



THE TRUCKSVILLE VOLUNTEER FIRE COMPANY'S RELIEF ASSOCIATION

LUZERNE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANAURY 1, 2008 TO DECEMBER 31, 2010



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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 Trucksville Volunteer Fire Company's Relief Association, herein referred to as Trucksville 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 Trucksville Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Kingston Township	Luzerne	\$16,281	\$14,637	* \$32,950

* On November 24, 2010 the Trucksville Volunteer Firefighters' Relief Association inappropriately deposited the Kingston Township Ambulance Volunteer Firefighters' Relief Association's 2010 state aid allocation into its checking account. Refer to Finding No. 2 in the Findings and Recommendations section of this report.

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

Trucksville Volunteer Fire Company



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Stephen Mathers, President
TRUCKSVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Luzerne County

We have conducted a compliance audit of the Trucksville 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 Trucksville 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 Trucksville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Trucksville 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 Trucksville Volunteer Firefighters' Relief Association did not, in all significant respects, receive and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the Trucksville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2010, had a cash balance of \$96,835 and an investment balance with a fair value of \$15,565.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Inappropriate Deposit of State Aid

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

May 13, 2011, except for Finding No. 2, for which the date is June 7, 2011.

EUGENE A. DEPASQUALE
Auditor General

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for the following costs of the Kingston Township Ambulance Volunteer Firefighters' Relief Association, which is not authorized by Act 118:

Current Audit Period:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
07/10/10	617	Insurance premium	\$ 75

Subsequent to Current Audit Period:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
04/12/11	636	Lease payment	\$ 10,000
Current and Subsequent Audit Period Total			<u>\$ 10,075</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(2 and 11) states:

The funds of any volunteer firefighters' relief association may be spent:

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the payment of expenditures for another relief association do not qualify as authorized expenditures; consequently, these disbursements for Kingston Township Ambulance Volunteer Firefighters' Relief Association are not authorized under Act 118.

Cause: Relief association officials of Trucksville Volunteer Firefighters' Relief Association expended relief funds to pay bills of the Kingston Township Ambulance Volunteer Firefighters' Relief Association because of a planned merger between the Trucksville Volunteer Firefighters' Relief Association and the Kingston Township Ambulance Volunteer Firefighters' Relief Association that did not occur. As detailed in Finding No. 2 of this report, on November 24, 2010, the Trucksville Volunteer Firefighters' Relief Association inappropriately deposited the Kingston Township Ambulance Volunteer Firefighters' Relief Association 2010 state aid allocation, totaling \$16,475, into its checking account. On June 7, 2011, Trucksville Volunteer Firefighters' Relief Association reimbursed the Kingston Township Ambulance Volunteer Firefighters' Relief Association \$16,475.

Effect: The Trucksville Volunteer Firefighters' Relief Association's failure to implement internal control procedures to prohibit the payment of expenses for another relief association prevents adequate accountability and safeguarding of the relief association assets. As a result, the Trucksville Volunteer Firefighters' Relief Association inappropriately paid \$10,075 of Kingston Township Ambulance Volunteer Firefighters' Relief Association's expenditures. Furthermore, since the Trucksville Volunteer Firefighters' Relief Association already reimbursed the Kingston Township Ambulance Volunteer Firefighters' Relief Association \$16,475, the Trucksville Volunteer Firefighters' Relief Association should have only reimbursed the Kingston Township Ambulance Volunteer Firefighters' Relief Association \$6,400. As a result, a \$10,075 overpayment to Kingston Township Ambulance Volunteer Firefighters' Relief Association exists.

Recommendation: We recommend the Trucksville Volunteer Firefighters' Relief Association be reimbursed \$10,075 by the Kingston Township Ambulance Volunteer Firefighters' Relief Association. 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.

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inappropriate Deposit of State Aid

Condition: The Trucksville Volunteer Firefighters' Relief Association inappropriately deposited the Kingston Township Ambulance Volunteer Firefighters' Relief Association's 2010 state aid allocation, in the amount of \$16,475, into its checking account.

The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 20, 2010. On October 11, 2010 the municipal treasurer appropriately distributed \$16,475 in state aid to the Trucksville Volunteer Firefighters' Relief Association and, on October 13, 2010, appropriately distributed \$16,475 in state aid to Kingston Township Ambulance Volunteer Firefighters' Relief Association. On November 24, 2010, the Trucksville Volunteer Firefighters' Relief Association inappropriately deposited into its checking account the 2010 state aid distributed to Kingston Township Ambulance Volunteer Firefighters' Relief Association.

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.

A relief association can only deposit state aid distributed to their organization by the municipality, as stated on the 706-B form.

Cause: A merger of both relief associations was planned to go into effect on January 1, 2010, but the Kingston Township Ambulance Volunteer Firefighters' Relief Association management structure and funds were disorganized and the merger did not occur. The Trucksville Volunteer Firefighters' Relief Association deposited the Kingston Township Ambulance Volunteer Firefighters' Relief Association's 2010 state aid distribution in order to pay a \$75 bond premium and \$10,000 truck lease payment (Refer to Finding 1), on behalf of the Kingston Township Ambulance Volunteer Firefighters' Relief Association.

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2– (Continued)

Effect: As a result of the inappropriate deposit, the Trucksville Volunteer Firefighters' Relief Association funds were overstated and Kingston Township Ambulance Volunteer Firefighters' Relief Association did not have access to its 2010 state aid. Furthermore, Trucksville Volunteer Firefighters' Relief Association inappropriately expended Kingston Township Ambulance Volunteer Firefighters' Relief Association's funds.

However, as a result of our audit, and subsequent to the audit period, on June 7, 2011 the Trucksville Volunteer Firefighters' Relief Association reimbursed the Kingston Township Ambulance Volunteer Firefighters' Relief Association \$16,475.

Recommendation: We recommend the Trucksville Volunteer Firefighters' Relief Association implement internal control procedures to ensure only its own state aid allocations are deposited into its account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management 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.

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported in Finding No. 1 may lead to a total withholding of state aid in the future unless the finding is corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

TRUCKSVILLE 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	\$ 4,331
Relief benefits	233
Tokens of sympathy and goodwill	235
Total Benefit Services	\$ 4,799
Fire Services:	
Equipment purchased	\$ 36,066
Equipment maintenance	2,316
Training expenses	3,899
Fire prevention materials	1,098
Total Fire Services	\$ 43,379
Administrative Services:	
Miscellaneous administrative expenses	\$ 862
Total Administrative Services	\$ 862
Total Investments Purchased:	\$ 10,440

TRUCKSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Trucksville Volunteer Firefighters' Relief Association Governing Body:

Mr. Stephen Mathers, President

Mr. Shawn Mullen, Secretary

Mr. Lawrence J. Long, Treasurer

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

Ms. Shirley Moyer, Secretary
Kingston 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.