

COMPLIANCE AUDIT

R.W. & BT. Volunteer Firefighters’
Association of Wood Township,
Huntingdon County, Pennsylvania
For the Period
January 1, 2020, to December 31, 2022

December 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Adam Watson, President
R.W. & BT. Volunteer Firefighters'
Association of Wood Township,
Huntingdon County, Pennsylvania

We have conducted a compliance audit of the R.W. & BT. Volunteer Firefighters' Association of Wood Township, Huntingdon County, Pennsylvania (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.

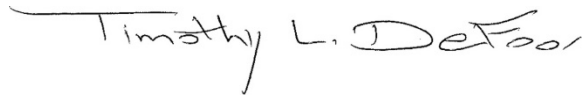
Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2022, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Undocumented Expenditures

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

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster

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.



Timothy L. DeFoor
Auditor General
November 29, 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>2020</u>	<u>2021</u>	<u>2022</u>
Broad Top Township	Bedford	\$ 491	\$ 448	\$ 500
Wells Township	Fulton	\$ 297	\$ 264	\$ 329
Broad Top City Borough	Huntingdon	\$1,853	\$1,679	\$1,792
Todd Township	Huntingdon	\$2,690	\$2,400	\$2,756
Wood Township	Huntingdon	\$3,103	\$2,730	\$3,022

Based on the relief association's records, its total cash and investments as of December 31, 2022, were \$36,392, as illustrated below:

Cash	\$ 27,454
Fair Value of Investments	<u>8,938</u>
Total Cash and Investments	<u>\$ 36,392</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$20,162, 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>\$ 6,668</u>
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Fire Services:

Equipment purchased	\$ 6,091
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Fire prevention materials	<u>500</u>
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Total Fire Services	<u>\$ 6,591</u>
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Administrative Services:

Bond premiums	\$ 567
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Other administrative expenses	<u>553</u>
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Total Administrative Services	<u>\$ 1,120</u>
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Total Investments Purchased	<u>\$ 3,760</u>
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Other Expenditures:

Undocumented expenditures	\$ 1,980
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Unauthorized sales tax paid *	<u>43</u>
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Total Other Expenditures	<u>\$ 2,023</u>
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Total Expenditures	<u><u>\$ 20,162</u></u>
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* During calendar years 2020 and 2022, the relief association made insignificant disbursements in the amounts of \$2 and \$41, respectively, for the unauthorized payment of sales tax on purchases that were authorized under the VFRA Act. We disclosed these issues to relief association officials on September 27, 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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

R.W. & BT. Volunteer Fire Company

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
04/14/2021	348	Non-affiliated relief association	\$ 630
08/08/2021	351	Training vendor	150
12/06/2021	352	Training vendor	<u>1,200</u>
Total			<u>\$ 1,980</u>

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials stated the bills were submitted with the payments and receipts of payments were requested but not received.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$1,980 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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. 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. Meeting minutes were not provided for any meetings that may have occurred in 2020. In addition, meetings were only held in five months during calendar year 2021, and in one month during calendar year 2022. Furthermore, the meeting minutes were not signed and dated by the recording officer and the relief association officials did not respond to our emails to confirm the validity of the meeting minutes to ensure that the meeting minutes are not fraudulent, altered, etc. The existing bylaws of the relief association contains language to conduct business 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).

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 IV, Section 1 states:

The regular monthly meeting of the association shall be held on the 3rd. Sunday at 2:00 p.m.

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

Secretary: The secretary shall keep a true account of all records of all the proceedings of every meeting in the minutes. The minutes shall have all financial transactions with all other business discussed at the meeting.

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Furthermore, the relief association's bylaws at Article IX, Section 1 states:

Any moneys of the Association shall be invested in any security authorized by the provision of section 6 (c) of Act 84.

Cause: The relief association officials stated that the Secretary did not record all actions at the meetings and did not submit the 2020 minutes. The relief association officials did not provide a reason why the meeting minutes were not signed, why all required meetings were not held, or why the bylaws were not updated to meet the requirements of the VFRA Act. In addition, relief association officials did not respond to our emails requesting verification of the validity of the meeting minutes.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, 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.

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 ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association and respond to our requests to ensure the validity of the meeting minutes. In addition, we 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 by revising their bylaws and meeting at least quarterly.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. The relief association had previously provided listings of equipment purchased since 2002; however, the listing provided was only for items purchased since 2018. In addition, the listing provided was incomplete because it did not contain the specific names of items purchased, quantities, and serial numbers to accurately identify equipment owned by the relief association. Also, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association and perform and document an annual physical inventory of all operable equipment in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials did not provide a reason why this occurred.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

R.W. & BT. Volunteer Firefighters' Association of Wood Township, Huntingdon County,
Pennsylvania Governing Body:

Mr. Adam Watson
President

Ms. Donna A. McCabe
Treasurer

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

Ms. Stacy Woomer
Secretary
Broad Top Township

Ms. Connie L. Barnett
Secretary
Wells Township

Ms. Lori Hann
Secretary
Broad Top City Borough

Ms. Catherine Harshburger
Secretary
Todd Township

Ms. Tonya Hall
Secretary
Wood Township

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF WOOD
TOWNSHIP, HUNTINGDON COUNTY, PENNSYLVANIA.
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