However, it should be noted that the 2013 state aid in the amount of \$1,161 from Pavia Township was not deposited until January 16, 2014 as further discussed 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 Imler Area Volunteer Firefighters’ Relief Association is affiliated with the following fire service organization:

Imler Area Volunteer Fire Company

IMLER AREA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Imler Area Volunteer Firefighters' Relief Association has complied with five of the six prior audit findings and recommendations, as follows:

- Unauthorized Expenditures

By receiving reimbursement from the Imler Area Volunteer Fire Company in the amount of \$872 for the unauthorized expenditures made in the prior audit period;

- Undocumented Expenditures

By receiving reimbursement from the Imler Area Volunteer Fire Company in the amount of \$665 for the undocumented expenditures made in the prior audit period;

- Insufficient Officer's Bond Coverage

By increasing the officer's bond coverage to an amount greater than the balance of the relief association's cash assets;

- Failure to Maintain Minutes of Meetings

By maintain minutes of all association meetings held during the current period; and

- Inadequate Financial Record-Keeping System

By establishing adequate accounting procedures that meet the minimum financial record-keeping requirements of this department.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Imler Area 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:

- Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.



IMLER AREA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

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

Condition: As cited in our prior audit report, the volunteer firefighters' relief association again, did not deposit the 2013 state aid allocation it received from Pavia Township, in the amount of \$1,161, until January 13, 2014. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 25, 2014, who forwarded this state aid to the volunteer firefighters' relief association on January 10, 2014, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2013	Pavia Township	\$1,161	01-10-14	01-16-14

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 practices dictate that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Relief association officials failed to monitor the municipality's receipt and distribution of the 2013 state aid allocation.

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.

IMLER AREA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We again recommend the relief association officials monitor the municipality's distribution of state aid allocations to ensure that the allocation is distributed to the relief association within 60 days of the date of receipt. 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.

IMLER AREA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2013

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:

Benefit Services:	
Insurance premiums	\$ 5,767
Fire Services:	
Equipment purchased	\$ 171,974
Equipment maintenance	12,092
Training expenses	5,567
Total Fire Services	\$ 189,633
Administrative Services:	
Other administrative expenses	927
Other Expenditures:	
Principal payments on loan	\$ 10,000
Interest payments on loan	1,933
Total Other Expenditures	\$ 11,933

IMLER AREA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Imler Area Volunteer Firefighters' Relief Association Governing Body:

Mr. Richard Long	President
Mr. James Claycomb, Jr.	Vice President
Ms. Victoria Barger	Secretary
Ms. Debera J. Lehman	Treasurer

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

Ms. Dorothy R. Oldham East Saint Clair Township	Secretary
Ms. Cathy S. Cox Kimmel Township	Secretary
Mr. James L. Claycomb, Jr. King Township	Secretary
Ms. Velma Ickes Lincoln Township	Secretary
Ms. Priscilla A. Hauer Pavia Township	Secretary
Mr. Sean Whitmer Saint Clarisville Borough	Secretary

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).