

COMPLIANCE AUDIT

Winfield Township Volunteer Fireman's Relief Association

Butler County, Pennsylvania

For the Period

January 1, 2017 to December 9, 2020

July 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Craig Cirrincione, President
Winfield Township Volunteer
Fireman's Relief Association
Butler County

We have conducted a compliance audit of the former Winfield Township Volunteer Fireman'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, 2017 to December 9, 2020.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings 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 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, 2017 to December 9, 2020:

- The former relief association took appropriate corrective action to address one of the four findings contained in our prior audit report. However, the former relief association failed to take appropriate corrective action to address the three remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this 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 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

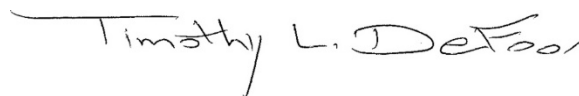
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 4 – Improper Closeout

Three of the four audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

In addition, as of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have 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.



Timothy L. DeFoor
Auditor General

June 15, 2021

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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.

BACKGROUND – (Continued)

The former relief association was allocated state aid from the following municipality:

Municipality	County	2017	2018	2019	2020
Winfield Township	Butler	\$ 19,670	*	*	*

* As of September 18, 2018, the Winfield Township Supervisors decertified the Winfield Township Volunteer Fire Company; thereafter, the former relief association did not receive any further state aid allocations. Consequently, the township appointed a law firm to oversee final dissolution of the former relief association and affiliated fire company. Subsequently, on October 18, 2018, the attorney liquidated the relief association’s remaining cash in the amount of \$36,250 and deposited those funds into a holding account. Additionally, the attorney was responsible for the sale of vehicles and the donation of equipment to local relief associations that will provide fire service to Winfield Township as well as satisfy any outstanding liabilities of the former relief association. On December 9, 2020, the attorney transferred the remaining assets to Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters’ Relief Association to liquidate the remaining funds.

Based on the relief association’s records, its total cash as of December 9, 2020 was zero, as illustrated below:

Cash	\$ -
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BACKGROUND – (Continued)

Based on the former relief association’s records, its total expenditures for the period January 1, 2017 to December 9, 2020 were \$101,787, 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:

Fire Services:		
Equipment purchased	\$	60,964
Equipment maintenance		12,588
Training expenses		24
Total Fire Services	\$	<u>73,576</u>
Administrative Services:		
Other administrative expenses	\$	10,129
Bond premiums		300
Total Administrative Services	\$	<u>10,429</u>
Other Expenditures:		
Transfer of monetary assets *	\$	16,737
Undocumented expenditure		1,045
Total Other Expenditures	\$	<u>17,782</u>
Total Expenditures	\$	<u><u>101,787</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters’ Relief Association.

¹ 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:

Winfield Township Volunteer Fire Company

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Maintain A Complete And Accurate Equipment Roster

Due to the dissolution of the relief association, documentation was provided for the disbursement of equipment to the recipients of such equipment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has not complied with three of the four prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

Although the former relief association provided adequate supporting documentation for expenditures made during the prior audit periods in the amount of \$34,055, the former relief association again failed to provide adequate documentation to support an expenditure in the current audit period as further disclosed in Finding No. 1 of this report.

- Failure To Maintain Minutes Of Meetings

- Failure To Maintain A Complete And Accurate Membership Roster

We are concerned by the former relief association's failure to correct those previously reported audit findings. However, as of December 9, 2020, the former relief association dissolved its organization and consequently transferred its monetary assets to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure

Condition: Although the former relief association provided adequate supporting documentation for expenditures made during the prior audit periods, the former relief association was unable to provide adequate documentation for an expenditure amounting to \$1,045 to an equipment vendor on January 28, 2017 during the current audit period.

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions

Cause: The former relief association officials did not provide a reason for why this occurred despite the former relief association being notified of this condition during our prior audit.

