

COMPLIANCE AUDIT

Lawrence Township Volunteer
Firemen's Relief Association of Lawrence
Township, Clearfield County,
Commonwealth of Pennsylvania
For the Period
January 1, 2021, to December 31, 2022

November 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Steve Smith, President
Lawrence Township Volunteer Firemen's Relief
Association of Lawrence Township, Clearfield
County, Commonwealth of Pennsylvania

We have conducted a compliance audit of the Lawrence Township Volunteer Firemen's Relief Association of Lawrence Township, Clearfield County, Commonwealth of Pennsylvania (relief association) for the period January 1, 2021, 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. 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 objectives 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.

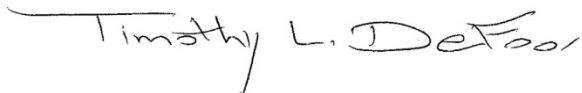
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 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, 2021, to December 31, 2022:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- 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 finding listed below and discussed later in this report.

Finding – Noncompliance With Prior Audit Recommendation – Insufficient
Surety (Fidelity) Bond Coverage

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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
October 25, 2023

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Finding.....	5
Finding and Recommendation:	
Finding – Noncompliance With Prior Audit Recommendation – Insufficient Surety (Fidelity) Bond Coverage	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 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.

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>2021</u>	<u>2022</u>
Lawrence Township	Clearfield	\$34,411	\$41,322
Pine Township	Clearfield	\$ 204	\$ 251

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$498,114, as illustrated below:

Cash	\$ 126,251
Fair Value of Investments	<u>371,863</u>
Total Cash and Investments	<u><u>\$ 498,114</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2022, were \$79,112, 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	\$	15,720
Death benefits		1,000
Total Benefit Services	\$	<u>16,720</u>

Fire Services:

Equipment purchased	\$	9,146
Equipment maintenance		3,167
Training expenses		335
Total Fire Services	\$	<u>12,648</u>

Administrative Services:

Bond premiums	\$	886
Other administrative expenses		141
Total Administrative Services	\$	<u>1,027</u>

Total Investments Purchased \$ 48,593

Other Expenditures:

Unauthorized expenditures *	\$	<u>124</u>
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Total Expenditures \$ 79,112

* During calendar years 2021 and 2022, the relief association made insignificant disbursements totaling \$13 for the unauthorized payment of sales tax on purchases that were authorized under the VFRA Act. Additionally, in 2022, the relief association made a \$111 disbursement that was not authorized under the VFRA Act. We disclosed these issues to relief association officials on July 24, 2023, but we did not include a finding in this report due to the relatively low dollar amount.

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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Hyde Hose Company

Lawrence Township Volunteer Fire Company No. 1

Lawrence Township Volunteer Fire Company No. 3

LAWRENCE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LAWRENCE TOWNSHIP, CLEARFIELD COUNTY,
COMMONWEALTH OF PENNSYLVANIA
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Insufficient Surety (Fidelity) Bond Coverage

Although the relief association increased the Surety (Fidelity) bond coverage limit during the current audit period, as of December 31, 2022, the relief association's cash assets balance again exceeded the bond coverage limit as further disclosed in the finding of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

LAWRENCE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LAWRENCE TOWNSHIP, CLEARFIELD COUNTY,
COMMONWEALTH OF PENNSYLVANIA
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Insufficient Surety (Fidelity)
Bond Coverage**

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer. The relief association's Surety (Fidelity) bond coverage amount was \$125,000; however, as of December 31, 2022, the relief association's cash assets totaled \$126,251.

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

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials failed to monitor the relief association's cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer was in compliance with the VFRA Act provisions.

Effect: As a result of the authorized disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We again recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by the VFRA Act. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum balance of the relief association's cash assets, or by decreasing the relief association's cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

LAWRENCE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LAWRENCE TOWNSHIP, CLEARFIELD COUNTY,
COMMONWEALTH OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, before our current audit concluded, the relief association decreased their cash assets to an amount below the maximum protection amount of the Surety (Fidelity) bond coverage.

Auditor's Conclusion: We reviewed documentation verifying that the relief association's cash assets were decreased below their maximum protection amount of Surety (Fidelity) bond coverage as of June 30, 2023. Compliance for sufficient bond coverage during the next audit period will be subject to verification through our next audit.

LAWRENCE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LAWRENCE TOWNSHIP, CLEARFIELD COUNTY,
COMMONWEALTH OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Lawrence Township Volunteer Firemen's Relief Association of Lawrence Township, Clearfield
County, Commonwealth of Pennsylvania Governing Body:

Mr. Steve Smith
President

Mr. Paul Snyder
Secretary

Ms. Shirley Snyder
Treasurer

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

Ms. Bailey Flanagan
Secretary
Lawrence Township

Ms. Carol Romanski
Secretary
Pine 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.