

COMPLIANCE AUDIT

North East Volunteer Fireman's Relief Association Erie County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

August 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. Michael D. Wilkinson, President
North East Volunteer Fireman's
Relief Association
Erie County

We have conducted a compliance audit of the North East Volunteer Fireman's Relief Association (relief association) for the period January 1, 2020, 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 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.

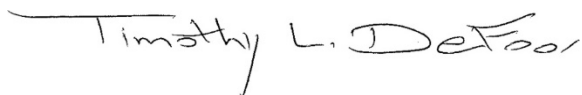
Our audit was limited to the areas related to the objectives identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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, 2020, to December 31, 2022:

- The relief association took appropriate corrective action to address the finding contained in our prior audit 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.

The contents of this report were discussed with the management of the relief association. We would like to thank the 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 1, 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>2020</u>	<u>2021</u>	<u>2022</u>
North East Borough	Erie	\$19,278	\$17,276	\$20,502
North East Township	Erie	\$37,639	\$33,920	\$42,430

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$301,319, as illustrated below:

Cash	\$ 84,085
Fair Value of Investments	<u>217,234</u>
Total Cash and Investments	<u><u>\$ 301,319</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$325,740, 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	\$ 47,274
Relief benefits	640
Total Benefit Services	<u>\$ 47,914</u>
Fire Services:	
Equipment purchased	\$ 247,607
Equipment maintenance	14,044
Training expenses	6,379
Total Fire Services	<u>\$ 268,030</u>
Administrative Services:	
Bond premiums	\$ 338
Officer compensation	7,200
Other administrative expenses *	2,044
Total Administrative Services	<u>\$ 9,582</u>
Other Expenditures:	
Undocumented expenditures **	\$ 137
Unauthorized sales tax paid ***	77
Total Other Expenditures	<u>\$ 214</u>
Total Expenditures	<u><u>\$ 325,740</u></u>

* A portion of the other administrative expenses represent \$223 for annual Microsoft Office 365 renewals and \$636 for technology support expended during calendar years 2020, 2021 and 2022.

** The relief association was unable to provide adequate supporting documentation evidencing the propriety of three expenditures totaling \$137 made during calendar year 2020. We disclosed these issues to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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

BACKGROUND – (Continued)

*** During calendar years 2020, 2021, and 2022 the relief association made insignificant disbursements totaling \$77 for the payment of sales tax on purchases that were authorized under the VFRA Act. We disclosed these issues to relief association officials on June 9, 2023, but we did not include a finding in this report due to the relatively low dollar amount.

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Crescent Hose Company No. 2

Fuller Hose Company No. 1

NORTH EAST VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Define Discretionary Benefits

By amending the relief association's bylaws to reflect the amount of officers' salary benefits to be paid.

We commend the relief association management for its efforts in complying with the finding and recommendation contained in the prior audit report. The relief association management should strive to remain in compliance with all applicable state laws, contracts, bylaws, and administrative procedures.

NORTH EAST VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

North East Volunteer Fireman's Relief Association Governing Body:

Mr. Michael D. Wilkinson
President

Mr. Tom Brown
Vice President

Ms. Stephanie Schaff-Turri
Secretary

Mr. Steve Wilkinson
Treasurer

Mr. Mike Kelley
Board Member

Mr. Dave Meehl
Board Member

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

Mr. Patrick J. Gehrlein
Secretary
North East Borough

Ms. Erica L. Carlstrom
Secretary
North East Township

NORTH EAST VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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