

COMPLIANCE AUDIT

The Relief Association of The Heidlersburg Area Civic Association Fire Company Adams County, Pennsylvania For the Period January 1, 2021, to December 31, 2023

August 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Joseph Cassatt, President
The Relief Association of The Heidlersburg
Area Civic Association Fire Company
Adams County

We have conducted a compliance audit of The Relief Association of The Heidlersburg Area Civic Association Fire Company (relief association) for the period January 1, 2021, to December 31, 2023. 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 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.

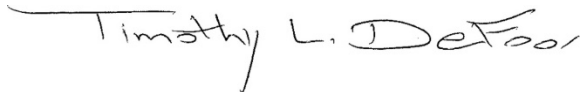
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2023:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this 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 – Noncompliance With Prior Audit Recommendation – Failure To Obtain A Pennsylvania Sales Tax Exemption Number And Payment Of Pennsylvania Sales Tax

Finding No. 2 – Inadequate Relief Association Bylaws

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
July 29, 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 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 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 relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Butler Township	Adams	\$ 1,426	\$ 1,743	\$ 1,721
Huntington Township	Adams	\$ 1,099	\$ 1,357	\$ 1,345
Straban Township	Adams	\$ 1,606	\$ 1,968	\$ 2,021
Tyrone Township	Adams	\$10,206	\$12,425	\$12,228

Based on the relief association's records, its total cash as of December 31, 2023, was \$17,827, as illustrated below:

Cash	<u>\$ 17,827</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$46,949, 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	\$ 16,968
Death benefits	1,100
Tokens of sympathy and goodwill	<u>75</u>
Total Benefit Services	<u>\$ 18,143</u>

Fire Services:

Equipment purchased	\$ 13,438
Equipment maintenance	10,019
Training expenses	<u>4,094</u>
Total Fire Services	<u>\$ 27,551</u>

Administrative Services:

Bond premiums	\$ 300
Other administrative expenses	<u>107</u>
Total Administrative Services	<u>\$ 407</u>

Other Expenditures:

Unauthorized payment of sales tax – See Finding No. 1	<u>\$ 848</u>
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Total Expenditures	<u><u>\$ 46,949</u></u>
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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:

Heidlersburg Area Civic Association Fire Company

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

THE RELIEF ASSOCIATION OF THE HEIDLEBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Obtain A Pennsylvania Sales Tax Exemption Number

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

THE RELIEF ASSOCIATION OF THE HEIDLEBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Obtain A Pennsylvania Sales Tax Exemption Number And Payment Of Pennsylvania Sales Tax

Condition: The relief association failed to obtain a Pennsylvania sales tax exemption number and paid \$848 of Pennsylvania sales tax to multiple vendors from which the relief association purchased equipment and maintenance services, as noted below.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/22/21	287	Equipment maintenance vendor	\$ 3
05/05/21	300	Subscription vendor	24
08/11/21	309	Equipment vendor	496
12/30/21	314	Equipment maintenance vendor	54
12/30/21	316	Equipment vendor	13
12/30/21	317	Equipment vendor	23
04/04/22	329	Equipment vendor	102
11/01/22	339	Equipment maintenance vendor	68
11/08/23	354	Equipment maintenance vendor	65
Total			<u>\$ 848</u>

A similar condition was noted in our prior audit report.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters’ relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: The relief association officials did not provide a reason why they did not obtain a Pennsylvania sales tax exemption number.

Effect: As a result of the relief association’s continued failure to obtain a sales tax exemption number, the relief association was required to pay Pennsylvania sales tax on its purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

THE RELIEF ASSOCIATION OF THE HEIDLEBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials immediately obtain a state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. In addition, we recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$848. 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: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 2 – Inadequate Relief Association Bylaws

Condition: The revised bylaws of the relief association from June 2023 do not contain all the provisions required by Section 7415(c) of the VFRA Act and considered to be beneficial to the operation of relief associations. Specifically, the bylaws do not address quorum requirements for meetings, requirements for signatures of at least two officers, procedures for the approval and payment of expenditures, investment of funds and sale of investments.

Criteria: Section 7415(c) of the VFRA Act states that the relief association’s bylaws shall:

- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.
- (3) 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.
- (6) Establish procedures for the approval and payment of expenditures, investment of funds and sale of investments.

THE RELIEF ASSOCIATION OF THE HEIDLERSBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Relief association officials indicated that they were unaware of the mandatory bylaw provisions established by the VFRA Act not being included in their bylaws.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of the relief association. 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.

THE RELIEF ASSOCIATION OF THE HEIDLERSBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Relief Association of The Heidlersburg Area Civic Association Fire Company Governing
Body:

Mr. Joseph Cassatt
President

Mr. Brandon Huff
Vice President

Ms. Donna Marion
Secretary

Ms. Christina Anders
Treasurer

THE RELIEF ASSOCIATION OF THE HEIDLEBURG AREA CIVIC ASSOCIATION
FIRE COMPANY
REPORT DISTRIBUTION LIST

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Danielle Helwig
Secretary
Butler Township

Ms. Patricia V. Davis
Secretary
Huntington Township

Ms. Robin Crushong
Secretary
Straban Township

Ms. Dawn Felt
Secretary
Tyrone 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.