

COMPLIANCE AUDIT

Meadville Volunteer Firefighter's Relief Association Crawford County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

December 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Patrick Moffit, President
Meadville Volunteer Firefighter's
Relief Association
Crawford County

We have conducted a compliance audit of the Meadville Volunteer Firefighter's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2017 to December 31, 2019.

The objective of the audit was 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 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.

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 objective. 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, 2017 to December 31, 2019, 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 – Failure To Maintain Minutes Of Meetings

Finding No. 2 – Unauthorized Expenditures

Finding No. 3 – Relief Association Financial Accounts Inappropriately Registered Under An Inaccurate Federal Tax Identification Number

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.

December 11, 2020



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Failure To Maintain Minutes Of Meetings	4
Finding No. 2 – Unauthorized Expenditures.....	5
Finding No. 3 – Relief Association Financial Accounts Inappropriately Registered Under An Inaccurate Federal Tax Identification Number	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 Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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.

BACKGROUND – (Continued)

During the current audit period, the relief association did not receive an allocation of state aid from Meadville City. Beginning in 2012, Meadville City discontinued funding the Meadville Volunteer Firefighter’s Relief Association. The city decided to provide fire service through full-time, paid firefighters in the year 2012 and the city therefore no longer received allocations of state aid to distribute to the relief association.

Based on the relief association’s records, its total cash and investments as of December 31, 2019 were \$671,411, as illustrated below:

Cash	\$ 76,729
Fair Value of Investments	<u>594,682</u>
Total Cash and Investments	<u>\$ 671,411</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2017 to December 31, 2019 were \$50,474, 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.¹ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:	
Death benefits	<u>\$ 42,000</u>
Administrative Services:	
Officer compensation	\$ 6,300
Other administrative expenses	385
Bond premiums	<u>1,024</u>
Total Administrative Services	<u>\$ 7,709</u>
Other Expenditures:	
Unauthorized expenditures	<u>\$ 765</u>
Total Expenditures	<u>\$ 50,474</u>

¹ 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 former affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Keystone Hose Company No. 5

Meadville Rescue Squad No. 1

M.P. Davis Hose Company

S.B. Dick Hose Company No. 3

MEADVILLE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118. Minutes were not provided for any meetings that may have occurred in 2017, 2018, 2019 or in the post audit period.

Criteria: Section 7415(a) of Act 118 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.

Cause: Although relief association officials indicated that they were aware that maintaining minutes of meetings was required by Act 118, relief officials were unable to supply any of the meeting minutes as documentation.

Effect: Without 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 maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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 that the minutes were provided during the audit; however, there is no evidence to support this claim.

Auditor's Conclusion: We disagree with claim that records of meeting minutes were provided to our auditors as there is no record of the relief association providing copies of meeting minutes to our auditors, despite our requests for meeting minutes. In addition, the relief association is responsible for maintaining the original set of meeting minutes on file at the relief association. Compliance with maintaining meeting minutes going forward will be subject to verification through our next audit.

MEADVILLE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/09/2017	867	Member-Convention (No training)	\$ 182
10/08/2018	882	Member-Convention (No training)	583
Total			<u>\$ 765</u>

Criteria: Section 7416(f) of Act 118 states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

Costs associated with the attendance of conventions at which training was not obtained do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that the relief association discontinue the practice of attending conventions at which no training is obtained and documented to benefit the relief association. In addition, the relief association should attempt to obtain reimbursement from its former affiliated Fire Company for the unauthorized expenditures. Lastly relief association officials should become familiar with Section 7416(f) of Act 118 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.

MEADVILLE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated that the conventions were attended in order to obtain information.

Auditor's Conclusion: Because no documented training was provided and the relief association is no longer a fire service provider or affiliated with an active volunteer Fire Company the expenditure is not authorized under Act 118. Therefore, the finding remains as stated. Compliance will be subject to verification through our next audit.

Finding No. 3 – Relief Association Financial Accounts Inappropriately Registered Under An Inaccurate Federal Tax Identification Number

Condition: As of December 31, 2019, the relief association held Brokerage, Checking, and Savings accounts, with a total cost value of \$671,411, which were inappropriately registered under an inaccurate federal tax identification number rather than the relief association's identification number.

Criteria: Prudent business practice dictates that the relief association maintain ownership of all cash and investments as a means of safeguarding its assets from unauthorized use or disposition.

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

Effect: As a result of the cash and investments being inappropriately registered under another entity's federal tax identification number, these relief association assets were not properly safeguarded.

Recommendation: We recommend that the relief association officials secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all cash accounts and investments are registered under the relief association's federal tax identification number. 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.

MEADVILLE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Meadville Volunteer Firefighter's Relief Association Governing Body:

Mr. Patrick Moffit
President

Mr. Michael Lynch
Treasurer

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.