

COMPLIANCE AUDIT

Aultman Volunteer Fire Association, Inc. Relief Fund Indiana County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

December 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Jessica Kalgren, President
Aultman Volunteer Fire Association, Inc.
Relief Fund
Indiana County

We have conducted a compliance audit of the Aultman Volunteer Fire Association, Inc. Relief Fund (relief association) for the period January 1, 2018 to December 31, 2020. 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, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 2020.

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 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.

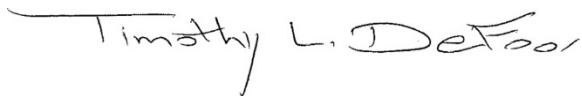
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Inadequate Relief Association Bylaws

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, flowing style.

Timothy L. DeFoor
Auditor General
December 10, 2021

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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 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.

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Black Lick Township	Indiana	\$1,942	\$2,108	\$2,126
Center Township	Indiana	\$7,257	\$7,986	\$8,011

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)

Based on the relief association's records, its total cash as of December 31, 2020 was \$24,391, as illustrated below:

Cash	<u>\$ 24,391</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$34,459, 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>\$ 6,970</u>
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Fire Services:

Equipment purchased	\$ 15,426
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Equipment maintenance	5,606
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Training expenses	<u>2,927</u>
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Total Fire Services	<u>\$ 23,959</u>
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Administrative Services:

Other administrative expenses	\$ 1,934
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Bond premiums	<u>750</u>
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Total Administrative Services	<u>\$ 2,684</u>
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Other Expenditures:

Undocumented expenditures*	\$ 62
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Unauthorized expenditure	<u>784</u>
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Total Other Expenditures	<u>\$ 846</u>
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Total Expenditures	<u>\$ 34,459</u>
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* The relief association was unable to provide adequate supporting documentation evidencing the propriety of an insignificant expenditure amounting to \$62 made during 2019. We disclosed this issue to relief association officials during the conduct of our audit and the affiliated fire company reimbursed \$62 to the relief association on September 7, 2021.

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:

Aultman Volunteer Fire Association, Inc.

AULTMAN VOLUNTEER FIRE ASSOCIATION, INC. RELIEF FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
05/16/2018	1011	Vehicle maintenance on fire company vehicle	\$ 240
11/11/2020	1005	Vehicle maintenance on fire company vehicle	53
11/20/2020	1006	Vehicle maintenance on fire company vehicle	382
12/22/2020	1002	Vehicle maintenance on fire company vehicle	109
Total			<u>\$ 784</u>

Criteria: Section 7416(f) of VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the purchase of auto parts for fire-company owned vehicles do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

AULTMAN VOLUNTEER FIRE ASSOCIATION, INC. RELIEF FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$784 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. 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 \$784 for the unauthorized expenditures on September 7, 2021.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$784 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the relief association do not contain all of the provisions required by Section 7415(c) of the VFRA Act. Specifically, the bylaws do not address that the disbursing officer is bonded by corporate surety for faithful performance of duty in an amount at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year.

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (1) Require 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 funds of the association.

Cause: The relief association officials did not provide a reason for why this provision is not included in the bylaws.

Effect: As a result of the mandatory provision not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

AULTMAN VOLUNTEER FIRE ASSOCIATION, INC. RELIEF FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of the relief association. 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 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. 3 – Inadequate Minutes Of Meetings

Condition: Although the relief association maintained detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws, the relief association failed to have the recording Secretary sign and date the meeting minutes and provide a membership attendance record for each meeting to ensure quorum requirements were met.

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 2, Section 1 states:

Regular meetings of this association shall be held on the second Monday of each month immediately following the regular meeting of the Aultman Volunteer Fire Association, Inc. Eight members shall constitute a quorum. (Emphasis added.)

In addition, the relief association’s bylaws at Article 7 states, in part:

Secretary: The Secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussions at meetings.

Cause: The current secretary did not know that she had to sign and date the meeting minutes. The relief association officials did not provide a reason for why membership attendance records were not provided.

AULTMAN VOLUNTEER FIRE ASSOCIATION, INC. RELIEF FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: Without detailed minutes of meetings that are signed and dated and documentation that the quorum requirements were met, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We 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 and that membership attendance records are maintained to ensure the quorum requirements are met. 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 and indicated they will take action to comply with the recommendation.

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

AULTMAN VOLUNTEER FIRE ASSOCIATION, INC. RELIEF FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Aultman Volunteer Fire Association, Inc. Relief Fund Governing Body:

Ms. Jessica Kalgren
President

Ms. Bethany Ryan
Secretary

Ms. Sara Jane Shaffer
Treasurer

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

Ms. Tiffany Stewart
Secretary
Black Lick Township

Ms. Sara Smith
Secretary
Center Township

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.