

COMPLIANCE AUDIT

Saegertown Volunteer Fire Department Relief Association Crawford County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

September 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Jeffrey Miller, President
Saegertown Volunteer Fire Department
Relief Association
Crawford County

We have conducted a compliance audit of the Saegertown Volunteer Fire Department Relief Association (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.

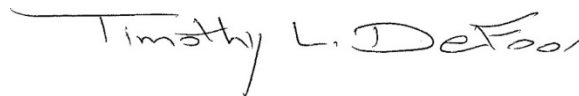
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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.

Based on our audit procedures, we conclude that, 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 – Duplicate Payments

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.

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.

August 26, 2021

Timothy L. DeFoor
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Finding and Recommendation:	
Finding – Duplicate Payments	3
Report Distribution List	4

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>
Cussewago Township	Crawford	\$1,262	\$1,341	\$1,356
Hayfield Township	Crawford	\$2,588	\$2,828	\$2,855
Saegertown Borough	Crawford	\$4,068	\$4,396	\$4,444
Woodcock Township	Crawford	\$4,675	\$5,041	\$5,093

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2020 was \$40,509, as illustrated below:

Cash	<u>\$ 40,509</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$45,554, 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.¹ **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>\$ 8,131</u>
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Fire Services:

Equipment purchased	\$ 30,632
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Equipment maintenance	5,130
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Training expenses	490
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Total Fire Services	<u>\$ 36,252</u>
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Administrative Services:

Other administrative expenses	\$ 223
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Bond premiums	287
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Total Administrative Services	<u>\$ 510</u>
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Other Expenditures:

Duplicate expenditures	<u>\$ 661</u>
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Total Expenditures	<u><u>\$ 45,554</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:

Saegertown Volunteer Fire Department

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

SAEGERTOWN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Duplicate Payments

Condition: In the prior audit period, on May 24, 2017, the relief association expended \$861 for payment of the three-year bond policy premium for the term May 29, 2017 to May 29, 2020. In the current audit period, on June 6, 2018, the relief association erroneously made a duplicate premium payment for the May 29, 2018 to May 29, 2019 term amounting to \$374. Additionally, on May 5, 2019, the relief association erroneously made a duplicate premium payment for the May 29, 2019 to May 29, 2020 term amounting to \$287. As such, the aforementioned two payments, totaling \$661 (\$374 + \$287), made in the current audit period are considered unauthorized disbursements because no goods or services were received for the payments. The relief association failed to obtain reimbursement for the duplicate payments during the current audit period.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices and to ensure duplicate payments are recouped.

Cause: Relief association officials indicated that the insurance agent bills both the relief association and the affiliated fire department for the bond coverage premiums. The insurance agent indicated that relief association's payment was applied to the total account, which includes both the relief association and fire department insurance premiums. Per the bond policy, the coverage is for a three-year period and the insured is to be billed annually for the premium. However, in 2017, the insurance agent billed the relief association for the entire three-year premium instead of only an annual installment. This resulted in the duplicate premium payments being made in 2018 and 2019.

Effect: As a result of failing to obtain reimbursement for the erroneous payments, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$661 for the erroneous duplicate payments. The relief association officials should consider contacting the vendor to recover the duplicate payments. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association expenditures. 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$661 for the duplicate expenditures on July 26, 2021.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$661 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

SAEGERTOWN VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Saegertown Volunteer Fire Department Relief Association Governing Body:

Mr. Jeffrey Miller
President

Mr. Patrick Amy
Vice President

Mr. Jason Amy
Secretary

Mr. William R. Burlingame
Treasurer

Mr. Patrick A. Henry
Financial Secretary

SAEGERTOWN VOLUNTEER FIRE DEPARTMENT 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. Deborah Acker
Secretary
Cussewago Township

Ms. Jennifer McClymonds
Secretary
Hayfield Township

Ms. Tammy Bidwell
Secretary
Saegertown Borough

Ms. Renee D. Hayes
Secretary
Woodcock 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.