

COMPLIANCE AUDIT

South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania Lycoming County For the Period January 1, 2016 to June 26, 2017

August 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Philip Hurne, President
South Williamsport Joint Firemen's
Relief Association of
South Williamsport, Pennsylvania
Lycoming County

We have conducted a compliance audit of the former South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania (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, 2016 to June 26, 2017.

The objective of the audit was 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 objective 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, 2016 to June 26, 2017, 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 – Failure To Secure Possession Of All Relief Association Owned Equipment

In addition, as of June 26, 2017, the former relief association completed the process of dissolution and merged to form South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania. Consequently, all remaining monetary assets and some of the equipment were transferred to the South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania.

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.

August 8, 2018


EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Findings and Recommendations:	
Finding No. 1 – Improper Merger	3
Finding No. 2 – Failure To Secure Possession Of All Relief Association Owned Equipment	4
Supplementary Financial Information	6
Report Distribution List	8

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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>
Armstrong Township	Lycoming	\$ 2,312	*
South Williamsport Borough	Lycoming	\$34,063	*

* As of June 26, 2017, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

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

Citizens Fire Company, Number 2

First Ward Fire Company of the Borough of South Williamsport, Pennsylvania

Independent Fire Company, Number 1

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Merger

Condition: The relief association did not properly document the dissolution of the organization and subsequent merger with South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania. Specifically, the relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former relief association as further discussed in Finding No. 2.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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 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. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania, along with a signed receipt of the recipient.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the newly formed relief association.

Effect: Without detailed documentation, evidence that the relief association's merger with South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its assets to the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania, we are providing officials of the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania 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 South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania 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.

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 assets to the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania, South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania's management should strive to implement the recommendation and corrective action noted in this audit report.

Finding No. 2 – Failure To Secure Possession Of All Relief Association Owned Equipment

Condition: The relief association did not secure possession of all relief association owned equipment prior to its dissolution. An affiliated fire service organization, which is no longer recognized by the municipality as a fire service provider, did not return their relief association owned equipment to the former relief association prior to its dissolution.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure that possession of all relief association owned equipment is obtained in order for an accurate accounting of its equipment assets prior to transfer to the new relief association.

Cause: Relief association officials unsuccessfully attempted to adequately secure possession of all its relief association owned equipment from the affiliated fire service organization.

Effect: The failure to obtain possession of all its relief association owned equipment resulted in the inability to account for all relief association owned equipment, the inability to transfer all relief association owned equipment to the new relief association and the inability to obtain evidence of the propriety of the relief association owned equipment actually transferred to South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania.

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its assets to the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania, we are providing officials of the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania 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 South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania officials continue their efforts to obtain all of the relief association owned equipment and that evidence supporting the propriety of the relief association equipment transferred to South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania is documented along with a signed receipt of the recipient. 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 assets to the South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania, South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania's management should strive to implement the recommendation and corrective action noted in this audit report.

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF JUNE 26, 2017

Cash	<u>\$ -</u>
------	-------------

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN’S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO JUNE 26, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 7,254
Fire Services:	
Equipment purchased	\$ 17,471
Equipment maintenance	595
Training expenses	3,858
Total Fire Services	\$ 21,924
Administrative Services:	
Other administrative expenses	\$ 9
Bond premiums	499
Total Administrative Services	\$ 508
Other Expenditures:	
Transfer of monetary assets *	152,804
Total Expenditures	\$ 182,490

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of June 26, 2017, the former relief association completed the process of dissolution and merged to form South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania. Consequently, all remaining monetary assets and some of the equipment were transferred to the South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania. Due to the dissolution of the former relief association, we are providing officials of South Williamsport Area Fireman’s Relief Association of South Williamsport, Pennsylvania copies of this report.

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

South Williamsport Joint Firemen's Relief Association of South Williamsport, Pennsylvania
Governing Body:

Mr. Philip Hurne
President

Ms. LaVerna Hurne
Vice President

Ms. Holly Huyck
Secretary

Ms. Sandra Bair
Treasurer

South Williamsport Area Fireman's Relief Association of South Williamsport, Pennsylvania
Governing Body:

Mr. Philip Hurne
President

Ms. LaVerna Hurne
Vice President

Ms. Holly Huyck
Secretary

Ms. Sandra Bair
Treasurer

Ms. Kristin Beck
Assistant Treasurer

SOUTH WILLIAMSPORT VOLUNTEER JOINT FIREMEN'S RELIEF ASSOCIATION OF
SOUTH WILLIAMSPORT, PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Ms. Cheryl L. Kurtz

Secretary

Armstrong Township

Mr. Michael D. Miller

Secretary

South Williamsport Borough

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.