

# COMPLIANCE AUDIT

---

## Cresson Volunteer Firemen's Relief Association of Cresson, PA Cambria County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

---

January 2022



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](http://www.PaAuditor.gov)

TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. David Fulton, President  
Cresson Volunteer Firemen's Relief  
Association of Cresson, PA  
Cambria County

We have conducted a compliance audit of the Cresson Volunteer Firemen's Relief Association of Cresson, PA (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.

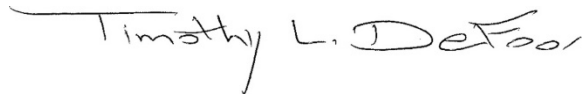
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 finding listed below and discussed later in this report.

Finding – Untimely Receipt And Deposit 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.

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  
December 16, 2021

# CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Untimely Receipt And Deposit Of State Aid.....	4
Report Distribution List .....	6

## 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.

---

<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>2018</u>	<u>2019</u>	<u>2020</u>
Allegheny Township	Cambria	\$ 2,871	\$ 3,093	\$ 3,142
Cresson Borough	Cambria	\$ 6,680	\$ 7,311	\$ 7,406
Cresson Township	Cambria	\$16,126	\$17,674	\$17,953
Gallitzin Township	Cambria	\$ 534	\$ 1,063	\$ 1,623
Munster Township	Cambria	\$ 3,371	\$ 3,918*	\$ 3,969
Sankertown Borough	Cambria	\$ 2,536	\$ 2,735	\$ 2,773

\*The 2019 state aid allocation received from Munster Township was not deposited by the relief association until February 12, 2020 as disclosed in the finding in this report.

Although Munster Township prepared and returned a Certification Form AG 385 for 2019, the township failed to submit a 2019 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the instructions accompanying the 2019 state aid allocation received by the township disclosing this information.

**Munster Township is still required to complete the 2019 and 2021 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) as soon as possible.**

Based on the relief association’s records, its total cash as of December 31, 2020 was \$31,206, as illustrated below:

Cash	\$ 31,206
------	-----------

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$100,925, 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	\$ 24,285
--------------------	-----------

#### Fire Services:

Equipment purchased	\$ 2,138
---------------------	----------

Equipment maintenance	9,133
-----------------------	-------

Training expenses	8,205
-------------------	-------

Total Fire Services	<u>\$ 19,476</u>
---------------------	------------------

#### Administrative Services:

Officer compensation	\$ 6,649
----------------------	----------

Other administrative expenses*	4,765
--------------------------------	-------

Bond premiums	750
---------------	-----

Total Administrative Services	<u>\$ 12,164</u>
-------------------------------	------------------

#### Other Expenditures:

Payments on loan	<u>\$ 45,000</u>
------------------	------------------

Total Expenditures	<u><u>\$ 100,925</u></u>
--------------------	--------------------------

\* A portion of the other administrative expenses represent membership dues in the amount of \$3,864.

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:

Keystone Regional Fire Rescue Department

---

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

CRESSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF CRESSON, PA  
FINDING AND RECOMMENDATION

**Finding – Untimely Receipt And Deposit Of State Aid**

Condition: Although Munster Township prepared and returned a Certification Form AG 385 for 2019 by the March 31 annual filing date in accordance with Act 205, the township did not distribute the 2019 state aid in the amount of \$3,918 to the relief association in a timely manner. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 16, 2019. We were unable to determine the date the state aid was distributed to the relief association since Munster Township failed to submit a 2019 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the 2019 state aid allocation received by the township disclosing this information. In addition, since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not ensure the funds were received and deposited timely. According to the relief association's 2020 journal/ledger, the relief association deposited the state aid allocation into a relief association account on February 12, 2020.

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 upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: The relief association officials stated that Munster Township delayed sending the state aid check. The relief association officials have increased communication with the township to avoid the untimely receipt of state aid in the future.

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



CRESSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF CRESSON, PA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We 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: Compliance will be subject to verification through our next audit.

CRESSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF CRESSON, PA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Cresson Volunteer Firemen's Relief Association of Cresson, PA Governing Body:

**Mr. David Fulton**  
President

**Mr. Neal Hammond**  
Secretary

**Mr. Theodore Westin, Jr.**  
Treasurer

CRESSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF CRESSON, PA  
REPORT DISTRIBUTION LIST

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

**Ms. Debra Hoover**  
Secretary  
Allegheny Township

**Ms. Roberta Soisson**  
Secretary  
Cresson Borough

**Ms. Janelle Aldrich**  
Secretary  
Cresson Township

**Ms. Susan Balzano**  
Secretary  
Gallitzin Township

**Ms. Alice Mento**  
Secretary  
Munster Township

**Ms. Kimberly M. Luther**  
Secretary  
Sankertown 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).