

COMPLIANCE AUDIT

Westwood Volunteer Fire Company Relief Association Cambria County, Pennsylvania For the Period January 1, 2018, to August 11, 2020

June 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Evan Dabbs, President
Westwood Volunteer Fire Company
Relief Association
Cambria County

We have conducted a compliance audit of the former Westwood Volunteer Fire Company Relief Association (relief association) for the period January 1, 2018, to August 11, 2020. 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 former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former 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 association 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 August 11, 2020:

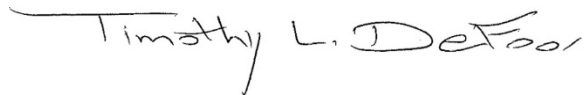
- The former relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt 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 – Improper Merger

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

In addition, as of August 11, 2020, the former relief association completed the process of dissolution and merged with West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs. Consequently, all remaining monetary assets and equipment were transferred to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs.

The contents of this report were discussed with the management of the current relief association and, where appropriate, their responses have been included in the report. We would like to thank the current relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
June 10, 2024

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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 former relief association was 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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Lower Yoder Township	Cambria	*	*	*

* During the current audit period, the relief association did not receive an allocation of state aid from Lower Yoder Township in 2018, 2019 and 2020. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

As of August 11, 2020, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association's records, its total cash as of August 11, 2020, was zero, as illustrated below:

Cash	<u>\$</u> <u>-</u>
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BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018, to August 11, 2020, were \$16,090, 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>\$ 2,229</u>
Fire Services:	
Equipment purchased	\$ 770
Equipment maintenance	4,304
Training expenses	<u>400</u>
Total Fire Services	<u>\$ 5,474</u>
Administrative Services:	
Bond premiums	\$ 99
Other administrative expenses	92
Total Administrative Services	<u>\$ 191</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 8,196</u>
Total Expenditures	<u><u>\$ 16,090</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of August 11, 2020, the former relief association completed the process of dissolution and merged with West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs. Consequently, all remaining monetary assets and equipment were transferred to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs. Due to the dissolution of the former relief association, we are providing officials of West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs copies of this report.

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 former relief association was affiliated with the following fire service organization:

Westwood Volunteer Fire Company

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Untimely Receipt And Deposit Of State Aid

Due to the dissolution of the former relief association, no state aid allocations were received during the current audit period.

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION FINDINGS AND RECOMENDATIONS

Finding No. 1 – Improper Merger

Condition: The relief association did not properly document the dissolution of the organization and subsequent merger with West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs. Specifically, the relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former relief association.

In addition, the relief association failed to:

- Provide a signed resolution confirming the closure.
- Provide signed meeting minutes evidencing the dissolution and specifically provide the details of the closeout of the former relief association.
- Maintain and provide meeting minutes during the audit period.
- Maintain and provide an equipment roster, evidencing the propriety of the relief association equipment donated to West Hills Regional Volunteer Fire Department Relief Association of Brownstown and Westmont Boroughs.
- Maintain and provide bank statements from the financial institution.
- Maintain journals and ledgers for all accounts.

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.

Furthermore, prudent business practice dictates that the former relief association should properly document the membership's acknowledgement of the dissolution and any details of the dissolution in the minutes of meetings held by the former relief association. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment transferred to West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs, along with a signed receipt of the recipient.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the newly formed relief association.

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMENDATIONS

Finding No. 1 – (Continued)

Effect: Without detailed documentation, evidence that the relief association's merger with West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs, we are providing officials of the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Borough's officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association and determine all equipment transferred from the former relief association to include on the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Borough's equipment roster. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Due to the dissolution of the former relief association, officers of the former relief association were not available to provide a response.

Auditors Conclusion: We are concerned by the former relief association's failure to complete a proper merger as it relates to maintaining detailed meeting minutes and the transfer of equipment. Since the former relief association dissolved its organization and consequently transferred its remaining assets to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs, West Hills Regional Fire Department Relief Association of Brownstown and Westmont Borough's management should strive to implement the recommendation and corrective action noted in this audit report.

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMENDATIONS

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The former relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on April 1, 2020. As of August 10, 2020, the relief association's cash assets totaled \$8,196. On August 11, 2020, the former relief association transferred their remaining cash assets in the amount of \$8,196 to West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, 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 the funds of the association.

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

Effect: As a result of the authorized disbursing officer of the former relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs, we are providing officials of the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Borough's officials ensure that a Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act is in place at all times. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Due to the dissolution of the former relief association, officers of the former relief association were not available to provide a response.

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMENDATIONS

Finding No. 2 – (Continued)

Auditors Conclusion: We are concerned by the former relief association's failure to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. Since the former relief association dissolved its organization and consequently transferred its remaining assets to the West Hills Regional Fire Department Relief Association of Brownstown and Westmont Boroughs, West Hills Regional Fire Department Relief Association of Brownstown and Westmont Borough's management should strive to ensure the recommendation and corrective action noted in this audit report is maintained.

WESTWOOD 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

Westwood Volunteer Fire Company Relief Association Governing Body:

Mr. Evan Dabbs
President

Mr. Paul Dabbs, Jr.
Vice President

Mr. Robert Gawel, Jr.
Secretary

Mr. Brian Havas
Treasurer

West Hills Regional Fire Department Relief Association of Brownstown and Westmont
Boroughs Governing Body:

Mr. Craig Brallier
President

Mr. Robert Callahan
Treasurer

Mr. Merle Keppler
Financial Secretary

WESTWOOD VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Kara Homan
Secretary
Lower Yoder 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.