

COMPLIANCE AUDIT

West Wyoming Hose Co. #2 Volunteer Firefighters' Relief Association Luzerne County, Pennsylvania For the Period January 1, 2016 to December 11, 2019

April 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Frank Hawk, Sr., President
West Wyoming Hose Co. #2 Volunteer
Firefighters' Relief Association
Luzerne County

We have conducted a compliance audit of the former West Wyoming Hose Co. #2 Volunteer Firefighters' 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, 2016 to December 11, 2019.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the finding 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, 2016 to December 11, 2019:

- The former relief association took appropriate corrective action to address the finding contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Untimely Deposit Of State Aid

In addition, as of December 11, 2019, the former relief association completed the process of dissolution and merged to form West Wyoming Hose Co. #1 Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the West Wyoming Hose Co. #1 Firemen's 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 response has 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 6, 2020



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	3
Finding and Recommendation:	
Finding – Untimely Deposit Of State Aid.....	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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
West Wyoming Borough	Luzerne	\$5,000	\$4,000*	**	**

* The 2017 state aid allocation received from West Wyoming Borough was not deposited by the former relief association until November 13, 2019 as disclosed in the finding in this report.

** During the current audit period, the former relief association did not receive allocations of state aid from West Wyoming Borough in 2018 and 2019 due to pending dissolution of the organization and the municipality’s sole discretion to distribute its annual allocations of state aid received to any relief association providing fire service to the municipality. As of December 11, 2019, 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:

West Wyoming Hose Company #2

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has complied with the prior audit finding and recommendation, as follows:

- Unsecured Loan

By securing the fire company loan with a lien on a 1996 Pierce truck.

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Deposit Of State Aid

Condition: The former relief association did not deposit the 2017 state aid allocation it received from West Wyoming Borough, in the amount of \$4,000, until November 13, 2019. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 25, 2017, who forwarded this state aid to the former relief association on October 4, 2017, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, the state aid allocation was erroneously deposited into the affiliated fire company's account. Therefore, the former relief association did not ensure the funds were deposited timely into a relief association account. Once the error was discovered, the affiliated fire company issued a check to the former relief association and the former relief association deposited the funds into the former relief association's account on November 13, 2019.

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 practice dictates 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: Former relief association officials failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner.

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

Recommendation: Due to the dissolution of the former relief association and subsequent merger with West Wyoming Hose Co. #1 Firemen's Relief Association, we are providing officials of the West Wyoming Hose Co. #1 Firemen's Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association during the course of our audit. We recommend that the West Wyoming Hose Co. #1 Firemen's 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.

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (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 monetary assets to the West Wyoming Hose Co. #1 Firemen's Relief Association, West Wyoming Hose Co. #1 Firemen's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 11, 2019

Cash	<u>\$ -</u>
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WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 11, 2019

Expenditures:

Benefit Services:	
Insurance premiums	\$ 4,268
Fire Services:	
Equipment purchased	\$ 56,064
Equipment maintenance	2,542
Training expenses	1,998
Total Fire Services	\$ 60,604
Administrative Services:	
Other administrative expenses	\$ 7
Bond premiums	491
Total Administrative Services	\$ 498
Other Expenditures:	
Transfer of monetary assets *	56,320
Total Expenditures	\$ 121,690

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 11, 2019, the former relief association completed the process of dissolution and merged to form West Wyoming Hose Co. #1 Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the West Wyoming Hose Co. #1 Firemen's Relief Association. Due to the dissolution of the former relief association, we are providing officials of West Wyoming Hose Co. #1 Firemen's Relief Association copies of this report.

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

West Wyoming Hose Co. #2 Volunteer Firefighters' Relief Association Governing Body:

Mr. Frank Hawk, Sr.
President

Mr. John Baker, Sr.
Vice President

Mr. Carl P. Worthington
Treasurer

West Wyoming Hose Co. #1 Firemen's Relief Association Governing Body:

Ms. Debbie Granteed
President

Ms. Jayne Hromek
Vice President

Ms. Maureen Zabolki
Secretary

Mr. Gerald Zabolki
Treasurer

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

Ms. Teresa Featherstone
Secretary
West Wyoming Borough

WEST WYOMING HOSE CO. #2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.