

# COMPLIANCE AUDIT

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## Hustontown Area Volunteer Fire Company Relief Association

Fulton County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2020

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June 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Ms. Yvette Miller, President  
Hustontown Area Volunteer  
Fire Company Relief Association  
Fulton County

We have conducted a compliance audit of the Hustontown Area Volunteer Fire Company Relief Association (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 ("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, 2018 to December 31, 2020:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding 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.

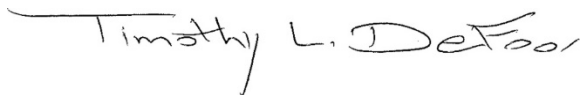
Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Untimely Deposit Of State Aid

Finding No. 2 – Failure Secure Ownership Interest In Jointly Purchased  
Equipment

Finding No. 3 – Undocumented Expenditures

Finding No. 4 – Failure To Maintain A Complete And Accurate Membership  
Roster

The contents of this report were discussed with the management of the relief association. As of the date of this audit report, the relief association failed to provide a response to some of our findings, and, where appropriate, their response has been included in the report.



Timothy L. DeFoor  
Auditor General  
May 26, 2022

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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<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.

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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>2018</u>	<u>2019</u>	<u>2020</u>
Dublin Township	Fulton	\$6,691	\$7,260	\$7,289
Licking Creek Township	Fulton	\$3,051	\$3,377	\$3,412
Taylor Township	Fulton	\$6,285	\$7,001	\$7,209
Wells Township	Fulton	\$1,309	\$1,474	\$1,482
Springfield Township	Huntingdon	\$1,127	\$1,151*	\$1,157

\* The 2019 state aid allocation received from Springfield Township was not deposited by the relief association as disclosed in Finding No. 1 in this report.

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$148,153, as illustrated below:

Cash	\$ 61,667
Fair Value of Investments	<u>86,486</u>
Total Cash and Investments	<u><u>\$ 148,153</u></u>

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$54,829, 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	<u>\$        14,329</u>
Fire Services:	
Equipment purchased	<u>\$        38,095</u>
Administrative Services:	
Other administrative expenses	\$          543
Bond premiums	<u>          426</u>
Total Administrative Services	<u>\$          969</u>
Other Expenditures:	
Undocumented expenditures	<u>\$        1,436</u>
Total Expenditures	<u><u>\$        54,829</u></u>

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:

Hustontown Area Volunteer Fire Company

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

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Untimely Receipt And Deposit Of State Aid

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.



HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid**

Condition: The relief association did not deposit the 2019 state aid distributed by Springfield Township, Huntingdon County, in the amount of \$1,151, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 16, 2019, who forwarded this state aid to the relief association's affiliated fire company on September 16, 2019, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

A similar condition was noted in our prior audit report.

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 ensure the funds are deposited in a timely manner.

Cause: The municipal official had the check payable to the affiliated fire company and the fire company treasurer deposited the check into a fire company account without verifying with the relief association treasurer to determine if the check was supposed to be for the relief association.

Effect: As a result of the state aid not being deposited into the relief association account, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials immediately deposit the \$1,151 state aid allocation it received from Springfield Township. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association received the state aid allocation from the affiliated fire company in the amount of \$1,151 and deposited it into the relief association account.

Auditor's Conclusion: We reviewed the documentation verifying the deposit of the state aid into the relief association account. Compliance for the timely deposit of state aid will be subject to verification through our next audit.

**Finding No. 2 – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: On January 7, 2020, the relief association received wildfire protective equipment from the affiliated fire company. The total cost of the equipment is \$3,691. The affiliated fire company had been awarded a grant for this purchase which was for \$1,845. The relief association expended essentially 50% of the cost of the wildfire protective equipment, as detailed below. Separately, on January 15, 2020, the relief association expended \$6,108 on air packs for which the affiliated fire company received grant money to purchase the equipment, and the relief association did not properly secure its ownership interest for this equipment.

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/07/2020	914	Affiliated fire company for wildfire protective equipment, 9 complete sets (shirts and pants) and 5 additional shirts	\$ 1,846
01/15/2020	917	Affiliated fire company for 15 air packs, 15 extra bottles and 17 extra face pieces	6,108
Total			<u>\$ 7,954</u>

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

## HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

### **Finding No. 2 – (Continued)**

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association's proportional share of the value/cost of the equipment. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

Cause: The affiliated fire company had received a grant for wildfire protective equipment and simply gave the equipment to the relief association without an agreement. In addition, the affiliated fire company had entered into an agreement/partnership with three other fire companies to obtain a grant for air packs. The relief association believed the agreement which stated how many air packs each entity was to receive from the grant was sufficient for a joint purchase agreement.

Effect: The failure to adequately secure the proportional share of ownership interest in the equipment for which relief association purchased places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$7,954. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not state agreement or disagreement with our recommendation. However, as a result of our audit, on April 14, 2022, the relief association officials executed a formal written agreement for the wildfire protective equipment and for the airpacks.

Auditor's Conclusion: We reviewed the documentation verifying that the formal agreements were executed properly. Compliance for agreements for jointly purchased equipment made during the next audit period will be subject to verification through our next audit.

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
07/19/19	910	Training vendor	\$ 500
12/16/19	915	Affiliated fire company for training	136
12/26/19	916	Neighboring fire company for training	150
08/17/20	919	Training vendor	150
08/20/20	920	Training vendor	500
Total			<u>\$ 1,436</u>

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials did not provide a reason for why this occurred.

Effect: Lack of supporting documentation, such as invoices, training certificates course description, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

## HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

### **Finding No. 3 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, training certificates, course description and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$1,436 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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 did not provide a response to our recommendation.

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

### **Finding No. 4 – 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: The relief association officials did not provide a reason for why this occurred.

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.

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

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: Management did not respond to our recommendation.

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

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Charles J. McGarvey, Sr.**  
State Fire Commissioner

Hustontown Area Volunteer Fire Company Relief Association Governing Body:

**Ms. Yvette Miller**  
President

**Ms. Jessica Smith**  
Secretary

**Mr. Brian J. Barton**  
Treasurer

HUSTONTOWN AREA VOLUNTEER FIRE COMPANY 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. Heidi Seymore**  
Secretary  
Dublin Township

**Ms. Lu Anne Keebaugh**  
Secretary  
Licking Creek Township

**Ms. Monica Mellott**  
Secretary  
Taylor Township

**Ms. Connie L. Barnett**  
Secretary  
Wells Township

**Ms. Cheryl Cutshall**  
Secretary  
Springfield Township

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