

COMPLIANCE AUDIT

The Jackson Center Volunteer Firemen's Relief Association

Mercer 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**

Mr. Michael Kocher, President
The Jackson Center Volunteer Firemen's
Relief Association
Mercer County

We have conducted a compliance audit of The Jackson Center 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 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.

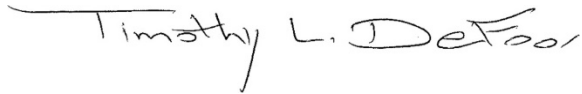
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2022, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Improper State Aid Transfers

Finding No. 2 – Inadequate Surety (Fidelity) Bond Coverage

Finding No. 3 – Inadequate Minutes Of Meetings

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
October 16, 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>
Jackson Center Borough	Mercer	\$ 882	\$ 980
Jackson Township	Mercer	\$7,571	\$9,012
Worth Township	Mercer	\$4,190	\$4,921

Based on the relief association’s records, its total cash as of December 31, 2022, was \$21,461, as illustrated below:

Cash	<u>\$ 21,461</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2022, were \$19,293, 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>\$ 6,004</u>
Fire Services:	
Equipment purchased	\$ 5,280
Equipment maintenance	2,756
Training expenses	170
Total Fire Services	<u>\$ 8,206</u>
Administrative Services:	
Bond premiums	\$ 500
Other administrative expenses	27
Total Administrative Services	<u>\$ 527</u>
Other Expenditures:	
Improper state aid transfers – See Finding No. 1	<u>\$ 4,556</u>
Total Expenditures	<u><u>\$ 19,293</u></u>

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:

Jackson Center Volunteer Fire Company

THE JACKSON CENTER VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper State Aid Transfers

Condition: The relief association improperly transferred half of its state aid totaling \$2,095 and \$2,461 from its checking account to the Stoneboro Volunteer Fire Company Relief Association during calendar years 2021 and 2022, respectively.

Criteria: Relief association state aid funds should not be transferred to another relief association since the state aid funds are to be allocated to relief associations directly from the receiving municipality. In addition, adequate accounting and internal controls should include procedures to prevent improper transfers.

Cause: The relief association officials indicated that in calendar year 2020 the municipality asked the relief association to transfer half of the state aid it had received to the Stoneboro Volunteer Fire Company Relief Association; therefore, the relief association assumed, without confirmation from the municipality, that it should transfer half of its allocation the following two calendar years.

Effect: As a result of the improper state aid transfers of funds, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the transfers to the Stoneboro Volunteer Fire Company Relief Association reduced the relief association's control over its state aid.

Recommendation: We recommend that the relief association request reimbursement of \$4,556 from the Stoneboro Volunteer Fire Company Relief Association for the improper state aid transfers. In addition, the relief association officials should establish accounting and internal control procedures to discontinue transfers of state aid. 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, its affiliated fire company reimbursed the relief association \$4,556 on August 1, 2023.

Auditor's Conclusion: We reviewed documentation verifying the reimbursement of \$4,556 from the affiliated fire company; therefore, we recommend the relief association request the reimbursement of \$4,556 from the Stoneboro Volunteer Fire Company Relief Association to be sent to the affiliated fire company. Compliance for the discontinuance of improper transfers of state aid will be subject to verification through our next audit.

THE JACKSON CENTER VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain adequate Surety (Fidelity) bond coverage on the relief association's disbursing officer, as required by the VFRA Act. Specifically, the Surety (Fidelity) name schedule bond policy in effect, subsequent to the audit period, was issued solely in the name of the former disbursing officer, instead of the current disbursing officer.

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.

Since the relief association's bond policy is a name schedule policy, the Surety (Fidelity) bond coverage should be solely in the name of the current disbursing officer.

Cause: Relief association officials indicated that they were unaware that the relief association's assets were not adequately protected due to the name schedule bond being inaccurate.

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

Recommendation: We recommend that the relief association officials ensure that the disbursing officer is adequately covered by a faithful performance Surety (Fidelity) bond as required by the VFRA Act. This requirement may be accomplished by obtaining a Surety (Fidelity) position bond or continue with a name schedule bond solely in the current disbursing officer's name. 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 provided a Surety (Fidelity) bond policy effective October 10, 2023, in the name of the current disbursing officer.

Auditor's Conclusion: We reviewed the documentation verifying the effective date and the Surety (Fidelity) bond policy is in the name of the current disbursing officer. Compliance for maintaining the appropriate bond and adequate coverage during the next audit period will be subject to verification through our next audit.

THE JACKSON CENTER VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Minutes Of Meetings

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. In addition, meetings were only held four months during calendar year 2021 and four months during calendar year 2022.

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 II, Section 1 states:

The regular meeting will be on the fourth Thursday of each month following the regular meeting of the Jackson Center Volunteer Fire Company

In addition, the relief association's bylaws at Article III, Section 3(c) states:

Secretary – The Secretary shall keep a record of all meetings.

Cause: The relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by the VFRA Act and the relief association's bylaws. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes or why all required meetings were not held.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

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. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE JACKSON CENTER VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (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.

THE JACKSON CENTER 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

The Jackson Center Volunteer Firemen's Relief Association Governing Body:

Mr. Michael Kocher
President

Mr. Daniel Bivens
Vice President

Ms. Linda Heckman
Secretary

Ms. Sarah Morgan
Treasurer

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

Ms. Debra L. Schiestle
Secretary
Jackson Center Borough

Ms. Diane C. Tice
Secretary
Jackson Township

Ms. Bonnie Weber
Secretary
Worth Township

THE JACKSON CENTER VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.