

COMPLIANCE AUDIT

Fayetteville Volunteer Fire Department
Relief Association, Incorporated
Franklin County, Pennsylvania
For the Period
January 1, 2017 to December 31, 2020

June 2021



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

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Mark Bumbaugh, President
Fayetteville Volunteer Fire Department
Relief Association, Incorporated
Franklin County

We have conducted a compliance audit of the Fayetteville Volunteer Fire Department Relief Association, Incorporated (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, 2017 to December 31, 2020.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives 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.

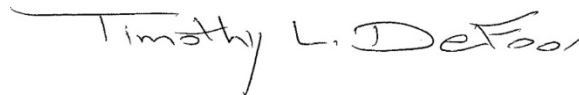
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 objectives. 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, 2017 to December 31, 2020:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- 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 – Unauthorized Expenditure

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.



Timothy L. DeFoor
Auditor General

June 14, 2021

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	5
Finding and Recommendation:	
Finding – Unauthorized Expenditure	6
Report Distribution List	7

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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Greene Township	Franklin	\$100,086	\$91,410	\$92,188	\$91,301
Guilford Township	Franklin	\$ 14,441	\$13,247	\$14,112	\$14,233

Based on the relief association’s records, its total cash and investments as of December 31, 2020 were \$525,782, as illustrated below:

Cash	\$ 334,275
Fair Value of Investments	<u>191,507</u>
Total Cash and Investments	<u><u>\$ 525,782</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2017 to December 31, 2020 were \$309,989, 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	\$ 29,753
Death benefits	10,500
Tokens of sympathy and goodwill	442
Total Benefit Services	<u>\$ 40,695</u>

Fire Services:

Equipment purchased	\$ 204,008
Equipment maintenance	25,700
Training expenses	22,203
Fire prevention materials	7,325
Total Fire Services	<u>\$ 259,236</u>

Administrative Services:

Other administrative expenses*	\$ 5,929
Bond premiums	1,728
Total Administrative Services	<u>\$ 7,657</u>

Other Expenditures:

Unauthorized expenditure	<u>\$ 2,401</u>
--------------------------	-----------------

Total Expenditures	<u><u>\$ 309,989</u></u>
--------------------	--------------------------

* A majority of the other administrative expenses represent accounting services, finalizing records, and preparation of IRS 990 Forms in the amount of \$3,700 and a yearly emergency reporting package subscription in the amount of \$1,241.

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:

Fayetteville Volunteer Fire Department

FAYETTEVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION,
INCORPORATED
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Failure To Deposit Proceeds From Sale Of Relief Owned Vehicle

By receiving reimbursement of \$6,000 from affiliated fire department.

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

FAYETTEVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION,
INCORPORATED
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditure

Condition: The relief association expended a total of \$2,401 in August and September of 2019 for review and revision of relief association bylaws during the current audit period that is authorized by Act 118; however, the relief association officials were unable to provide a copy of the updated relief association's bylaws by the date of this report.

Criteria: Section 7416(f) of Act 118 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.

Costs associated with services to review and revise bylaws do qualify as authorized expenditures; however, a new set of bylaws were not received from the volunteer firefighters' relief association; consequently, this disbursement is now not authorized under Act 118.

Cause: Relief association officials indicated that they were aware that the expenditure for review and revision of bylaws was authorized by Act 118; however, a new set of bylaws were not obtained for the current audit period.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association finalize the revision of their bylaws and provide a copy to our department or be reimbursed \$2,401 for the unauthorized expenditure. Relief association officials should also become familiar with Section 7416(f) of Act 118 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 indicated they will take action to comply with the recommendation.

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

FAYETTEVILLE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION,
INCORPORATED
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Fayetteville Volunteer Fire Department Relief Association, Incorporated Governing Body:

Mr. Mark Bumbaugh
President

Mr. Ronald Royer
Treasurer

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

Ms. Lindsay Loney
Secretary
Greene Township

Mr. Don Clapper
Secretary
Guilford 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.