

COMPLIANCE AUDIT

Dalton Firemen's Relief Association Lackawanna County, Pennsylvania For the Period January 1, 2011 to December 31, 2014

March 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Mr. John Scondras, President
Dalton Volunteer Firefighters'
Relief Association
Lackawanna County

We have conducted a compliance audit of the Dalton 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, 2014.

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Dalton 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. Volunteer firefighters' relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we concluded that, for the period January 1, 2011 to December 31, 2014, the Dalton 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 – Untimely Deposit Of State Aid

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the Dalton Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

February 10, 2016



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 Dalton Firemen's Relief Association, herein referred to as the Dalton 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 Dalton 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>	<u>2014</u>
Dalton Borough	Lackawanna	\$13,301	\$7,527	\$8,569	\$8,105
Glenburn Township	Lackawanna	\$ 8,223	\$4,688	\$5,222	\$4,936
La Plume Township	Lackawanna	\$ 2,640	\$1,505	\$1,758	\$1,666
North Abington Township	Lackawanna	\$ 4,737	\$2,694	\$3,033	\$2,872*
Waverly Township	Lackawanna	\$12,977	\$7,383	\$8,369	\$7,867
West Abington Township	Lackawanna	\$ 3,018	\$1,711	\$2,072	\$1,971

* The 2014 state aid allocation received from North Abington Township was not deposited until February 2015 as disclosed in the finding contained in this report.

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

Dalton Fire Company, Dalton, Pennsylvania

DALTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Deposit Of State Aid

Condition: The volunteer firefighters' relief association did not deposit the 2014 state aid allocation it received from North Abington Township, in the amount of \$2,872, until February 2, 2015. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 24, 2014, who forwarded this state aid to the volunteer firefighters' relief association on January 26, 2015, 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>
2014	North Abington Township	\$ 2,872	01/26/2015	02/02/2015

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: The relief association's management indicated that the township did not forward the 2014 state aid in a timely manner because the original check issued by the township was dated October 2014; however, the township did not forward this check to the relief association until January 2015. Therefore, relief association officials requested that the township re-issue a new check. The township re-issued a new check on January 26, 2015.

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

DALTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all future 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 did not agree with the finding as presented at the audit exit conference indicating that it was the township that held onto the check too long before forwarding it to the relief association for depositing funds in a timely manner. However, the relief association indicated that, in the future, the relief association will inquire with the township in the event this should ever happen again.

Auditor's Conclusion: Based on the management response, we agree that the relief association should contact the township in the event the relief association does not receive future distributions in a timely manner. Compliance will be subject to verification through our next audit.

DALTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2014

Cash Balance:	\$	89,674
Expenditures:		
Benefit Services:		
Insurance premiums	\$	28,673
Tokens of sympathy and goodwill		1,037
Total Benefit Services	\$	29,710
Fire Services:		
Equipment purchased	\$	69,226
Equipment maintenance		6,052
Total Fire Services	\$	75,278
Administrative Services:		
Other administrative expenses	\$	187
Bond premiums		361
Total Administrative Services	\$	548

DALTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Dalton Volunteer Firefighters' Relief Association Governing Body:

Mr. John Scodras
President

Mr. Dale Richmond Jr.
Vice-President

Mr. Brent M. Tripp
Secretary

Mr. Willard Sturdevant
Treasurer

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

Ms. Joanne Davies, Secretary
Dalton Borough

Ms. Joanne Benson, Secretary
Glenburn Township

Ms. Shirley S. Lewis, Secretary
La Plume Township

Ms. Mary Redel Secretary
North Abington Township

Mr. William H. White, Secretary
Waverly Township

Ms. Beverly Sherman, Secretary
West Abington Township

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.