

COMPLIANCE AUDIT

Marion Center Volunteer Firefighters' Relief Association Indiana County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

October 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Andrew J. McIntire, President
Marion Center Volunteer Firefighters'
Relief Association
Indiana County

We have conducted a compliance audit of the Marion Center Volunteer Firefighters' Relief Association (relief association) for the period January 1, 2019, 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.

Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2022:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matter described in Finding No. 1 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Failure To Deposit State Aid

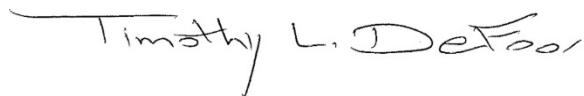
Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Finding No. 3 – Inadequate Financial Record-Keeping System And
Unknown Deposits

Finding No. 4 – Failure To Maintain Minutes Of Meetings

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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
September 27, 2023

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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 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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
East Mahoning Township	Indiana	\$5,000	\$5,000	\$5,000	\$5,000**
Grant Township	Indiana	\$1,867	\$1,876*	\$1,753	\$1,959
Marion Center Borough	Indiana	\$1,819	\$1,846	\$1,642	\$1,848
North Mahoning Township	Indiana	\$1,681*	\$1,699	\$1,524	\$1,785
Rayne Township	Indiana	\$8,149	\$8,203	\$7,271	\$8,546

* The 2019 and 2020 state aid allocations from North Mahoning Township and Grant Township were not received and/or deposited by the relief association, as disclosed in Finding No. 1 in this report.

** The 2022 state aid allocation received from East Mahoning Township was not deposited by the relief association until January 11, 2023, as disclosed in Finding No. 2 in this report.

Based on the relief association’s records, its total cash as of December 31, 2022, was \$42,244, as illustrated below:

Cash	\$ <u>42,244</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, 2022, were \$101,448, 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>\$ 25,286</u>
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Fire Services:

Equipment purchased	\$ 23,282
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Equipment maintenance	16,692
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Training expenses	<u>5,470</u>
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Total Fire Services	<u>\$ 45,444</u>
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Administrative Services:

Bond premiums	\$ 300
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Other administrative expenses	12
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Total Administrative Services	<u>\$ 312</u>
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Other Expenditures:

Payments on loan	<u>\$ 30,406</u>
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Total Expenditures	<u><u>\$ 101,448</u></u>
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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:

Marion Center Volunteer Fire Department

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

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unauthorized Expenditures

By receiving reimbursement of \$2,840 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

- Inappropriate Ownership Of Rescue Vehicle

By ensuring the title of the rescue vehicle was transferred to the relief association.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit State Aid

Condition: The relief association did not deposit the 2019 state aid distributed by North Mahoning Township, in the amount of \$1,681, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 16, 2019, who forwarded the state aid to the relief association on September 30, 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).

In addition, the relief association did not receive or deposit the 2020 state aid allocation from Grant Township, in the amount of \$1,876, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who forwarded the state aid to the affiliated fire department on September 26, 2020, instead of the relief association, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

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. (Emphasis added.)

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 relief association officials did not provide a reason why funds were not deposited into the relief association account.

Effect: As a result of the state aid not being deposited into the relief association's 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.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association officials immediately deposit the \$3,557 state aid allocations it received from North Mahoning Township and Grant Township. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received directly from the municipalities 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.

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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not deposit the 2022 state aid allocation it received from East Mahoning Township, in the amount of \$5,000, until January 11, 2023. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2022; however, municipal officials failed to forward the state aid allocation to the relief association until December 20, 2022, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). In addition, 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.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Furthermore, prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure state aid funds are obtained and deposited in a timely manner.

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

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

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future 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.

Finding No. 3 – Inadequate Financial Record-Keeping System And Unknown Deposits

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- Ledgers were not utilized to record the transactions of the relief association accounts.
- Although a journal was maintained to record the receipts and disbursements of the relief association, documentation to support various deposits was not available for examination at the time of the audit.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

During the audit period, the relief association had a total of \$33,801 in funds deposited into its checking account without providing adequate documentation of where the funds originated from as shown in the table below:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
12/24/2019	Unknown deposit of funds	\$ 687
06/24/2020	Unknown deposit of funds	3,615
10/15/2020	Unknown deposit of funds	22,413
02/08/2021	Unknown deposit of funds	577
06/14/2021	Unknown deposit of funds	2,900
07/28/2022	Unknown deposit of funds	3,609
	Total	<u>\$ 33,801</u>

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

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.

The relief association's bylaws at Article III, Section 3 states, in part:

Treasurer: The treasurer shall keep account of all money belonging to the association and shall not expend monies or enter into investment transactions without authorization of the membership...The treasurer shall keep journals and ledgers which detail all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the Association.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. In addition, relief association officials should establish accounting and internal control procedures to ensure that all income received is recorded appropriately when deposited into a relief association account. 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.

Finding No. 4 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws. No meeting minutes were provided for calendar years 2019, 2020, and 2021. Although, the relief association officials provided nine out of 12 months of meeting minutes for calendar year 2022, the meeting minutes were not signed and dated by the recording officer.

Criteria: Section 7415(a) of the VFRA Act states, in part, that the relief association:

... must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

The relief association's bylaws at Article II, Section 1 states, in part:

Regular meetings of this association shall be held on the third Wednesday of each month immediately following the regular meeting of the Marion Center Volunteer Fire Department.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

In addition, the relief association's bylaws at Article III, Section 3 states, in part:

Secretary: The secretary shall keep a true record of the proceedings of every meeting in the minutes... The secretary is responsible for providing representatives of the Department of the Auditor General with the association's minutes of meetings in connection with their auditing duties.

Cause: Relief association officials indicated that the Relief Association's Secretary did not provide the meeting minutes for calendar years 2019, 2020, and 2021 to the relief association officials upon his departure from the relief association. The relief association officials did not provide a reason why all monthly meetings were not held in 2022 or why the Secretary of the relief association did not sign and date the meeting minutes.

Effect: Without holding regular meetings and maintaining or having access to detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws that are kept at the relief association's main location and/or have an electronic file of the meeting minutes as back-up, evidencing the discussion and approval of all financial-related business conducted by the relief association. The minutes should include an adequate record of all financial-related business conducted by the relief association. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. 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.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

MARION CENTER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Marion Center Volunteer Firefighters' Relief Association Governing Body:

Mr. Andrew J. McIntire
President

Mr. Jared Przestrzelski
Vice President

Mr. George Vennard
Treasurer

MARION CENTER VOLUNTEER FIREFIGHTERS' 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. Bertha Anderson
Secretary
East Mahoning Township

Ms. Amy Aikens
Secretary
Grant Township

Ms. K. June Potts
Secretary
Marion Center Borough

Ms. Joan Diem
Secretary
North Mahoning Township

Ms. Wendi Strittmatter
Secretary
Rayne 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.