

**PLUMVILLE DISTRICT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION**

INDIANA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008 TO DECEMBER 31, 2010

Released March 2013



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CONTENTS

Background	1
Letter From the Auditor General.....	3
Finding and Recommendation:	
Finding – Failure to Monitor Receipt of State Aid	5
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 Plumville District Volunteer Firemen's Relief Association, herein referred to as Plumville 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 Plumville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Cowanshannock Township	Armstrong	\$1,585	\$1,428	\$1,608
East Mahoning Township	Indiana	\$ 435	*	\$1,505
North Mahoning Township	Indiana	\$1,938	\$1,779	\$2,002
Plumville Borough	Indiana	\$1,600	\$1,458	\$1,641
South Mahoning Township	Indiana	\$9,376	\$8,740	\$9,838
Washington Township	Indiana	\$5,312	\$4,786	\$5,387
West Mahoning Township	Indiana	\$1,873	\$1,665	\$1,874

* The 2009 state aid allocation from East Mahoning Township was not deposited by the relief association until August 18, 2011, subsequent to the audit period. Refer to the finding 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 Plumville Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Plumville District Volunteer Fire Department, Inc.



Commonwealth of Pennsylvania
Department of the Auditor General
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. James Lipsie, Jr., President
PLUMVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Indiana County

We have conducted a compliance audit of the Plumville 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, 2008 to December 31, 2010.

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 objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Plumville 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 objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Plumville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Plumville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. 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 objective.

The results of our audit, for the period January 1, 2008 to December 31, 2010, found the Plumville Volunteer Firefighters' Relief Association, in all significant respects, received 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 Plumville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2010, had a cash balance of \$29,119 and no investments.

Finding – Failure to Monitor Receipt of State Aid

The contents of this report were discussed with the management of the Plumville Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

August 24, 2011

EUGENE A. DEPASQUALE
Auditor General

PLUMVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Monitor Receipt of State Aid

Condition: The relief association failed to monitor the receipt of the 2009 state aid distribution from East Mahoning Township, totaling \$780.

Criteria: Per department policy, it is the relief association's responsibility to monitor the receipt of state aid. If the relief association has not received its state aid checks from dispensing municipalities by December 1 of each year, the relief association officers should contact the respective municipality to determine the status of the distribution of funds due to the relief association.

Cause: The relief association failed to implement internal control procedures to monitor the receipt of all state aid. The foreign fire insurance tax (state aid) allocation was distributed to the municipal treasurer, who erroneously forwarded this state aid to the affiliated fire department on October 7, 2009. The affiliated fire department erroneously deposited the state aid into a fire department account. As a result of the auditor's inquiry made during our current audit, the relief association contacted East Mahoning Township about the status of the 2009 state aid.

Effect: The relief association's failure to implement internal control procedures to monitor the receipt of state aid resulted in a significant delay in the receipt, deposit, and use of the 2009 state aid funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

However, as a result of our audit, and subsequent to the audit period, on August 18, 2011, the relief association received \$780 reimbursement from Plumville District Volunteer Fire Department.

Recommendation: The relief association should implement internal control procedures to ensure that all state aid is timely received and deposited into a relief association account. We further recommend that if the relief association has not received its state aid check from a municipality by December 1 of each year, the relief association contact the municipality to determine the status of the municipality's distribution of the outstanding state aid funds. 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.

PLUMVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2010

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	\$ 14,522
Total Benefit Services	<u>\$ 14,522</u>
Fire Services:	
Equipment purchased	\$ 25,952
Equipment maintenance	12,098
Training expenses	1,910
Total Fire Services	<u>\$ 39,960</u>
Administrative Services:	
Miscellaneous administrative expenses	\$ 10
Total Administrative Services	<u>\$ 10</u>

PLUMVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Plumville Volunteer Firefighters' Relief Association Governing Body:

Mr. James Lipsie, Jr., President

Mr. Christopher Geist, Vice President

Ms. Heather Bouch, Secretary

Mr. John Gandolfi, Treasurer

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

Ms. Debra Zemko, Secretary
Cowanshannock Township

Ms. Bertha Ackerson, Secretary
East Mahoning Township

Ms. Joan E. Diem, Secretary
North Mahoning Township

Mr. John R. Anthony, Secretary
Plumville Borough

Ms. Priscilla Lambing, Secretary
South Mahoning Township

Ms. Jill A. Kunkle, Secretary
Washington Township

Ms. Nancy Holmes, Secretary
West Mahoning Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.