

# COMPLIANCE AUDIT

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## Fellows' Club Fireman's Relief Association

Crawford County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2022

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June 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Daniel Shreve, President  
Fellows' Club Fireman's Relief Association  
Crawford County

We have conducted a compliance audit of the Fellows' Club Fireman's Relief Association (relief association) for the period January 1, 2020, 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 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 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$95,627, we were not able to verify this cash balance.

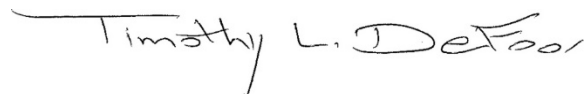
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2020, to December 31, 2022:

- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings section of this 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure  
To Obtain A Pennsylvania Sales Tax Exemption Number

Finding No. 2 – Failure To Maintain A Complete And Accurate Membership  
Roster

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.



Timothy L. DeFoor  
Auditor General  
May 20, 2024

## CONTENTS

|  | <u>Page</u> |
|--|-------------|
| Background .....   | 1           |
| Status of Prior Findings .....   | 4           |
| Findings and Recommendations:  |             |
| Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To<br>Obtain A Pennsylvania Sales Tax Exemption Number ..... | 5           |
| Finding No. 2 – Failure To Maintain A Complete And Accurate Membership Roster .....  | 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<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 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.

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<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>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------------------|---------------|-------------|-------------|-------------|
| Beaver Township       | Crawford      | \$1,473     | \$1,295     | \$1,468     |
| Conneaut Township     | Crawford      | \$1,802     | \$1,583     | \$1,822     |
| Conneautville Borough | Crawford      | \$3,148     | \$2,848     | \$3,357     |
| Spring Township       | Crawford      | \$3,009     | \$2,649     | \$3,048     |
| Summerhill Township   | Crawford      | \$4,605     | \$4,072     | \$4,889     |

Based on the relief association's records, its total cash as of December 31, 2022, was \$95,627, as illustrated below:

|      |                         |
|------|-------------------------|
| Cash | <u><u>\$ 95,627</u></u> |
|------|-------------------------|

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$82,993, 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 | \$ 4,593 |
|--------------------|----------|

#### Fire Services:

|                       |           |
|-----------------------|-----------|
| Equipment purchased   | \$ 71,745 |
| Equipment maintenance | 6,115     |
| Training expenses     | 240       |

|                     |           |
|---------------------|-----------|
| Total Fire Services | \$ 78,100 |
|---------------------|-----------|

#### Administrative Services:

|               |        |
|---------------|--------|
| Bond premiums | \$ 200 |
|---------------|--------|

#### Other Expenditures:

|                            |        |
|----------------------------|--------|
| Undocumented expenditure * | \$ 100 |
|----------------------------|--------|

|                    |           |
|--------------------|-----------|
| Total Expenditures | \$ 82,993 |
|--------------------|-----------|

\* The relief association was unable to provide adequate supporting documentation evidencing the propriety of a \$100 expenditure made during calendar year 2020. We disclosed this issue to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Fellows' Club Volunteer Fire Department and Ambulance Service

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

FELLOWS' CLUB FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

- Failure To Deposit Proceeds From Investments Sold

By receiving reimbursement of \$12,038 from the affiliated fire company for the investments sold that were deposited erroneously into the affiliated fire company's account.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the three prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Obtain A Pennsylvania Sales Tax Exemption Number

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.



FELLOWS' CLUB FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Obtain A Pennsylvania Sales Tax Exemption Number**

Condition: The relief association failed to obtain a Pennsylvania sales tax exemption number. The relief association is currently using the fire service organization's sales tax exemption number, although the fire service organization and the relief association are separate legal entities.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: The relief association had a change in positions and the former treasurer did not apply for the exemption number.

Effect: As a result of the relief association's continued failure to obtain a sales tax exemption number, the relief association may be required to pay Pennsylvania sales tax on its purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We again recommend that the relief association officials immediately obtain a state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

FELLOWS' CLUB FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Maintain A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: A relief association official stated that the prior treasurer did not have all the information listed on the membership roster.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

FELLOWS' CLUB FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Fellows' Club Fireman's Relief Association Governing Body:

**Mr. Daniel Shreve**  
President

**Ms. Deana Seitz**  
Secretary

**Ms. Brenda Braden**  
Treasurer

FELLOWS' CLUB FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Brenda Braden**  
Secretary  
Beaver Township

**Ms. Telce Varee**  
Secretary  
Conneaut Township

**Ms. Deana Seitz**  
Secretary  
Conneautville Borough

**Ms. Shelby Field**  
Secretary  
Spring Township

**Mr. Andrew R. McClymonds**  
Secretary  
Summerhill Township

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).