

COMPLIANCE AUDIT

The Steelton Firemans' Relief Association of the State of Pennsylvania Dauphin County For the Period January 1, 2018 to December 31, 2019

March 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. John Brubacher, President
The Steelton Firemans' Relief Association
of the State of Pennsylvania
Dauphin County

We have conducted a compliance audit of The Steelton Firemans' Relief Association of the State of 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, 2019.

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.

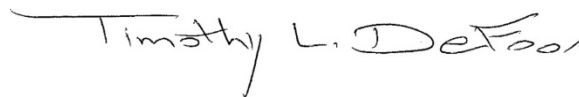
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2019:

- 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.
- 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

Finding No. 2 – Inadequate Minutes Of Meetings

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

February 11, 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.

BACKGROUND – (Continued)

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

| <u>Municipality</u> | <u>County</u> | <u>2018</u> | <u>2019</u> |
|---------------------|---------------|-------------|-------------|
| Steelton Borough | Dauphin | \$22,632 | \$24,354 |

Based on the relief association’s records, its total cash as of December 31, 2019 was \$47,527, as illustrated below:

| | |
|------|------------------|
| Cash | <u>\$ 47,527</u> |
|------|------------------|

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2019 were \$48,757, 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>\$ 32,057</u> |
| Fire Services: | |
| Equipment purchased | \$ 1,326 |
| Equipment maintenance | 5,920 |
| Training expenses | 3,828 |
| Total Fire Services | <u>\$ 11,074</u> |
| Administrative Services: | |
| Officer compensation | \$ 4,400 |
| Other administrative expenses | 1,026 |
| Bond premiums | 200 |
| Total Administrative Services | <u>\$ 5,626</u> |
| Total Expenditures | <u><u>\$ 48,757</u></u> |

¹ 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:

Steelton Volunteer Fire Department

THE STEELTON FIREMANS' RELIEF ASSOCIATION OF THE STATE OF
PENNSYLVANIA
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:

- Inadequate Relief Association Bylaws

Although the relief association complied with three of the six deficiencies noted in the prior audit, the revised bylaws of the relief association still do not clearly address all of the provisions required by Act 118 as further disclosed in Finding No. 1 in this report.

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

THE STEELTON FIREMANS' RELIEF ASSOCIATION OF THE STATE OF
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

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

Condition: Although the relief association complied with three of the six deficiencies noted in the prior audit, the revised bylaws of the relief association still do not clearly address all of the provisions required by Section 7415(c) of Act 118 and/or considered to be beneficial to the operation of relief association. Specifically, the bylaws do not address the following:

- Election of, and number of officers, including board of directors and the directors' duties.
- Compensation policy for the relief association officers.
- State the actual number of meetings which need to be attended in order to qualify for a relief association officer's annual stipend.
- Membership requirements and securing voting rights of the membership.
- The requirements of the Surety (Fidelity) bond on the dispersing officer in an amount at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year.
- Evidence that the bylaws were presented before the membership and approved.

A similar condition was noted in our prior audit report.

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

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there are different classes, and conditions under which membership may be terminated.
- (4) Require 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 funds of the association.
- (5) 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.
- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

THE STEELTON FIREMANS' RELIEF ASSOCIATION OF THE STATE OF
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Furthermore, the relief association bylaws should authorize and clearly specify the criteria to be met before receiving death or relief benefits and the amount of any benefit payments. In addition, the bylaws should address the authorization of compensation to relief association officers.

Cause: Although the relief association officials attempted to revise the relief association's bylaws to meet the bylaw provisions required by Act 118, all provisions were not sufficiently addressed.

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 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. 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 relief association is in the process of amending their bylaws to comply with our 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. 2 – Inadequate Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 118 and the relief association's bylaws. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period. Meetings were only held five months during 2018 and six months during 2019 which was not in accordance with the relief association's bylaws. In addition, the meeting minutes were not signed and dated by the secretary of the relief association.

THE STEELTON FIREMANS' RELIEF ASSOCIATION OF THE STATE OF
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

... must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

The relief association's bylaws at Article IV, Sections 1 and 2 state:

The stated meetings of the Association shall be held on the second Wednesday of each month.

Quorum for all meetings shall be (4) four or more of the (7) seven members of the Firemans relief board of directors.

In addition, the relief association's bylaws at Article VI, Section 3 states, in part:

It shall be the duty of the Secretary to keep a complete record of all proceedings of all meetings of the Association.

Cause: The relief association officials indicated that meetings were not held due to their inability to meet the quorum requirements. The relief association officials did not provide reasons for why the minutes did not address all of the financial-related transactions that occurred during the audit period and why the meeting minutes were not signed and dated.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. Also, the failure to hold regular meetings may reduce communication between the relief association's officers and members.

Recommendation: We recommend that the relief association officials hold meetings as required by the bylaws and maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association and also ensure that the meeting minutes are signed and dated by the secretary. 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 STEELTON FIREMANS' RELIEF ASSOCIATION OF THE STATE OF
PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Steelton Firemans' Relief Association of the State of Pennsylvania Governing Body:

Mr. John Brubacher
President

Mr. Thomas Leach
Vice President

Mr. Eugene Vance
Secretary

Mr. Andy Mahalchick
Treasurer

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

Ms. Anne Shambaugh
Secretary
Steelton 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.