

COMPLIANCE AUDIT

Corsica Volunteer Firemens Relief Association

Jefferson County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2022

August 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Christopher Simpson, President
Corsica Volunteer Firemens
Relief Association
Jefferson County

We have conducted a compliance audit of the Corsica Volunteer Firemens Relief Association (relief association) for the period January 1, 2020, to December 31, 2022. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objective of the audit was to determine if the 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, nor was it required to be, 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 objective. 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, 2020, to December 31, 2022, the 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 – Failure To Adhere To Relief Association Bylaws

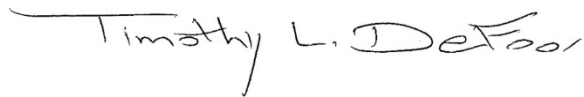
Finding No. 2 – Inadequate Minutes Of Meetings

Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have 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.



Timothy L. DeFoor
Auditor General
August 3, 2023

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (commonly referred to as Act 205) are properly expended.

The 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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Clarion Township	Clarion	\$5,593	\$4,902	\$5,451
Limestone Township	Clarion	\$ 938	\$ 806	\$ 992
Corsica Borough	Jefferson	\$1,434	\$1,277	\$1,432
Union Township	Jefferson	\$4,438	\$3,885	\$4,722

Based on the relief association’s records, its total cash as of December 31, 2022, was \$28,414, as illustrated below:

Cash	<u>\$ 28,414</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$43,306, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance 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.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:	
Insurance premiums	<u>\$ 8,754</u>
Fire Services:	
Equipment purchased	\$ 28,519
Equipment maintenance	5,628
Training expenses	75
Total Fire Services	<u>\$ 34,222</u>
Administrative Services:	
Bond premiums	\$ 270
Other administrative expenses	60
Total Administrative Services	<u>\$ 330</u>
Total Expenditures	<u><u>\$ 43,306</u></u>

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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

Corsica Volunteer Fire Company

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to numerous provisions in the association’s bylaws. Specifically, the relief association did not abide by bylaw stipulations as noted below:

- The relief association officer positions of the president and the secretary were not held by the same individuals that hold the respective positions within the affiliated fire company.
- The relief association officer positions, consisting of a vice president and one board of directors’ position were not occupied at the time we performed the current audit.
- The relief association failed to hold meetings on a monthly basis. In addition, meetings were only held in six months during calendar year 2020, twelve months during calendar year 2021, and ten months during calendar year 2022.

In addition, the existing bylaws of the relief association contain language to conduct business based on Act 84 of June 11, 1968. The relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020).

Criteria: The relief association’s bylaws stipulate the following:

- Article 3, Section 1 – The office of Vice-President and Treasurer are chosen by the Board of Directors. The President of the Corsica Volunteer Fire Company and Secretary of the Corsica Volunteer Fire Company shall automatically hold the same positions in the Association as officers. The Vice-President shall be appointed by majority from within the Board of Directors.
- Article 4, Section 1 – The property and business of this Association shall be managed by a Board of Directors, nine in number. Six of whom shall be elected by the membership of the Corsica Volunteer Fire Company election meeting during the month of November. The term of office for Directors shall be three years and shall be arranged that two Directors from this group shall be elected each year. The remaining three Directors shall be President, Secretary, and Treasurer of this Association.
- Article 2, Section 1 – The regular meeting of the Corsica Volunteer Firemen’s Relief Association shall be held on the second Wednesday of each month.

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

- Article 6, Section 1 – Funds of this Association shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the Association bylaws.

Section 7415(a) of the VFRA Act states, in part, that a volunteer firefighters’ relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association’s bylaws to ensure that the relief association conducts its affairs with proper authorization, and that relief association bylaws be updated, as appropriate, to be in accordance with the VFRA Act.

Cause: Relief association officials indicated that they were not familiar with the guidelines within the relief association’s bylaws.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws and not updating the bylaws consistent with the VFRA Act, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. We also recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020). 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.

Auditor’s Conclusion: Compliance will be subject to verification through our next audit.

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws. Specifically, the relief association’s minutes did not address all of the financial-related transactions that occurred during the audit period. Furthermore, some of the meeting minutes provided were not signed by the recording officer.

Criteria: Section 7415(a) of the VFRA Act 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.

The relief association’s bylaws at Article 3, Section 5 states:

Duties of the Secretary shall include keeping a proper record of the proceedings of the Board of Directors and the Association; and shall perform other duties appropriate to the office.

Cause: Relief association officials indicated that the secretaries were not trained in writing complete minutes as required by the VFRA Act and the relief association’s bylaws.

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

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meetings minutes. 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.

Auditor’s Conclusion: Compliance will be subject to verification through our next audit.

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified six checks out of 40 checks drawn from the relief association’s checking account that did not contain the proper signatory authority, plus 16 checks in the post audit period. Specifically, we found:

- Four current audit period checks contained only the signature of the relief association disbursing officer.
- Two current audit period checks contained the signature of an individual not authorized to sign checks per the relief association bylaws.
- Sixteen post audit checks issued contained the signature of an individual not authorized to sign checks per the relief association bylaws.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association’s bylaws at Article 7, Section 1 states, in part:

All accounts shall require two signatures. The signatures shall be of the treasurer and president.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials stated it was an oversight of not having a second signature on some checks and for not having the individual authorized per the bylaws sign as the second check signer on the checks.

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: As a result of the relief association issuing checks with only one authorized signature and/or an unauthorized signature per the relief association bylaws, assets were placed at greater risk of misappropriation or error. Additionally, expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that checks contain the required signatures of two authorized relief association officers as defined by the VFRA Act and the relief association's bylaws. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all the equipment owned by the relief association. Furthermore, although relief association officials indicated that a physical inventory of equipment was conducted on an annual basis, there was insufficient evidence to demonstrate the extent of the annual physical inventories conducted.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Cause: The relief association officials indicated that there was insufficient knowledge of what needed to be included on the equipment roster.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and to sufficiently document the performance of an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

CORSICA VOLUNTEER FIREMENS RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Corsica Volunteer Firemens Relief Association Governing Body:

Mr. Christopher Simpson
President

Ms. Ashley Dehner
Secretary

Ms. Jeanne Foster
Treasurer

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

Ms. Karen Wilson
Secretary
Clarion Township

Ms. Melissa Kemmer-Daugherty
Secretary
Limestone Township

Ms. Cheri Himes
Secretary
Corsica Borough

Ms. Chris Hughes
Secretary
Union Township

CORSICA VOLUNTEER FIREMENS 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.