

# COMPLIANCE AUDIT

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## Petrolia Volunteer Fire Relief Association Butler County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

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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. James C. Barnes, President  
Petrolia Volunteer Fire Relief Association  
Butler County

We have conducted a compliance audit of the Petrolia Volunteer Fire Relief Association (relief association) for the period January 1, 2019, 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.

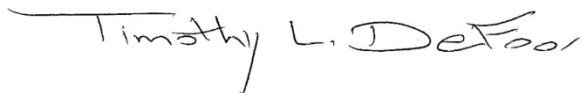
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2019, 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 – Untimely  
Receipts And Deposits Of State Aid

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  
September 12, 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 Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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

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

<sup>3</sup> 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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Perry Township	Armstrong	\$1,230	\$1,237	\$1,058	\$1,341
Fairview Borough	Butler	\$ 814	\$ 828	\$ 757	\$ 870*
Fairview Township	Butler	\$5,298	\$5,330	\$4,796	\$5,652
Karns City Borough	Butler	\$ 483**	\$ 497**	\$ 450	\$ 985
Petrolia Borough	Butler	\$1,061	\$1,069	\$ 929	\$1,019*

\* The 2022 state aid allocations received from Fairview Borough and Petrolia Borough were not deposited by the relief association until January 13, 2023, and January 17, 2023, respectively, as disclosed in the Finding in this report.

\*\* Although Karns City Borough prepared and returned a Certification Form AG 385 for 2019 and 2020 by the March 31 annual filing date in accordance with Act 205, the borough did not distribute the 2019 and 2020 state aid to the relief association in a timely manner. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 16, 2019 and September 22, 2020, respectively, who forwarded the state aid to the relief association on January 20, 2020 and January 5, 2021, respectively, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocations, the relief association deposited the funds, on January 20, 2020 and January 5, 2021, respectively, into a relief association account.

**Karns City Borough is still required to complete the 2019, 2020, 2021, 2022 and 2023 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Forms 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.**

Based on the relief association’s records, its total cash, and investments as of December 31, 2022, was \$84,565, as illustrated below:

Cash	\$ 12,050
Fair Value of Investments	<u>72,515</u>
Total Cash and Investments	<u><u>\$ 84,565</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$41,783, 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.<sup>4</sup> **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>\$ 20,189</u>
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#### Fire Services:

Equipment purchased	\$ 11,367
Equipment maintenance	7,998
Training expenses	<u>1,820</u>
Total Fire Services	<u>\$ 21,185</u>

#### Administrative Services:

Bond premiums	<u>\$ 409</u>
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Total Expenditures	<u><u>\$ 41,783</u></u>
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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:

Petrolia Volunteer Fire Department

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

PETROLIA VOLUNTEER FIRE RELIEF ASSOCIATION  
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:

- Untimely Receipts And Deposits Of State Aid

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.



PETROLIA VOLUNTEER FIRE RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Untimely Receipts And Deposits Of State Aid**

Condition: Although Petrolia Borough and Fairview Borough prepared and returned a Certification Form AG 385 for 2022 by the March 31 annual filing date in accordance with Act 205, the boroughs did not distribute the 2022 state aid in the amounts of \$1,019 and \$870, respectively, to the relief association in a timely manner. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 21, 2022, who forwarded the state aid to the relief association on January 9, 2023, and January 10, 2023, respectively, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not document an attempt to ensure the funds were received and deposited timely. Upon receipt of the state aid allocations from Petrolia Borough and Fairview Borough, the relief association deposited the funds into a relief association account on January 17, 2023, and January 13, 2023, respectively.

A similar condition was noted in our prior audit report.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that the relief association officials should be questioning the municipality about their state aid if only one relief association is in the fire service area and upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure state aid funds are obtained and deposited in a timely manner.

Cause: Relief association officials again failed to establish internal control procedures to ensure that all income due the relief association was received, recorded, and deposited into a relief association account in a timely manner. Additionally, the municipal treasurer was newly elected and did not know the relief association was to receive the allocation.

PETROLIA VOLUNTEER FIRE RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: As a result of the untimely receipts and deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely receipts and deposits of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We again recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

PETROLIA VOLUNTEER FIRE RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Petrolia Volunteer Fire Relief Association Governing Body:

**Mr. James C. Barnes**  
President

**Mr. Chance Reep**  
Vice President

**Ms. Alysha M. Bricker**  
Secretary

**Mr. Thomas L. Bullman**  
Treasurer

PETROLIA VOLUNTEER FIRE 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. Mary Jean Shumaker**  
Secretary  
Perry Township

**Ms. Chasity A. King**  
Secretary  
Fairview Borough

**Ms. Dusty Neff**  
Secretary  
Fairview Township

**Ms. Sharon McElravy**  
Secretary  
Karns City Borough

**Ms. Chasity A. King**  
Secretary  
Petrolia Borough

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).