

COMPLIANCE AUDIT

Pine Creek Independent Volunteer Fire Company Relief Association Lycoming County, Pennsylvania For the Period January 1, 2017 to May 8, 2018

April 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Cindy Senn, President
Pine Creek Independent Volunteer Fire
Company Relief Association
Lycoming County

We have conducted a compliance audit of the former Pine Creek Independent Volunteer Fire Company Relief Association (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, 2017 to May 8, 2018.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the 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. 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to May 8, 2018:

- The former relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the former 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.
- The former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Improper Merger


Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

In addition, as of May 8, 2018, the former relief association completed the process of dissolution and merged with the Waterville Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Waterville Volunteer Firefighters' Relief Association.

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 former relief association and, where appropriate, their responses have been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

April 2, 2020


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 former relief association was 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 volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
McHenry Township	Lycoming	\$2,688	*

*As of May 8, 2018, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

The former volunteer firefighters’ relief association and the affiliated fire service organization were separate, legal entities. The former relief association was affiliated with the following fire service organization:

Pine Creek Independent Volunteer Fire Company

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has complied with two of the three prior audit findings and recommendations, as follows:

- Unauthorized Expenditure

By receiving reimbursement of \$1,703 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

- Inadequate Financial Record-Keeping System

By establishing and maintaining a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has not complied with one of the three prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain Minutes Of Meetings

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Waterville Volunteer Firefighters' Relief Association, Waterville Volunteer Firefighters' Relief Association's management should strive to implement the recommendations and corrective actions noted in this audit report.

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Merger

Condition: The former relief association did not properly document the dissolution of the organization and subsequent merger with Waterville Volunteer Firefighters’ Relief Association. Specifically, the former relief association did not provide meeting minutes evidencing membership approval of the merger.

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Furthermore, prudent business practice dictates that the former relief association should properly document the membership’s approval of the merger in the minutes of meetings held by the relief association regarding the merger.

Cause: Former relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge.

Effect: Without detailed documentation, evidence that the former relief association’s merger with Waterville Volunteer Firefighters’ Relief Association was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Waterville Volunteer Firefighters’ Relief Association, we are providing officials of the Waterville Volunteer Firefighters’ Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Waterville Volunteer Firefighters’ Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor’s Conclusion: Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Waterville Volunteer Firefighters’ Relief Association, Waterville Volunteer Firefighters’ Relief Association’s management should strive to implement the recommendation and corrective action noted in this audit report.

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

Condition: The former relief association did not maintain minutes of all meetings as required by Act 118. The former relief association provided minutes for only two meetings that occurred during the current audit period. An additional monthly meeting (April 2018) was referenced in the minutes provided; however, no such minutes were not provided detailing the meeting that was to have occurred on that date.

A similar condition was noted in our two prior audit reports.

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Even though notified of this condition during our two prior audits, former relief association officials again neglected to maintain minutes in accordance with Act 118.

Effect: Without detailed minutes of meetings, evidence that former relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Waterville Volunteer Firefighters' Relief Association, we are providing officials of the Waterville Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Waterville Volunteer Firefighters' Relief Association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Waterville Volunteer Firefighters' Relief Association, Waterville Volunteer Firefighters' Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF MAY 8, 2018

Cash	<u>\$ 0</u>
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PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2017 TO MAY 8, 2018

Expenditures:

Administrative Services:	
Other administrative expenses	<u>\$ 5,025</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 12,619</u>
Total Expenditures	<u><u>\$ 17,644</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of May 8, 2018, the former relief association completed the process of dissolution and merged with the Waterville Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Waterville Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, we are providing officials of Waterville Volunteer Firefighters' Relief Association copies of this report.

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Pine Creek Independent Volunteer Fire Company Relief Association Governing Body:

Ms. Cindy Senn
President

Mr. Jeff Edwards
Vice President/Secretary

Ms. Nancy N. Reynolds
Treasurer

Waterville Volunteer Firefighters' Relief Association Governing Body:

Mr. Keith Orgitano
President

Mr. Paul Stitzer
Vice President

Ms. Mary Lynn Sheets
Secretary

Mr. William Koppenheffer
Treasurer

PINE CREEK INDEPENDENT VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Brandi Yost
Secretary
McHenry 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.