

# COMPLIANCE AUDIT

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Punxsutawney Firemen's Relief  
Association of Punxsutawney,  
Pennsylvania  
Jefferson County  
For the Period  
January 1, 2018 to December 31, 2020

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April 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Scott Depp, President  
Punxsutawney Firemen's Relief Association  
of Punxsutawney, Pennsylvania  
Jefferson County

We have conducted a compliance audit of the Punxsutawney Firemen's Relief Association of Punxsutawney, Pennsylvania (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, 2018 to December 31, 2020.

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.

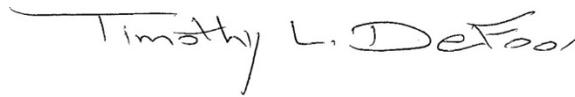
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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.

We were not able to obtain an independent confirmation of a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided investment statements that indicated that, as of December 31, 2020, the relief association had an investment balance with a fair value of \$839,900, we were not able to verify a portion of this investment balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2018 to December 31, 2020, 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 finding listed below and discussed later in this report.

Finding – Inadequate Relief Association Bylaws

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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

April 16, 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, 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.

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Bell Township	Jefferson	\$ 2,276	\$ 2,492	\$ 2,538
Punxsutawney Borough	Jefferson	\$22,876	\$24,894	\$25,299
Young Township	Jefferson	\$ 9,330	\$ 9,891	\$ 9,923

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$931,224, as illustrated below:

Cash	\$ 91,324
Fair Value of Investments	<u>839,900</u>
Total Cash and Investments	<u>\$ 931,224</u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$109,109, 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>1</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	\$ 31,125
Death benefits	3,000
Total Benefit Services	<u>\$ 34,125</u>
Fire Services:	
Equipment purchased	\$ 62,533
Equipment maintenance	1,646
Training expenses	4,804
Fire prevention materials	220
Total Fire Services	<u>\$ 69,203</u>
Administrative Services:	
Officer compensation	\$ 2,625
Other administrative expenses	1,509
Bond premiums	1,647
Total Administrative Services	<u>\$ 5,781</u>
Total Expenditures	<u>\$ 109,109</u>

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<sup>1</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:

Central Fire Department

Elk Run Volunteer Fire Company

Lindsey Fire Company

PUNXSUTAWNEY FIREMEN'S RELIEF ASSOCIATION OF PUNXSUTAWNEY,  
PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Inadequate Relief Association Bylaws**

Condition: The existing bylaws of the relief association do not contain all of the provisions required by Section 7415(c) of Act 118. Specifically, the bylaws do not address the requirement for the disbursing officer to be one of the two required signers on all negotiable instruments. Additionally, the relief association's bylaws currently call for an Assistant Secretary; however, the position has not been filled.

Criteria: Section 7415(c) of Act 118 states that the relief association's bylaws shall:

- (1) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.
- (2) State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, according to the provisions which have been made for establishment of those positions.

Cause: Relief association officials indicated that they were unaware of the mandatory bylaw provisions established by Act 118 and did not provide a reason for why the position of Assistant Secretary has not been filled.

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 recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. Additionally, the relief association officials should review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws. 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.

PUNXSUTAWNEY FIREMEN'S RELIEF ASSOCIATION OF PUNXSUTAWNEY,  
PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Punxsutawney Firemen's Relief Association of Punxsutawney, Pennsylvania Governing Body:

**Mr. Scott Depp**  
President

**Mr. Bryan Smith**  
Secretary

**Mr. James R. Overly**  
Treasurer

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

**Ms. Cheryl Rowles**  
Secretary  
Bell Township

**Ms. Mary Neal**  
Secretary  
Punxsutawney Borough

**Mr. Tom Barber**  
Secretary  
Young Township

PUNXSUTAWNEY FIREMEN'S RELIEF ASSOCIATION OF PUNXSUTAWNEY,  
PENNSYLVANIA  
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