

COMPLIANCE AUDIT

Washington Township Volunteer Fire Company Relief Association

Fayette County, Pennsylvania

For the Period

January 1, 2019, to December 31, 2021

March 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Dennis Fowler, President
Washington Township Volunteer Fire
Company Relief Association
Fayette County

We have conducted a compliance audit of the Washington Township Volunteer Fire Company Relief Association (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:

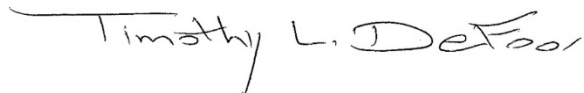
- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Erroneous Deposit Of Funds

Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Finding No. 3 – Failure To Maintain 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
January 12, 2023

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Finding.....	4
Findings and Recommendations:	
Finding No. 1 – Erroneous Deposit Of Funds.....	5
Finding No. 2 – Untimely Receipt And Deposit Of State Aid.....	5
Finding No. 3 – Failure To Maintain Minutes Of Meetings.....	7
Report Distribution List.....	9

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 municipality:

Municipality	County	2019	2020	2021
Washington Township	Fayette	\$18,131	\$18,303*	\$16,519

* The 2020 state aid allocation received from Washington Township was not deposited by the relief association until July 16, 2021, as disclosed in Finding No. 2 in this report.

Based on the relief association’s records, its total cash as of December 31, 2021, was \$44,785, as illustrated below:

Cash	\$ 44,785
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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 \$78,066, 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	\$ 27,012
Fire Services:	
Equipment purchased	\$ 47,849
Equipment maintenance	2,193
Total Fire Services	\$ 50,042
Administrative Services:	
Bond premiums	\$ 909
Other administrative expenses	103
Total Administrative Services	\$ 1,012
Total Expenditures	\$ 78,066

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:

Washington Township Volunteer Fire Company

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
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 Expenditures

By receiving reimbursement of \$27,247 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Erroneous Deposit Of Funds

Condition: On December 11, 2020, the relief association erroneously deposited funds of \$29,682 into its checking account which was meant to be deposited into the fire company’s checking account.

Criteria: Relief association funds should not be commingled with any other organization’s funds in order to maintain effective control of its assets. In addition, adequate accounting and internal controls should include procedures to prevent erroneous deposits.

Cause: The relief association officials stated that the deposit was made by mistake.

Effect: The failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets.

Recommendation: We recommend that the relief association officials monitor all deposits into its accounts and establish accounting and internal control procedures to monitor future relief association deposits. 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 officials reimbursed the fire company on December 3, 2022.

Auditor’s Conclusion: We reviewed documentation verifying the fire company was reimbursement the funds. Compliance for monitoring all deposits into the relief association during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Condition: Although Washington Township prepared and returned a Certification Form AG 385 for 2020 by the March 31 annual filing date in accordance with Act 205, the township did not distribute the 2020 state aid in the amount of \$18,303 to the relief association in a timely manner. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who forwarded the state aid to the relief association on July 7, 2021, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not document an attempt to ensure the funds were received and deposited timely. Upon receipt of the state aid allocation, the relief association deposited the funds into a relief association account on July 16, 2021.

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: As a result of the untimely receipt and deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. 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.

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – 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's minutes did not address all financial-related transactions that occurred during the audit period and the minutes were not signed by the recording officer. In addition, meetings were only held in 11 months during calendar year 2019, six-months during calendar year 2020, and nine-months during calendar year 2021. Meetings, when held, were also only held once a month instead of bi-monthly as stated in the relief association's bylaws.

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 2, Section 1 states:

Regular meeting of this Association shall be held on the first and third Tuesday of each month immediately following the regular meeting of the Washington Township Volunteer Fire Company. Ten members shall constitute a quorum.

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

Recording Secretary: It shall be the duty of the Recording secretary to keep true and accurate records of all proceedings at all meetings. He/She is to be keeper of all Rules and Rolls, and act as the Parliamentarian. He/she shall conduct correspondence, and other Duties as the Association may direct. [*Sic*]

Furthermore, the relief association's bylaws at Article 5, Section 1 states:

Funds of the Association shall not be expended for any purpose other than those authorized by the provisions of act 84 and the Associations bylaws. All expenditures must be approved by a majority vote at an Association meeting and duly recorded in the minutes.

Cause: Relief association officials indicated that they failed to follow previous guidelines as required by the VFRA Act and the relief association's bylaws. The relief association officials did not provide a reason why the recording officer did not sign and date the meeting minutes.

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, evidence that relief association business was presented before the membership for approval does not exist. In addition, without the application of a dated handwritten signature on the minutes of meetings, adequate evidence that authentic minutes of relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain a permanent record of all relief association meetings as required by the VFRA Act and the relief association's bylaws. If the relief association's intent is to only hold meetings once a month, the relief association's bylaws should be updated accordingly. We also recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association and ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. 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.

WASHINGTON TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Washington Township Volunteer Fire Company Relief Association Governing Body:

Mr. Dennis Fowler
President

Mr. Edward Karol
Vice President

Mr. David Wadsworth
Secretary

Mr. Edward Stasko
Treasurer

Mr. John Kimball
Financial Secretary

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

Ms. Amy Naulty
Secretary
Washington 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.