

COMPLIANCE AUDIT

Luxor Volunteer Fire Department Relief Association

Westmoreland County, Pennsylvania

For the Period

January 1, 2018 to December 10, 2021

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Michael Errett, President
Luxor Volunteer Fire Department
Relief Association
Westmoreland County

We have conducted a compliance audit of the former Luxor Volunteer Fire Department Relief Association (relief association) for the period January 1, 2018 to December 10, 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 objective of the audit was to determine if the former 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 objective 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.

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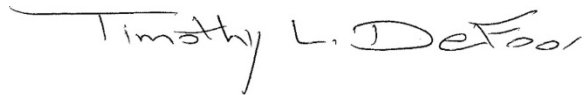
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 10, 2021, the former 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 – Untimely Deposit of State Aid

In addition, as of December 10, 2021, the former relief association completed the process of dissolution and merged with Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard. Consequently, all remaining monetary assets and equipment were transferred to the Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has been included in the report. We would like to thank former 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 first letter.

Timothy L. DeFoor
Auditor General
August 3, 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 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 former relief association was 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Hempfield Township	Westmoreland	\$18,965	\$20,681	\$20,740*	**

* The 2020 state aid allocation received from Hempfield Township was not deposited by the former relief association until February 1, 2021, as disclosed in the finding in this report.

** Due to the pending merger, state aid was not distributed by Hempfield Township to the relief association in 2021.

As of December 10, 2021, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of December 10, 2021 was zero, as illustrated below:

Cash \$ 0

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 10, 2021 were \$170,937, 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	<u>\$ 5,046</u>
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Fire Services:

Equipment purchased	\$ 64,081
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Equipment maintenance	<u>3,592</u>
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Total Fire Services	<u>\$ 67,673</u>
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Administrative Services:

Bond premiums	<u>\$ 1,281</u>
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Other Expenditures:

Transfer of monetary assets*	<u>\$ 96,937</u>
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Total Expenditures	<u>\$ 170,937</u>
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* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 10, 2021, the former relief association completed the process of dissolution and merged with Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard. Consequently, all remaining monetary assets and equipment were transferred to the Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard. Due to the dissolution of the former relief association, we are providing officials of Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard copies of this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Luxor Volunteer Fire Department

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

LUXOR VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Deposit Of State Aid

Condition: The former relief association did not deposit the 2020 state aid allocation it received from Hempfield Township, in the amount of \$20,740, until February 1, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who forwarded this state aid to the relief association on October 8, 2020, 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); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

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 establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: The former relief association official stated that the check was deposited into the fire department's bank account in error.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

LUXOR VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard.

LUXOR VOLUNTEER FIRE DEPARTMENT 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

Luxor Volunteer Fire Department Relief Association Governing Body:

Mr. Michael Errett
President

Mr. Bryan Zyvith
Treasurer

Hempfield Volunteer Fire Company No. 4 Relief Association of Bovard Governing Body:

Mr. Michael Saunders
President

Mr. Gregory Saunders
Vice President

Mr. Gregory Saunders, II
Secretary

Mr. Jeremy Gamble
Treasurer

LUXOR VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to the former relief association:

Mr. Bill Bretz
Secretary
Hempfield 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.