

COMPLIANCE AUDIT

Mahaffey Volunteer Firemen's Relief Association

Clearfield County, 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**

Ms. Theresa Dilts, President
Mahaffey Volunteer Firemen's
Relief Association
Clearfield County

We have conducted a compliance audit of the Mahaffey Volunteer Firemen's Relief Association (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 findings 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.

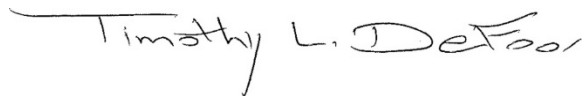
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 took appropriate corrective action to address the findings contained in our prior audit 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 – Payment Of Pennsylvania Sales Tax

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
November 14, 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.

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> |
|------------------------|---------------|-------------|-------------|
| Bell Township | Clearfield | \$3,929 | \$4,570 |
| Burnside Township | Clearfield | \$1,678 | \$2,039 |
| Chest Township | Clearfield | \$ 756 | \$ 921 |
| Ferguson Township | Clearfield | \$1,369 | \$1,720 |
| Greenwood Township | Clearfield | \$1,792 | \$2,189 |
| Mahaffey Borough | Clearfield | \$1,194 | \$1,330 |
| New Washington Borough | Clearfield | \$ 249 | \$ 275 |
| Newburg Borough | Clearfield | \$ 364 | \$ 416 |

Based on the relief association’s records, its total cash as of December 31, 2022, was \$7,023, as illustrated below:

| | |
|------|-----------------|
| Cash | <u>\$ 7,023</u> |
|------|-----------------|

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2022, were \$53,676, 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>\$ 4,042</u> |
|--------------------|-----------------|

Fire Services:

| | |
|-----------------------|-----------|
| Equipment purchased | \$ 24,972 |
| Equipment maintenance | 2,474 |
| Training expenses | 900 |

| | |
|---------------------|------------------|
| Total Fire Services | <u>\$ 28,346</u> |
|---------------------|------------------|

Administrative Services:

| | |
|-------------------------------|---------------|
| Other administrative expenses | <u>\$ 119</u> |
|-------------------------------|---------------|

Other Expenditures:

| | |
|---|----------|
| Payments on loan | \$ 9,292 |
| Miscellaneous * | 11,000 |
| Unauthorized payment of sales tax – See Finding | 877 |

| | |
|--------------------------|------------------|
| Total Other Expenditures | <u>\$ 21,169</u> |
|--------------------------|------------------|

| | |
|--------------------|-------------------------|
| Total Expenditures | <u><u>\$ 53,676</u></u> |
|--------------------|-------------------------|

* A portion of the miscellaneous expenditures was an erroneous deposit of \$1,000 of the affiliated fire company’s funds into the relief association account on September 24, 2021. The relief association immediately discovered the error and reimbursed the affiliated fire company \$1,000 on the same day. The remaining \$10,000 portion of the miscellaneous expenditures was an erroneous withdrawal on March 16, 2022, from the relief association’s account that was deposited into the affiliated fire company’s account; however, on March 22, 2022, the \$10,000 was deposited back into the relief association’s account once the error was discovered. We disclosed these issues to the relief association officials as verbal observations during the conduct of our audit.

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:

Community Volunteer Fire Department of Mahaffey

MAHAFFEY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Unauthorized Expenditure

By receiving reimbursement of \$455 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

- Untimely Receipt And Deposit Of State Aid

By timely receiving and depositing all income received.

MAHAFFEY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Payment Of Pennsylvania Sales Tax

Condition: During the current audit period, the relief association paid \$877 of Pennsylvania sales tax to vendors from which the relief association purchased equipment. In addition, subsequent to the audit period, the relief association paid \$40 of Pennsylvania sales tax to vendors from which the relief association purchased equipment. These payments would not have been required if the relief association had provided its sales tax exemption number to the vendors.

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 a failure to closely exam invoices resulted in the payment of the Pennsylvania sales tax.

Effect: As a result of the relief association's failure to provide its sales tax exemption number to all vendors, the relief association was required to pay Pennsylvania sales tax on its purchase, which reduced the funds otherwise available for general operating expenditures and for investment purposes.

Recommendation: We recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$917, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, relief association officials furnish its state sales tax exemption number to all vendors from which 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$917 for the unauthorized sales tax paid on September 14, 2023.

Auditor's Conclusion: We reviewed documentation that the reimbursement of \$917 for the unauthorized sales tax paid was received. Compliance for the payment of unauthorized sales tax made in the next audit period will be subject to verification through our next audit.

MAHAFFEY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Mahaffey Volunteer Firemen's Relief Association Governing Body:

Ms. Theresa Dilts
President

Mr. James Arnold
Vice President

Ms. Rachael Parker
Secretary

Mr. Joshua K. Bush
Treasurer

MAHAFFEY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Nichole Parrish
Secretary
Bell Township

Ms. Diana L. Rorabaugh
Secretary
Burnside Township

Mr. Larry Garner
Secretary
Chest Township

Ms. Beth Jenkins
Secretary
Ferguson Township

Ms. Haley Blackburn
Secretary
Greenwood Township

Ms. Sally M. Long
Secretary
Mahaffey Borough

Ms. Stephanie J. Marshall
Secretary
New Washington Borough

Ms. Jennifer M. Peterson
Secretary
Newburg 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.