

COMPLIANCE AUDIT

The Upper Augusta Volunteer Fire Co.
Fireman's Relief Association of
Sunbury, RD 1, Pennsylvania
Northumberland County
For the Period
January 1, 2019, to December 31, 2021

January 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Scott Holub, President
The Upper Augusta Volunteer Fire Co.
Fireman's Relief Association of
Sunbury, RD 1, Pennsylvania
Northumberland County

We have conducted a compliance audit of The Upper Augusta Volunteer Fire Co. Fireman's Relief Association of Sunbury, RD 1, Pennsylvania (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 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 the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$16,211, we were not able to verify this cash 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, 2019, to December 31, 2021, 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 – Failure To Maintain Minutes Of Meetings

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 8, 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.

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)

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>
Rush Township	Northumberland	\$ 700	*	*
Upper Augusta Township	Northumberland	\$13,886	\$13,973	\$12,411

* During the current audit period, the relief association did not receive an allocation of state aid from Rush Township in 2020 and 2021. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

Based on the relief association’s records, its total cash as of December 31, 2021, was \$16,211, as illustrated below:

Cash	<u>\$ 16,211</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$40,674, 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>\$ 4,117</u>
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Fire Services:

Equipment purchased	\$ 1,455
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Equipment maintenance	9,368
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Training expenses	<u>1,548</u>
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Total Fire Services	<u>\$ 12,371</u>
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Administrative Services:

Bond premiums	\$ 875
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Other administrative expenses	<u>170</u>
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Total Administrative Services	<u>\$ 1,045</u>
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Other Expenditures:

Payments on lease-financing	<u>\$ 23,141</u>
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Total Expenditures	<u><u>\$ 40,674</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:

Upper Augusta Volunteer Fire Company

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

THE UPPER AUGUSTA VOLUNTEER FIRE CO. FIREMAN'S RELIEF ASSOCIATION OF
SUNBURY, RD. 1, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association provided evidence of meetings held in only nine months during calendar year 2021 and no evidence of meetings held during calendar years 2019 and 2020. In addition, the relief association's minutes did not address all financial-related transactions that occurred during the audit period. Also, not all meeting minutes provided were signed by the recording secretary.

Criteria: Section 7415(a) of the VFRA Act 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 3, Section 3.1 states, in part:

Relief Association will hold monthly meetings on the first Thursday of every month beginning at 6:30 pm prior to the regular monthly meeting of the members of the Upper Augusta Vol. Fire Co. of Sunbury, Pennsylvania. There will be no meeting held in January or July.

In addition, the relief association's bylaws at Article V, Section 5.3 states:

The Secretary of this Association shall attend all meetings of members of the association and all meetings of the Board of Directors and record all the proceedings of such meetings in a book or books to kept for that purpose.

Cause: Relief association officials indicated that they were unable to locate all the meeting minutes for the audit period. Relief association officials did not provide a reason why some of the minutes provided were not signed by the relief association secretary.

Effect: Without maintaining detailed minutes of meetings required to be held during the audit period and signed by the recording secretary, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings held as required by the VFRA Act and the relief association's bylaws. The minutes should include an adequate record of all financial-related business conducted by the relief association and should be signed by the recording secretary. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE UPPER AUGUSTA VOLUNTEER FIRE CO. FIREMAN'S RELIEF ASSOCIATION OF
SUNBURY, RD. 1, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

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 UPPER AUGUSTA VOLUNTEER FIRE CO. FIREMAN'S RELIEF ASSOCIATION OF
SUNBURY, RD. 1, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Upper Augusta Volunteer Fire Co. Fireman's Relief Association of Sunbury, RD 1,
Pennsylvania Governing Body:

Mr. Scott Holub
President

Mr. Cory Herb
Vice President

Ms. Jennifer A. Sees
Secretary

Mr. Herb Gottshall
Treasurer

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

Ms. Wendy Appleman
Secretary
Rush Township

Ms. Darlene Kern
Secretary
Upper Augusta Township

THE UPPER AUGUSTA VOLUNTEER FIRE CO. FIREMAN'S RELIEF ASSOCIATION OF
SUNBURY, RD. 1, PENNSYLVANIA
REPORT DISTRIBUTION LIST

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