

COMPLIANCE AUDIT

Summit Township Volunteer Fire Department Relief Association Incorporated Crawford County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

December 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Peter Albaugh, President
Summit Township Volunteer Fire
Department Relief Association Incorporated
Crawford County

We have conducted a compliance audit of the Summit Township Volunteer Fire Department Relief Association Incorporated (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 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.

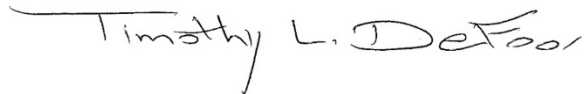
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2019, to December 31, 2021:

- The relief association took appropriate corrective action to address the finding contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Improper Equipment Donation Transaction

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.

Timothy L. DeFoor
Auditor General
November 1, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Summit Township	Crawford	\$10,193	\$10,289	\$9,254

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 as of December 31, 2021, was \$26,922, as illustrated below:

Cash	<u>\$ 26,922</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$62,242, 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	\$ 8,522
Death benefits	100
Total Benefit Services	<u>\$ 8,622</u>
Fire Services:	
Equipment purchased	\$ 42,535
Equipment maintenance	4,449
Training expenses	610
Total Fire Services	<u>\$ 47,594</u>
Administrative Services:	
Bond premiums	\$ 384
Other administrative expenses	1,071
Total Administrative Services	<u>\$ 1,455</u>
Other Expenditures:	
Payments on lease-financing	<u>\$ 4,571</u>
Total Expenditures	<u><u>\$ 62,242</u></u>

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:

Summit Township Volunteer Fire Department Incorporated

SUMMIT TOWNSHIP VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
INCORPORATED
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Unauthorized Expenditure

By receiving reimbursement of \$868 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

SUMMIT TOWNSHIP VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
INCORPORATED
FINDING AND RECOMMENDATION

Finding – Improper Equipment Donation Transaction

Condition: A 1997 Chevy truck that was jointly owned by the relief association and the affiliated fire company was improperly donated to Summit Township during the current audit period, as it had been deemed unusable by all parties involved. Subsequent to the period under review, on September 27, 2022, the fire company and relief association had an appraisal done on the vehicle. A local Chevy dealer determined that the vehicle had a scrap value of \$3,375. On October 4, 2022, the relief association received and deposited its proportional ownership interest share of the established scrap value of the vehicle, amounting to \$1,688, for the improperly donated vehicle.

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.

In addition, Section 7416(f) of the VFRA Act states:

Funds of any volunteer firefighters’ relief association may be spent:

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Furthermore, the relief association is not authorized to act as a donating agent for relief association-owned equipment that retains an appreciable value that can benefit the relief association in meeting its purpose under the VFRA Act. However, a relief association may donate relief association-owned equipment that is no longer in service to another relief association. Prudent business practice dictates that if such a donation of equipment occurs, an agreement documenting the transfer should be completed between the participating relief associations.

Cause: The relief association officials stated that they were not aware that the truck was jointly owned by the relief association.

SUMMIT TOWNSHIP VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
INCORPORATED
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of the improper equipment donation transaction, the funds due to the relief association were not available until subsequently received.

Recommendation: We recommend that the relief association discontinue the practice of donating relief association-owned equipment to any organization other than to another relief association. We also recommend that the relief association officials maintain supporting documentation, such as a donation agreement, for all future donations. 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 \$1,688 on October 4, 2022, representing the relief association’s proportional ownership interest share of the determined scrap value of the donated vehicle.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$1,688 was received. Compliance for the proper disposition of items owned or jointly owned by the relief association will be subject to verification through our next audit.

SUMMIT TOWNSHIP VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION
INCORPORATED
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Summit Township Volunteer Fire Department Relief Association Incorporated Governing Body:

Mr. Peter Albaugh
President

Mr. Rick Daniels
Vice President

Ms. Jessica Agnew
Secretary

Ms. Bonnie Lantz
Treasurer

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

Mr. Robert Moore
Secretary
Summit 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.