

COMPLIANCE AUDIT

Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA Westmoreland County, Pennsylvania For the Period January 1, 2020, to December 31, 2023

June 2024



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. Gary Gauker, President
Oklahoma Volunteer Firemen's Relief
Association of Oklahoma Boro, PA
Westmoreland County

We have conducted a compliance audit of the Oklahoma Volunteer Firemen's Relief Association of Oklahoma Boro, PA (relief association) for the period January 1, 2020, to December 31, 2023. 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 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.

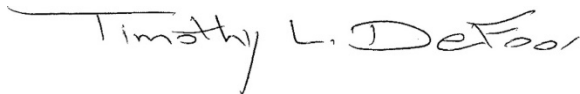
Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2023:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this 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 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

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
May 17, 2024

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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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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)

During the current audit period, the relief association did not receive allocations of state aid from Oklahoma Borough. The 2020, 2021, 2022 and 2023 state aid allocations from Oklahoma Borough were withheld due to an Order To Show Cause (OTSC) that has been in place since October 12, 2016. Once the relief association is in compliance with the finding in this report, the OTSC will be withdrawn, and the state aid allocations will be released.

Based on the relief association's records, its total cash as of December 31, 2023, was \$7,082, as illustrated below:

Cash	<u>\$ 7,082</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$1,873, 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>\$ 1,335</u>
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Administrative Services:

Bond premiums	<u>\$ 538</u>
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Total Expenditures	<u><u>\$ 1,873</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:

Oklahoma Volunteer Fire Department

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

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: As was noted in the prior three audits, the relief association did not receive its proportional ownership interest of the proceeds from the sale of a jointly purchased vehicle with the affiliated fire department. As of December 31, 2015, the relief association had expended \$31,598 in relief association funds toward the purchase of a 2009 Pierce Pumper which had a total overall cost of \$248,720 in 2014. This vehicle was sold, through a broker, to another fire department for \$195,000 with no pro-rata share going to the relief association, and it resulted in a potential withhold of state aid in the prior three audits. The relief association's pro-rata share was determined to be \$24,765. An agreement dated February 27, 2017, from the Department of the Auditor General was drawn up regarding the establishment of a six-year repayment plan for the affiliated fire department. Under the terms of the agreement the relief association should have received a down payment of \$1,238 and monthly payments of \$327; however, the relief association did not receive the down payment or any required monthly payments until November 24, 2018, as noted below:

<u>Date</u>	<u>Payment Received</u>	<u>Amount</u>
11/24/2018	Payment No. 1	\$ 7,200
11/30/2018	Payment No. 2	1,000
02/01/2019	Payment No. 3	660
11/03/2020	Payment No. 4	251
Total		<u>\$ 9,111</u>

As of December 31, 2023, the relief association has received \$9,111; however, according to the agreement, the relief association should have received \$15,942 (a difference of \$6,831). As of December 31, 2023, the total remaining payments of \$15,654 are due to the relief association.

Criteria: 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.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: The relief association officials indicated that due to Covid and a lack of money as reasons why payments were not received from the affiliated fire department according to the formal written agreement despite being notified of this condition during our three prior audits.

Effect: The failure to receive its proportional ownership interest of the proceeds from the sale of a jointly purchased vehicle with the affiliated fire department places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We again recommend that the relief association officials adhere to the formal written agreement with the fire department that enumerates the relief association's proportionate sales proceeds due to the sale of the vehicle. This includes the collection of the outstanding balance of \$6,831 and any other future payments due in accordance with the agreement dated February 27, 2017. If such action is not taken, we recommend that the relief association be reimbursed the balance owed of \$15,654. 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 continues to be monitored and the relief association should make every effort to comply with the finding recommendation as soon as possible.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on October 11, 2022. As of December 31, 2023, the relief association's cash assets totaled \$7,082.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: The relief association indicated that the insurance company never sent a renewal.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act. 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.

OKLAHOMA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
POTENTIAL WITHHOLD OF STATE AID

State aid allocations from Oklahoma Borough were withheld due to the OTSC that has been in place since October 12, 2016. A condition of a repeat finding such as that reported by Finding No. 1 contained in this audit report continue to lead to a total withholding of state aid until that finding is corrected. 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.

OKLAHOMA VOLUNTEER FIREMEN’S RELIEF ASSOCIATION OF
OKLAHOMA BORO, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Oklahoma Volunteer Firemen’s Relief Association of Oklahoma Boro, PA Governing Body:

Mr. Gary Gauker
President

Mr. Don Polka
Treasurer

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

Ms. Alecia Sherbondy
Secretary
Oklahoma Borough

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.