

COMPLIANCE AUDIT

Good Will Hose
Company Volunteer Firefighter
Relief Association
Schuylkill County, Pennsylvania
For the Period
January 1, 2020, to December 31, 2022

October 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Michael Pontician, President
Good Will Hose Company Volunteer
Firefighter Relief Association
Schuylkill County

We have conducted a compliance audit of the Good Will Hose Company Volunteer Firefighter 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 association 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.

We were not able to obtain an independent confirmation of a portion of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$35,176 and an investment balance with a fair value of \$10,797, we were not able to verify a portion of the cash balance and the investment balance.

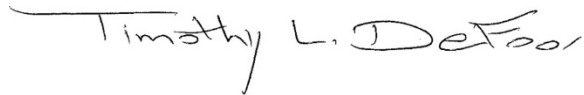
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2020, to December 31, 2022, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative 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 – Erroneous Transfers Of Funds

Finding No. 2 – Inadequate Minutes Of Meetings And Relief Association Bylaws

Finding No. 3 – Failure To Obtain A Pennsylvania Sales Tax Exemption Number

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
September 1, 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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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.

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>
Cressona Borough	Schuylkill	\$3,886	\$3,416	\$4,139
North Manheim Township	Schuylkill	\$4,336	\$3,869	\$2,494

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)

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$45,973, as illustrated below:

Cash	\$ 35,176
Fair Value of Investments	<u>10,797</u>
Total Cash and Investments	<u>\$ 45,973</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$25,026, 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>\$ 5,627</u>
Fire Services:	
Equipment purchased	\$ 11,680
Equipment maintenance	4,196
Training expenses	<u>340</u>
Total Fire Services	<u>\$ 16,216</u>
Administrative Services:	
Bond premiums	\$ 750
Other administrative expenses	<u>60</u>
Total Administrative Services	<u>\$ 810</u>
Other Expenditures:	
Erroneous transfers of funds – See Finding No. 1	<u>\$ 2,373</u>
Total Expenditures	<u>\$ 25,026</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:

Good Will Hose Company

GOOD WILL HOSE COMPANY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Erroneous Transfers Of Funds

Condition: The relief association erroneously transferred funds totaling \$2,373 from its checking account to the fire company’s checking account.

Criteria: Relief association funds should not be commingled with any other organization’s funds in order to maintain effective control of its assets. In addition, adequate accounting and internal controls should include procedures to prevent erroneous transfers.

Cause: Relief officials indicated that due to changes in the individual performing the duties of the treasurer position, they are unaware of why the funds were transferred.

Effect: As a result of the erroneous transfers of funds, the relief association was unable to use the funds for other general operating expenses or for investment purposes. In addition, the transfers to the fire company’s account reduces the relief association’s control over cash disbursements.

Recommendation: We recommend that the relief association be reimbursed \$2,373 for the erroneous transfers. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association transfers. 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$2,373 for the erroneous transfers on July 14, 2023.

Auditor’s Conclusion: We reviewed partial documentation that the \$2,373 was deposited into a relief account. However, a bank statement was not provided. Compliance will be subject to verification through our next audit.

Finding No. 2 – Inadequate Minutes Of Meetings And Relief Association Bylaws

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 financial-related transactions that occurred during the audit period. In addition, meetings were only held in two of the three required months during calendar year 2020, three of the three required months during calendar year 2021, and two of the three required months during calendar year 2022 per the relief association bylaws. Further, the existing bylaws of the relief association contain language to conduct business pertaining to the disbursement, investment, and purchase of funds that is 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).

GOOD WILL HOSE COMPANY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 III, Section 1 states, in part:

Regular meetings of this Association shall be held on the second Sunday of every fourth month (January, May and September) immediately following the company meeting.

In addition, the relief association’s bylaws at Article 4, Section 3 states, in part:

Secretary: the secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all Association financial transactions and all other pertinent business discussed at meetings. The secretary shall also maintain an updated copy of the Association by-laws and make it available for review by the membership. The secretary is responsible for providing representatives of the Department of the Auditor General with the Association’s minutes of meetings and by-laws in connection with their auditing duties.

Furthermore, the relief association’s bylaws at Article VIII, Section 1 states, in part:

Funds of this Association may be invested in any security authorized by the provisions of Section 6(c) of Act 84.

Cause: Relief association officials indicated that some meetings were not held due to a lack of quorum and also due to COVID-19 and that they were unaware that these reasons needed to be documented.

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. As a result of the relief association not updating the bylaws to meet the appropriate requirements, the relief association may have conducted its affairs without proper authorization.

GOOD WILL HOSE COMPANY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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.

Finding No. 3 – Failure To Obtain A Pennsylvania Sales Tax Exemption Number

Condition: The relief association failed to obtain a Pennsylvania sales tax exemption number. The relief association is currently using the fire service organization’s sales tax exemption number, although the fire service organization and the relief association are separate legal entities.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters’ relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: Relief association officials indicated that they were unaware of the necessity to obtain its own sales tax exemption number from the Department of Revenue.

Effect: As a result of the relief association’s failure to obtain a sales tax exemption number, the relief association may be required to pay Pennsylvania sales tax on its purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

GOOD WILL HOSE COMPANY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association officials immediately obtain a state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. 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.

GOOD WILL HOSE COMPANY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Good Will Hose Company Volunteer Firefighter Relief Association Governing Body:

Mr. Michael Pontician
President

Mr. Thomas Rhody
Vice President

Ms. Kaytelin Rhody
Secretary

Ms. Nicole Mumbauer
Treasurer

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

Ms. Regina Sonon
Secretary
Cressona Borough

Ms. Tami M. Stump
Secretary
North Manheim 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.