

COMPLIANCE AUDIT

Troy Volunteer Firemen's Relief Association

Bradford County, Pennsylvania
For the Period
January 1, 2018 to December 31, 2020

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Ben Krise, President
Troy Volunteer Firemen's
Relief Association
Bradford County

We have conducted a compliance audit of the Troy Volunteer Firemen's 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings 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.

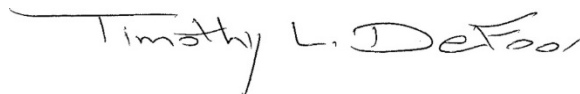
We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$144,678 and an investment balance with a fair value of \$93,254, we were not able to verify those cash and investment balances.

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 took appropriate corrective action to address the findings 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 – Inadequate Signatory Authority For The Disbursement Of Funds

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

June 11, 2021

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	4
Finding and Recommendation:	
Finding – Inadequate Signatory Authority For The Disbursement Of Funds.....	5
Report Distribution List	7

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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Armenia Township	Bradford	\$1,920	\$ 2,077	\$ 2,068
Burlington Borough	Bradford	\$ 690	\$ 730	\$ 735
Burlington Township	Bradford	\$1,072	\$ 1,117	\$ 1,120
Columbia Township	Bradford	\$6,458	\$ 6,909	\$ 6,956
Grantville Township	Bradford	\$5,195	\$ 5,448	\$ 5,480
Springfield Township	Bradford	\$2,286	\$ 2,507	\$ 2,519
Sylvania Borough	Bradford	\$ 891	\$ 973	\$ 991
Troy Borough	Bradford	\$5,605	\$ 6,039	\$ 6,104
Troy Township	Bradford	\$9,596	\$10,120	\$10,194
West Burlington Township	Bradford	\$3,537	\$ 3,572	\$ 3,595

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$237,932 as illustrated below:

Cash	\$ 144,678
Fair Value of Investments	<u>93,254</u>
Total Cash and Investments	<u><u>\$ 237,932</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$124,343, 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	\$	15,670
Relief benefits		338
Tokens of sympathy and goodwill		420
Total Benefit Services	\$	<u>16,428</u>

Fire Services:

Equipment purchased	\$	89,476
Equipment maintenance		13,928
Training expenses		223
Fire prevention materials		2,210
Total Fire Services	\$	<u>105,837</u>

Administrative Services:

Other administrative expenses	\$	1,328
Bond premiums		750
Total Administrative Services	\$	<u>2,078</u>

Total Expenditures	\$	<u><u>124,343</u></u>
--------------------	----	-----------------------

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:

Oscoluwa Engine And Hose Company, which is also known as the

Troy Volunteer Fire Department

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

TROY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Untimely Receipt And Deposit Of State Aid

By timely depositing all income received.

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

TROY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 46 checks out of 65 checks drawn on the relief association's checking account, totaling \$118,524, that did not contain signatures of two relief association officials. Each of those checks contained the treasurer's signature; however, the second signature was not that of a relief association officer as required by Act 118 and the relief association's bylaws. The second signature on the checks was that of the Fire Chief or Fire Company President, and not a relief association officer.

Criteria: Section 7415(c)(3) of Act 118 states, in part:

The bylaws shall 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.

In addition, the relief association's bylaws at Article 7, Section 1 states:

The signature of at least two officers, one of whom shall be the treasurer, shall be required for the issuance of relief association checks, withdrawal from the association saving account, the redemption of any relief association investment or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks

Cause: The relief association stated they were unaware that only relief association officers were permitted to sign an issued check that binds the association by formal contract.

Effect: As a result of the relief association officer issuing checks with only one signature of an authorized relief association officer, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature by a relief association officer, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

TROY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two relief association officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. 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.

TROY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Troy Volunteer Firemen's Relief Association Governing Body:

Mr. Ben Krise
President

Mr. Mark Steckiel
Vice President

Ms. Jessica Fritsch
Secretary

Ms. Lou Ann Vargson
Treasurer

TROY VOLUNTEER FIREMEN'S 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. Mallory J. Babcock
Secretary
Armenia Township

Ms. Kay Smith
Secretary
Burlington Borough

Ms. Kathy Assumpcao
Secretary
Burlington Township

Ms. Elizabeth Woolf
Secretary
Columbia Township

Ms. Lori Saxton
Secretary
Grantville Township

Ms. Holly Randall
Secretary
Springfield Township

Ms. Linda Lawrence
Secretary
Sylvania Borough

Mr. Daniel Close
Secretary
Troy Borough

Ms. Lonna Bly
Secretary
Troy Township

Ms. Katrina L. Oswald
Secretary
West Burlington Township

TROY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.