

# COMPLIANCE AUDIT

---

## Whitney-Hostetter Volunteer Fire Department Relief Association Westmoreland County, Pennsylvania For the Period January 1, 2018 to March 25, 2021

---

July 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. Joshua Piper, President  
Whitney-Hostetter Volunteer Fire  
Department Relief Association  
Westmoreland County

We have conducted a compliance audit of the former Whitney-Hostetter Volunteer Fire Department 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 March 25, 2021.

The objective of the audit was 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 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.

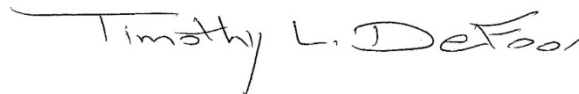
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 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 March 25, 2021, 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 finding listed below and discussed later in this report.

Finding – Failure To Segregate Relief Association Officers’ Duties

In addition, as of March 25, 2021, the former relief association completed the process of dissolution and merged with the Relief Association of Youngstown Volunteer Fire Department. Consequently, all remaining monetary assets and equipment were transferred to the Relief Association of Youngstown Volunteer Fire Department.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has been included in the report. We would like to thank former 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

July 14, 2021

## CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Failure To Segregate Relief Association Officers’ Duties .....	4
Report Distribution List .....	5

## 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 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.

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.

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>
Unity Township	Westmoreland	\$17,347	\$19,003	\$19,110

## BACKGROUND – (Continued)

As of March 25, 2021, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the former relief association's records, its total cash as of March 25, 2021 was zero, as illustrated below:

Cash	<u>\$</u> <u>0</u>
------	--------------------

Based on the relief association's records, its total expenditures for the period January 1, 2018 to March 25, 2021 were \$162,034, 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.<sup>1</sup> **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>\$</u> 29,636
Fire Services:	
Equipment purchased	\$      3,665
Equipment maintenance	1,804
Training expenses	<u>1,866</u>
Total Fire Services	<u>\$</u> 7,335
Administrative Services:	
Bond premiums	<u>\$</u> 250
Other Expenditures:	
Payments on loan	\$      86,961
Transfer of monetary assets*	37,851
Total Other Expenditures	<u>\$</u> 124,813
Total Expenditures	<u><u>\$</u>    162,034</u>

---

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

## **BACKGROUND – (Continued)**

**\* Transfer of Monetary Assets/Dissolution of Relief Association.**

As of March 25, 2021, the former relief association completed the process of dissolution and merged with the Relief Association of Youngstown Volunteer Fire Department. Consequently, all remaining monetary assets and equipment were transferred to the Relief Association of Youngstown Volunteer Fire Department. Due to the dissolution of the former relief association, we are providing officials of the Relief Association of Youngstown Volunteer Fire Department copies of this report.

The former 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:

Whitney-Hostetter Volunteer Fire Department

WHITNEY-HOSTETTER VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Segregate Relief Association Officers’ Duties**

Condition: During the current audit, we detected that the same individual held the position of both secretary and treasurer.

Criteria: Prudent business practice dictates that the duties of the secretary and treasurer be sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors or irregularities.

The minimum requirements of the secretary’s position, pertaining to a relief association, are to maintain detailed minutes of meetings authorizing the relief association’s financial operations. The secretary should review and coordinate the amending of the bylaws governing the relief association so that the bylaws meet the minimum requirements of Act 118.

The minimum requirements of the treasurer’s position, pertaining to a relief association, are to maintain an account of all funds belonging to the relief association. The treasurer shall maintain a journal and ledger detailing all financial transactions of the relief association along with documentation supporting the receipts and disbursements. The treasurer should co-sign all negotiable instruments along with another relief association officer. Also, financial statements should be prepared at least on an annual basis by the treasurer.

Cause: The former relief association officials thought it was acceptable practice to have one individual hold two officer positions. In addition, the deficiency was also due to a lack of membership. The former relief association subsequently dissolved and merged with another relief association.

Effect: An inadequate segregation of duties could prevent relief association officials and members from effectively monitoring the relief association’s financial transactions. Additionally, it negates the checks and balances necessary to detect and correct financial errors or irregularities in the relief association’s accounting system.

Recommendation: Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Relief Association of Youngstown Volunteer Fire Department, we recommend that officials of the Relief Association of Youngstown Volunteer Fire Department ensure that there is adequate segregation of duties between the Relief Association of Youngstown Volunteer Fire Department secretary and treasurer and that the officials of the Relief Association of Youngstown Volunteer Fire Department review its accounting and internal control procedures to ensure that the duties being performed by the secretary and treasurer are sufficiently segregated so that relief association assets are adequately safeguarded. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Former relief association management agreed with the finding as presented at the audit exit conference.



WHITNEY-HOSTETTER VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Whitney-Hostetter Volunteer Fire Department Relief Association Governing Body:

**Mr. Joshua Piper**  
President

**Mr. Derrick Terney**  
Vice President

**Mr. Anthony Matuszky**  
Secretary/Treasurer

Relief Association of Youngstown Volunteer Fire Department Governing Body:

**Mr. Jeffrey Shafran**  
President

**Mr. Tyler Schmucker**  
Vice President

**Ms. Pamela Matuszky**  
Secretary

**Mr. Philip Saffer**  
Treasurer

WHITNEY-HOSTETTER VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Shannon C. Sweeney**  
Secretary  
Unity Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).