

COMPLIANCE AUDIT

Port Matilda Firemen's Relief Association

Centre County, Pennsylvania
For the Period
January 1, 2019 to December 31, 2021

August 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Dean Rudy Sr., President
Port Matilda Firemen's Relief Association
Centre County

We have conducted a compliance audit of the Port Matilda Firemen's Relief Association (relief association) for the period January 1, 2019 to December 31, 2021. 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 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.

We were not able to obtain an independent confirmation of the investment balance directly from the financial institution. Therefore, while the relief association provided investment statements that indicated that, as of December 31, 2021, the relief association had an investment balance with a fair value of \$153,262, we were not able to verify this investment balance.

Based on our audit procedures, we conclude that, for the period January 1, 2019 to December 31, 2021:

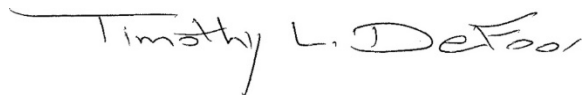
- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 – Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws And Constitution

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure
To Deposit Proceeds From The Sale Of A Jointly Purchased
Vehicle

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment
Roster

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
July 26, 2022

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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.

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> |
|----------------------|---------------|-------------|-------------|-------------|
| Halfmoon Township | Centre | \$12,579 | \$12,716 | \$11,439 |
| Huston Township | Centre | \$ 7,618 | \$ 7,721 | \$ 6,781 |
| Port Matilda Borough | Centre | \$ 2,628 | \$ 2,658 | \$ 2,353 |
| Taylor Township | Centre | \$ 2,618 | \$ 2,627 | \$ 2,333 |
| Worth Township | Centre | \$ 5,199 | \$ 5,219 | \$ 4,603 |

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)

Based on the relief association’s records, its total cash and investments as of December 31, 2021 were \$196,433, as illustrated below:

| | |
|----------------------------|-------------------|
| Cash | \$ 43,171 |
| Fair Value of Investments | <u>153,262</u> |
| Total Cash and Investments | <u>\$ 196,433</u> |

Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$225,540, 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>\$ 14,082</u> |
| Fire Services: | |
| Equipment purchased | \$ 38,663 |
| Equipment maintenance | 14,932 |
| Training expenses | <u>3,330</u> |
| Total Fire Services | <u>\$ 56,925</u> |
| Administrative Services: | |
| Other administrative expenses* | \$ 2,190 |
| Bond premiums | <u>888</u> |
| Total Administrative Services | <u>\$ 3,078</u> |
| Total Investments Purchased | <u>\$ 151,455</u> |
| Total Expenditures | <u>\$ 225,540</u> |

*A majority of the other administrative expenses represent \$1,685 in payments for accounting services during the current audit period.

⁴ 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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Port Matilda Fire Co. Inc.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Relief Association Bylaws
- Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws And Constitution

Condition: During prior audit periods, the relief association's governing constitution and existing bylaws contained conflicting provisions that appeared to be inconsistent with the VFRA Act, and relief officials did not take corrective action to address the inconsistencies prior to the current audit period ending December 31, 2021.

Article I of the relief association's constitution states:

The association shall be named as the Port Matilda Firemen's Relief Association (PMFRA). It has been established for the purpose of providing volunteer firefighters and or EMS personnel of Port Matilda Borough with protection from the misfortune as result of their participation in the fire and or emergency medical service.

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

The association shall be named as the Port Matilda Firemen's Relief Association. It has been established for the purpose of providing volunteer firefighters of Port Matilda Borough with protection from misfortune as result of their participation in the fire service.

Additionally, the relief association's bylaws at Article 1, Section 2 states:

Persons eligible to membership in said association shall be members on good standing of the Port Matilda Fire Co., Inc. and or Port Matilda Ambulance Assoc. They shall have all voting rights concerning the normal business and election of the officers of the association.

As disclosed in an agreement dated August 9, 1999, the Port Matilda Emergency Medical Services (PMEMS) became a separate and distinct legal entity from the Port Matilda Fire Company, Inc. and PMEMS was no longer affiliated with the fire company as of such date; however, the constitution and the relief association's bylaws were not updated to reflect this agreement.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there be different classes, and conditions under which membership may be terminated.
- (2) Be faithfully preserved, along with amendments thereto and the effective date of the amendments, in permanent form.
- (3) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Furthermore, the relief association should ensure consistency among the varying relief association governing documents.

Cause: The relief association officials did not provide a reason for why this occurred other than by indicating that they lost their bylaws and that new bylaws have been proposed for voting on by the membership.

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

Recommendation: We again recommend that the relief association officials review and update the constitution and bylaws governing their organization so that the constitution and bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of the relief association and remove the EMS from the bylaws in accordance with the separation agreement. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: In 2013, the relief association had expended \$69,000 towards the joint purchase of a 1999 HME/Ferrera Rescue Pumper with the affiliated fire company which had a total cost of \$132,000. The relief association entered into an agreement with the affiliated fire company dated July 30, 2013 where the relief association would receive the pro-rata share percentage of 52% if the vehicle was ever sold. In 2018, the jointly purchased vehicle was sold for \$6,000 and by using the 52% relief association ownership percentage, the relief association should have received \$3,120 for its portion of the proceeds. However, on June 25, 2018, the relief association only received \$3,060 instead of the full \$3,120 for its portion of the proceeds resulting in \$60 of the portion of the proceeds still due to the relief association, and relief officials did not take corrective action to address the \$60 inconsistency prior to the current audit period ending December 31, 2021.

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.

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: Relief association officials indicated that the fire company failed to give the relief association its entire 52% portion of the proceeds.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We again recommend that the relief association be reimbursed \$60 for the remaining proceeds due from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are properly determined and timely deposited in 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$38,663 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

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

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

PORT MATILDA FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Port Matilda Firemen's Relief Association Governing Body:

Mr. Dean Rudy, Sr.
President

Mr. Toner Bower
Vice President

Ms. Bonnie Bower
Vice President

Ms. Sandy L. Meek
Treasurer

PORT MATILDA FIREMEN'S 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. Amy M. Smith
Secretary
Halfmoon Township

Ms. Karen Dillon-Ballock
Secretary
Huston Township

Ms. Carolyn Kibe
Secretary
Port Matilda Borough

Ms. Karen Brown
Secretary
Taylor Township

Ms. Jadine E. Reese
Secretary
Worth 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.