

COMPLIANCE AUDIT

Lack-Tuscarora EMS Fireman's Relief Association

Juniata County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2020

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Joseph Weyrich, III, President
Lack-Tuscarora EMS Fireman's
Relief Association
Juniata County

We have conducted a compliance audit of the Lack-Tuscarora EMS Fireman's 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 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, 2018 to December 31, 2020:

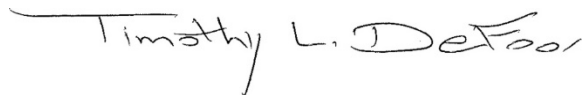
- The relief association took appropriate corrective action to address one of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below 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 –
Association May Not Comply With The Requirements Of
The Volunteer Firefighters Relief Act

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

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
February 1, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	4
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Association May Not Comply With The Requirements Of The Volunteer Firefighters Relief Act	5
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditure	7
Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage.....	8
Report Distribution List	9

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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Lack Township	Juniata	\$2,732	\$2,918	\$2,900
Tuscarora Township	Juniata	\$1,446	\$2,315	\$1,553

Based on the relief association's records, its total cash as of December 31, 2020 was \$15,277, as illustrated below:

Cash	<u>\$ 15,277</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$5,605, 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.⁴ **The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Fire Services:

Equipment purchased	\$ 3,250
Equipment maintenance	362
Training expenses	<u>240</u>
Total Fire Services	<u>\$ 3,852</u>

Administrative Services:

Other administrative expenses*	<u>\$ 928</u>
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Other Expenditures:

Unauthorized expenditure	<u>\$ 825</u>
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Total Expenditures	<u>\$ 5,605</u>
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*The administrative expenses represent the purchase of office supplies from a vendor.

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:

Lack-Tuscarora EMS

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Duplicate Payment

By receiving reimbursement of \$246 from the affiliated EMS company for the duplicate payment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with two of the three prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Association May Not Comply With The Requirements Of Act 118⁵

- Unauthorized Expenditure

Although the relief association received reimbursement of \$946 from the affiliated EMS organization for the unauthorized expenditure that was made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by the VFRA Act as further disclosed in Finding No. 2 of this report.

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

⁵ Act 118 was amended by the Volunteer Firefighters' Relief Act.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit – Association May Not Comply With The Requirements Of The Volunteer Firefighters Relief Act

Condition: The Lack-Tuscarora EMS Fireman's Relief Association states in its bylaws that its purpose is to provide volunteer members with protection from misfortune suffered as a result of their participation in the EMS service. The VFRA Act is very clear in setting specific requirements for what constitutes a Volunteer Firefighters' Relief Association and when such an organization can receive aid funds under that Act. The Lack-Tuscarora EMS Fireman's Relief Association is not affiliated with a volunteer fire company nor was the association formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service, as demonstrated in their stated purpose in the association's bylaws. While the Lack-Tuscarora EMS Fireman's Relief Association is affiliated with the Lack-Tuscarora EMS, the same is an emergency medical services organization and not a fire company as required under the VFRA Act.

A similar condition was noted in our prior audit report.

Criteria: Section 7412 of the VFRA Act defines a "Volunteer Firefighters' Relief Association" as:

An organization formed **primarily** to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, **but only if adequate provisions have been first made to serve the primary purpose.** (Emphasis added.)

We are further concerned that the members of the Lack-Tuscarora EMS Fireman's Relief Association, who primarily provide services to the general public, do not meet the definition of "Volunteer Firefighter" as defined in the Act. Because the primary purpose does not comport with the requirements of the VFRA Act, we must question their status as a relief association under the Act.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Section 7412 of the VFRA Act further states, in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization **affiliated with one or more fire companies**; or (Emphasis added.)
- (3) a fire company or affiliated organization which participates in the fire service **but does not look to that service as his or her primary means of livelihood**. (Emphasis added.)

Cause: Even though notified of this general condition during our prior audit, association officials again neglected to evaluate their compliance with the VFRA Act requirements.

Effect: As a result of the VFRA Act provisions, the Lack-Tuscarora EMS Fireman's Relief Association doesn't meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under the VFRA Act may be adversely impacted or discontinued in the future.

Recommendation: We again recommend that the association officials consult with their solicitor and evaluate its state of compliance with the VFRA Act requirements stated above and take the steps necessary to meet the requirements. The Office of the State Fire Commissioner (OSFC) can assist the Lack-Tuscarora EMS Fireman's Relief Association with this determination. 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 agree with the finding as presented at the audit exit conference and stated they have no plans to change the operations of their relief association as they did not believe the criteria was applicable to the relief association.

Auditor's Conclusion: The finding stands as noted above, as the relief association does not meet the eligibility requirement prescribed under the VFRA Act.⁶ 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, as may be applicable under the VFRA Act. Compliance with our recommendation and with the VFRA Act will be subject to verification through our next audit of the relief association.

⁶ The relief association did not meet the eligibility requirement prescribed by Act 118, which was amended by Act 91 and includes additional qualification stipulations taking effect subsequent to the period under audit.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditure

Condition: The relief association improperly expended \$825 for an EMT training course for an individual whose name could not be traced to the relief association's membership roster during the current audit period in order to confirm the individual's membership in the relief association and qualification for the training course payment. As such, this expenditure is not authorized by the VFRA Act.

A similar condition was noted in our prior audit report.

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Since the student was not a member of the relief association and does not participate with the affiliated EMS provider, this disbursement is not authorized under the VFRA Act.

Cause: A relief association official verbally communicated the student no longer lives in the area where the relief association is located and relief association officials indicated an error was committed by paying for this student's training.

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

Recommendation: We recommend that the relief association be reimbursed \$825 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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 have taken preliminary 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.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer. The relief association's Surety (Fidelity) bond coverage amount was \$15,000; however, as of December 31, 2020, the relief association's cash assets totaled \$15,277.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: The relief association's cash balance exceeded the coverage provided by the Surety (Fidelity) bond due to an error on the part of the association's management in monitoring the cash balance.

Effect: As a result of the authorized disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by the VFRA Act. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum balance of the relief association's cash assets, or by decreasing the relief association's cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer. 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.

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Thomas Cook
Acting State Fire Commissioner

Lack-Tuscarora EMS Fireman's Relief Association Governing Body:

Mr. Joseph Weyrich, III
President

Mr. Stanley Lee
Vice President

Ms. Heather Metzger
Secretary

Mr. Donald Shoop
Treasurer

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

Ms. Barbara A. Foster
Secretary
Lack Township

Ms. Ginger Best
Secretary
Tuscarora Township

LACK-TUSCARORA EMS FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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