

COMPLIANCE AUDIT

Frankstown Township Fireman's Relief Association Blair County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

April 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Robert Smith, President
Frankstown Township Fireman's
Relief Association
Blair County

We have conducted a compliance audit of the Frankstown Township Fireman's Relief Association (relief association) for the period January 1, 2019, to December 31, 2021. 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 finding 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.

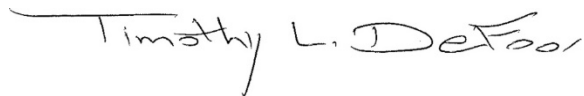
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2019, to December 31, 2021:

- The relief association took appropriate corrective action to address the finding 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 – Inadequate Documentation Of Income

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 name.

Timothy L. DeFoor
Auditor General
February 27, 2023

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	5
Finding and Recommendation:	
Finding – Inadequate Documentation Of Income	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 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.

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)

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Blair Township	Blair	\$ 6,990	\$ 7,016	\$ 6,322
Frankstown Township	Blair	\$46,868	\$46,797	\$41,890

Based on the relief association’s records, its total cash as of December 31, 2021, was \$105,059, as illustrated below:

Cash	<u><u>\$ 105,059</u></u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$129,676, 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	\$	30,061
Relief benefits		1,554
Total Benefit Services	\$	<u>31,615</u>

Fire Services:

Equipment purchased	\$	36,577
Equipment maintenance		42,637
Training expenses		9,341
Fire prevention materials		2,933
Total Fire Services	\$	<u>91,488</u>

Administrative Services:

Bond premiums	\$	300
Other administrative expenses **		6,058
Total Administrative Services	\$	<u>6,358</u>

Other Expenditures:

Unauthorized expenditures *	\$	<u>215</u>
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Total Expenditures	\$	<u><u>129,676</u></u>
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* During calendar years 2019 and 2021, the relief association made insignificant disbursements in the amounts of \$70 and \$145, respectively, for the payment of sales tax on purchases and festival registration/supplies that were not authorized under the VFRA Act. We disclosed these issues to relief association officials on January 5, 2023, but we did not include a finding in this report due to the relatively low dollar amounts.

** All the other administrative expenses represent \$6,058 expended in calendar years 2019, 2020, and 2021 for phone and internet services, anti-virus program, check charges, and various computer, printer, and mailing supplies.

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:

Geeseytown Fire Company

FRANKSTOWN TOWNSHIP FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership.

FRANKSTOWN TOWNSHIP FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Documentation Of Income

Condition: During the current audit engagement, the relief association deposited \$1,731 into the relief association's account without providing evidence that the funds were intended for the relief association.

Criteria: All income should be recorded in the relief association's journal, identifying the specific sources which it was derived.

Cause: The relief association officials stated that the money deposited was not properly identified on the deposit slip showing where the deposits originated from.

Effect: Without documentation, the relief association has no way of verifying whether the funds were intended for the relief association. As a result of the inadequate documentation of income, the relief association may have deposited funds intended for the fire company, which could result in a comingling of funds. Furthermore, the lack of effective internal controls places the relief association funds at a greater risk for misappropriation.

Recommendation: We recommend that the relief association officials maintain financial records that specifically identify the source of all 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.

FRANKSTOWN TOWNSHIP FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Frankstown Township Fireman's Relief Association Governing Body:

Mr. Robert Smith
President

Mr. Trevor Walls
Vice President

Mr. Denny Walls
Secretary

Ms. Rhonda Socie
Treasurer

Mr. Ray Molinets
Director

Ms. Melissa Reese
Director

Mr. Garrett Miller
Director

Mr. Paul Pooler
Director

Mr. Brady Manners
Director

FRANKSTOWN TOWNSHIP 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. Betty Robertson
Secretary
Blair Township

Ms. Beverly Henderson
Secretary
Frankstown 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.