

# COMPLIANCE AUDIT

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## The Volunteer Fireman's Relief Association of North Huntingdon Township Westmoreland County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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December 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Howard Huss, President  
The Volunteer Fireman's Relief Association  
of North Huntingdon Township  
Westmoreland County

We have conducted a compliance audit of The Volunteer Fireman's Relief Association of North Huntingdon Township (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, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 2020.

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.

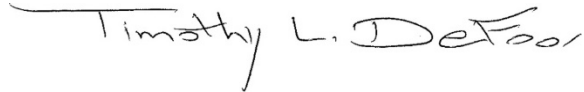
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020:

- The relief association took appropriate corrective action to address the finding 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 – Inappropriate Ownership Of Rescue Vehicles

Finding No. 2 – Failure To Adhere To Relief Association Bylaws

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  
December 10, 2021

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

The 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>
North Huntingdon Township	Westmoreland	\$164,217	\$179,735	\$181,340

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$405,576, as illustrated below:

Cash	\$ 269,002
Fair Value of Investments	<u>136,574</u>
Total Cash and Investments	<u>\$ 405,576</u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$579,820, 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.<sup>4</sup> **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	\$ 29,018
Death benefits	<u>115,000</u>
Total Benefit Services	<u>\$ 144,018</u>
Fire Services:	
Equipment purchased	\$ 340,692
Equipment maintenance	72,450
Training expenses	15,114
Fire prevention materials	<u>3,356</u>
Total Fire Services	<u>\$ 431,612</u>
Administrative Services:	
Other administrative expenses	\$ 3,125
Bond premiums	<u>1,065</u>
Total Administrative Services	<u>\$ 4,190</u>
Total Expenditures	<u>\$ 579,820</u>

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<sup>4</sup> 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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Circleville Volunteer Fire Department

Fairmont-Hahntown Volunteer Fire Department

Hartford Heights Volunteer Fire Department

Larimer Volunteer Fire Department

North Huntingdon Rescue 8 Ambulance Squad

Shafton Volunteer Fire Department

Strawpump Volunteer Fire Department

Westmoreland City Volunteer Fire Department

THE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF  
NORTH HUNTINGDON TOWNSHIP  
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:

- Unauthorized Expenditure

By receiving reimbursement of \$2,647 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.



THE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF  
NORTH HUNTINGDON TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Inappropriate Ownership Of Rescue Vehicles**

Condition: On May 28, 2010 and September 28, 2018, the relief association purchased two rescue vehicles. One vehicle's purchase price is unknown and the other vehicle was purchased in the amount of \$12,714, to carry personnel and safeguard equipment; however, the titles to both vehicles were inappropriately issued in the name of the fire company.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: A relief association official stated that he didn't realize the titles were incorrect.

Effect: As a result of the rescue vehicles being inappropriately titled in the name of the fire company, these relief association assets were not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the rescue vehicles be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$12,714 for the vehicle with the known purchase price. In addition, the relief association should determine/establish the purchase price or value of the vehicle for which purchase price/value is currently unknown and be reimbursed the documented and determined amount. 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.

THE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF  
NORTH HUNTINGDON TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Adhere To Relief Association Bylaws**

Condition: The relief association did not adhere to a provision in the association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulation:

- Having an officer in the position of Vice President during the audit period January 1, 2018 to December 31, 2020.

Criteria: The relief association's bylaws stipulate the following:

- Article VII, Section 1 – The Officers of this association shall be the President, Vice President, Secretary, Assistant Secretary and Treasurer. The Treasurer to be elected may be a member of a bank or trust company.
- Article VIII, Section 2 – The Vice President shall be vested with all the powers and shall perform all the duties of the President during the absence of the latter and shall have such other duties as may, from time to time be determined by the board of representatives.

Cause: A relief association official stated no one was willing to run for the Vice President position, although it was brought up at every meeting that there was no one in the position of Vice President.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. 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.

THE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF  
NORTH HUNTINGDON TOWNSHIP  
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 327 Finance Building, Harrisburg, PA 17120.

THE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF  
NORTH HUNTINGDON TOWNSHIP  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

The Volunteer Fireman's Relief Association of North Huntingdon Township Governing Body:

**Mr. Howard Huss**  
President

**Mr. Mark Gibas**  
Secretary

**Mr. Tony Martino**  
Treasurer

**Mr. Brian Woy**  
Assistant Secretary

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

**Mr. Jeffrey F. Silka**  
Secretary  
North Huntingdon Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).