

COMPLIANCE AUDIT

Monaca Volunteer Fire Company
No. 5, Fireman's Relief Association
of the State of Pennsylvania
Beaver County
For the Period
January 1, 2020, to June 9, 2023

January 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. John Melvin, President
Monaca Volunteer Fire Company No. 5,
Fireman's Relief Association of the
State of Pennsylvania
Beaver County

We have conducted a compliance audit of the former Monaca Volunteer Fire Company No. 5, Fireman's Relief Association of the State of Pennsylvania (relief association) for the period January 1, 2020, to June 9, 2023. 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 former relief association took appropriate corrective action to address the findings 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, 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.

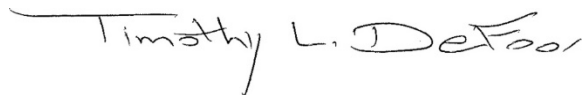
Based on our audit procedures, we conclude that, for the period January 1, 2020, to June 9, 2023:

- The former relief association took appropriate corrective action to address three of the four findings contained in our prior audit report. However, the former relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this 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 – Noncompliance With Prior Audit Recommendation – Inadequate
Minutes Of Meetings And Relief Association Bylaws

In addition, as of June 9, 2023, the former relief association completed the process of dissolution and merged with Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania to form Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania. Consequently, all remaining monetary assets and equipment were transferred to the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania.

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 the relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
January 2, 2024

CONTENTS

| | <u>Page</u> |
|---|-------------|
| Background..... | 1 |
| Status of Prior Findings | 5 |
| Finding and Recommendation: | |
| Finding – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings And Relief Association Bylaws | 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 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.

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 former relief association was allocated state aid from the following municipality:

| <u>Municipality</u> | <u>County</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Monaca Borough | Beaver | \$8,648 | \$7,741 | \$9,362 | * |

*As of June 9, 2023, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of June 9, 2023, was zero, as illustrated below:

| | | |
|------|-----------|----------|
| Cash | <u>\$</u> | <u>-</u> |
|------|-----------|----------|

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to June 9, 2023, were \$93,036, 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 | \$ 15,239 |
| Death benefits | 250 |
| Tokens of sympathy and goodwill | 95 |
| Total Benefit Services | <u>\$ 15,584</u> |
| Fire Services: | |
| Equipment purchased | \$ 5,237 |
| Equipment maintenance | 2,459 |
| Training expenses | 2,235 |
| Total Fire Services | <u>\$ 9,931</u> |
| Administrative Services: | |
| Bond premiums | \$ 500 |
| Other administrative expenses | 747 |
| Total Administrative Services | <u>\$ 1,247</u> |
| Other Expenditures: | |
| Transfer of monetary assets * | <u>\$ 66,274</u> |
| Total Expenditures | <u><u>\$ 93,036</u></u> |

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of June 9, 2023, the former relief association completed the process of dissolution and merged with Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania to form Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania. Consequently, all remaining monetary assets and equipment were transferred to the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania. Due to the dissolution of the former relief association, we are providing officials of Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania copies of this report.

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 former relief association was affiliated with the following fire service organization:

Monaca Volunteer Fire Company No. 5

MONACA VOLUNTEER FIRE COMPANY NO. 5, FIREMAN'S RELIEF ASSOCIATION
OF THE STATE OF PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Potential Misappropriation Of Assets

By receiving reimbursement from the insurance company in the amount of \$39,463.

- Undocumented Expenditures

By receiving reimbursement of \$2,498 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.

- Inadequate Financial Record-Keeping System

By establishing and maintaining a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former 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:

- Inadequate Minutes Of Meetings

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania, Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania management should strive to implement the recommendation and corrective action noted in this audit report.

MONACA VOLUNTEER FIRE COMPANY NO. 5, FIREMAN'S RELIEF ASSOCIATION
OF THE STATE OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings And Relief Association Bylaws

Condition: The former relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the former relief association's minutes did not address all financial-related transactions that occurred during the audit period. Meetings were only held in five months during calendar year 2020 and nine months during calendar year 2021. In addition, the meeting minutes were not signed and dated by the recording officer. Furthermore, the existing bylaws of the former relief association contains language to conduct business pertaining to the disbursement, investment, and purchase of funds that is based on Act 84 of June 11, 1968. The former 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).

A similar condition was noted in our prior audit report.

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 former relief association's bylaws at Article IV, Section 1 states:

The stated meetings of this Association shall be held on the first Thursday of each month, provided that there is business to transact, after the regular meeting of the Monaca Volunteer Fire Co. No. 5. Seven members must create a quorum.

In addition, the former relief association's bylaws at Article V, Section 3 states, in part:

SECRETARY: The Secretary shall keep a true and correct account of all proceedings of every meeting in the minutes. The minutes shall contain all financial transactions and other pertinent business discussed at the meetings.

Furthermore, the former relief association's bylaws at Article VIII states, in part:

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

MONACA VOLUNTEER FIRE COMPANY NO. 5, FIREMAN'S RELIEF ASSOCIATION
OF THE STATE OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: The former relief association officials indicated that lack of membership led to newer members being elected to positions with no training.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, evidence that former relief association business was presented before the membership for approval does not exist. As a result of the former relief association not updating the bylaws to meet the appropriate requirements, the former relief association may have conducted its affairs without proper authorization.

Recommendation: Due to the dissolution of the former relief association, we are providing officials from the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania 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 ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. In addition, we recommend that the relief association officials ensure the language referring to Act 84 is removed 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: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania, Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County, Pennsylvania's management should strive to implement the recommendation and corrective action noted in this audit report.

MONACA VOLUNTEER FIRE COMPANY NO. 5, FIREMAN'S RELIEF ASSOCIATION
OF THE STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Monaca Volunteer Fire Company No. 5, Fireman's Relief Association of the State of
Pennsylvania Governing Body:

Mr. John Melvin
President

Mr. Timothy Abbinanti
Vice President

Mr. Joseph Colangelo
Secretary

Mr. Robert W. Tanner
Treasurer

Monaca No. 4 Volunteer Fire Department Relief Association of Monaca, Beaver County,
Pennsylvania Governing Body:

Mr. Christopher Shotter, Jr.
President

Ms. Amanda Siegel
Vice President

Mr. Steve Krizan
Secretary

Ms. Lisa Shotter
Treasurer

MONACA VOLUNTEER FIRE COMPANY NO. 5, FIREMAN'S RELIEF ASSOCIATION
OF THE STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Mr. David L. Kramer
Secretary
Monaca 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.