Effect: Lack of supporting documentation, such as an invoice and/or itemized receipt, made it impossible to determine if the expenditure was made in accordance with Section 7416(f) of Act 118. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of our audit of the former relief association. We recommended that the former relief association officials provide this department with adequate supporting documentation, such as an invoice and/or itemized receipt, to ensure the propriety of the expenditure or that the former relief association be reimbursed \$1,045 for the undocumented expenditure. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: A former relief association official agreed with the finding as presented at the audit exit conference; however, the former relief association has dissolved as of December 9, 2020.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding; however, as of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, no further action is required at this time.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

Condition: The former relief association did not maintain minutes of meetings as required by Act 118 and the relief association's bylaws.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(a) of Act 118 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 former relief association's bylaws at Article 2, Section A states:

Association meetings will be held on the first Monday of every month immediately following the regular business meeting of the Winfield Township Volunteer Fire Company unless otherwise stated. Five (5) active members shall constitute a quorum.

In addition, the former relief association's bylaws at Article 3, Section C(4) states, in part:

Secretary: The secretary is responsible for keeping true and accurate records of all proceedings of every association meeting in the minutes. The minutes should note membership authorization of all association financial transactions and all other pertinent business discussed at meetings.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The former relief association officials did not provide a reason for why this occurred despite the former relief association being notified of this condition during our prior audit.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of our audit of the former relief association. We recommended that the former relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should also include an adequate record of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: A former relief association official agreed with the finding as presented at the audit exit conference; however, the former relief association has dissolved as of December 9, 2020.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding; however, as of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, no further action is required at this time.

**Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Membership Roster**

Condition: The former relief association officials did not maintain a complete and accurate roster of relief association members.

A similar condition was noted in our prior audit report.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: The former relief association officials did not provide a reason for why this occurred despite the former relief association being notified of this condition during our prior audit.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of our audit of the former relief association. We recommended that the former relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: A former relief association official agreed with the finding as presented at the audit exit conference; however, the former relief association has dissolved as of December 9, 2020.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding; however, as of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, no further action is required at this time.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Improper Closeout

Condition: The former relief association did not properly document the dissolution of the former organization and complete the minimum administrative procedures necessary to dissolve its organization. Although the relief association closed its checking account with the financial institution, officials failed to effectively complete or provide the following:

- 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.
- Provide adequate documentation, including appropriate signatures of the recipient organizations, showing that all equipment of the former relief association was properly transferred to Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association.
- Complete the re-titling of a vehicle owned by the former relief association into the name of the Herman Volunteer Fire Company Relief Association.

Criteria: Section 7415(a) of Act 118 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 actually transferred to Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association, along with signed receipts of the recipients.

Cause: Former relief association officials were unaware of the importance of the administrative provisions of Act 118 identified above and the significance of a signed resolution, signed meeting minutes of the decision to dissolve, as well as obtaining the proper signatures of the relief associations which received equipment.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Effect: Without detailed documentation, evidence that the dissolution of the former relief association was presented before the membership does not exist. In addition, without providing proper evidence of the equipment transferred to the receiving organizations, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of our audit of the former relief association. We recommend that Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association perform the following:

- Provide adequate documentation, including appropriate signatures of the recipient organizations, showing that all equipment of the former relief association was properly transferred to Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association and provide copies to this Department.
- Complete the re-titling of a vehicle owned by the former relief association into the name of the Herman Volunteer Fire Company Relief Association and provide a copy to this Department.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: A former relief association official agreed with the finding as presented at the audit exit conference; however, the former relief association has dissolved as of December 9, 2020.

Auditor's Conclusion: As of December 9, 2020, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Buffalo Township Relief Association, Herman Volunteer Fire Company Relief Association and Saxonburg Volunteer Firefighters' Relief Association. Compliance will be subject to verification through our next audits of the Buffalo Township Relief Association and Herman Volunteer Fire Company Relief Association.

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Winfield Township Volunteer Fireman's Relief Association Governing Body:

Mr. Craig Cirrincione
President

Mr. Adam Hartwig
Secretary

Ms. Paula J. Willyard, ESQ
Attorney for Winfield Township

Buffalo Township Relief Association Governing Body:

Mr. Kip Johnston
President

Mr. Matthew Cypher
Treasurer

Herman Volunteer Fire Company Relief Association Governing Body:

Mr. Larry Shuler
President

Mr. Phillip Bauldoff
Treasurer

WINFIELD TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

Saxonburg Volunteer Firefighters' Relief Association Governing Body:

Mr. Howard Kinney
President

Mr. Gerald Neubert
Treasurer

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

Ms. Rachel Altman
Secretary
Winfield 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.