

COMPLIANCE AUDIT

Fairview Borough and Township Firemens Relief Association

Erie County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2020

September 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Philip Jackson, President
Fairview Borough and Township Firemens
Relief Association
Erie County

We have conducted a compliance audit of the Fairview Borough and Township Firemens Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2018 to December 31, 2020.

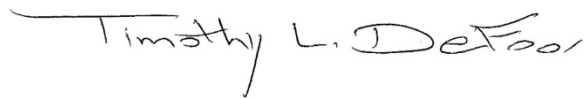
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 – Failure To Adhere To Relief Association Bylaws And Inadequate Signatory Authority For The Disbursement Of Funds

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.

September 15, 2021

Timothy L. DeFoor
Auditor General

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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, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Fairview Township	Erie	\$45,643	\$49,623	\$49,909

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$455,895, as illustrated below:

Cash	\$ 359,233
Fair Value of Investments	<u>96,662</u>
Total Cash and Investments	<u>\$ 455,895</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$116,605, 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.¹ **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	\$	44,689
Death benefits		1,000
Relief benefits		1,130
Tokens of sympathy and goodwill		67
Total Benefit Services	\$	<u>46,886</u>

Fire Services:

Equipment purchased	\$	38,338
Equipment maintenance		3,738
Training expenses		20,363
Fire prevention materials		4,917
Total Fire Services	\$	<u>67,356</u>

Administrative Services:

Other administrative expenses	\$	850
Bond premiums		1,304
Total Administrative Services	\$	<u>2,154</u>

Other Expenditures:

Unauthorized expenditures*	\$	<u>209</u>
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Total Expenditures	\$	<u><u>116,605</u></u>
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* During 2018 and 2019, the relief association made insignificant disbursements amounting to \$209 which were not authorized by Act 118. We disclosed these issues to relief association officials on July 15, 2021. As a result of our audit, the affiliated fire company reimbursed the relief association \$209 for the unauthorized expenditures on July 22, 2021.

¹ 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:

Fairview Firemen's Relief Association

FAIRVIEW BOROUGH AND TOWNSHIP FIREMENS RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Adhere To Relief Association Bylaws And Inadequate Signatory Authority For The Disbursement Of Funds

Condition: The relief association did not adhere to the relief association’s bylaw provision that stipulates the Treasurer and Financial Secretary of the relief association shall cosign all checks and other negotiable instruments.

In addition, during the current audit engagement, we identified 61 randomly selected checks drawn from the relief association’s checking account that did not contain the proper signatory authority. The 61 checks contained two officers’ signatures; however, neither of the two signatures were that of the relief association’s Financial Secretary as specified in the relief association’s bylaws. Also, two of the 61 checks did not contain the signature of the relief association’s Treasurer (disbursing officer) as required by Act 118 and the relief association’s bylaws. Furthermore, the relief association officials also failed to ensure that two signatures were present on the invoices for debit card expenditures.

Criteria: Section 7415(c)(3) of Act 118 states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

The relief association’s bylaws at Article VII, Section 1 states:

The Treasurer and Financial Secretary shall sign all checks, or any other negotiable instruments.

In addition, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks. Furthermore, prudent business practice also dictates that the relief association should adhere to all provisions stipulated in the relief association’s bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials indicated that they were unaware of the bylaw guidelines established by the relief association and did not provide any further reason for why the proper signatures were not obtained.

FAIRVIEW BOROUGH AND TOWNSHIP FIREMENS RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws and issuing checks without the proper signatory authority, the relief association may have conducted its affairs without proper authorization and assets were placed at greater risk.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. We also recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118 and the relief association's bylaws. 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.

FAIRVIEW BOROUGH AND TOWNSHIP FIREMENS RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Fairview Borough and Township Firemens Relief Association Governing Body:

Mr. Philip Jackson
President

Mr. Kraig Rainey
Vice President

Ms. Michele Rodrigues
Secretary

Mr. Chris Hanes
Treasurer

Ms. Shalan Anderson
Financial Secretary

Ms. Maggie Roward
Director

Mr. Richard Hartline
Director

Ms. Amy Rounds
Director

Mr. Patrick Deck
Director

Mr. Eric Ballard
Director

FAIRVIEW BOROUGH AND TOWNSHIP FIREMENS RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Ms. Michelle Barnes
Secretary
Fairview 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.