

# COMPLIANCE AUDIT

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## Ashville Volunteer Fire Company #1 Relief Association Cambria County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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October 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Justin Seese, President  
Ashville Volunteer Fire Company #1  
Relief Association  
Cambria County

We have conducted a compliance audit of the Ashville Volunteer Fire Company #1 Relief Association (relief association) for the period January 1, 2018 to December 31, 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, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 2020.

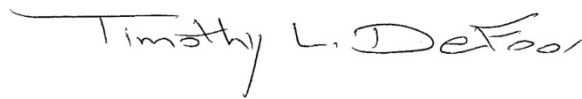
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 objective. 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 December 31, 2020, 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 finding listed below and discussed later in this report.

Finding – Failure To Adhere To Relief Association Bylaws And To Maintain Surety (Fidelity) Bond Coverage

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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.

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.

October 14, 2021

Timothy L. DeFoor  
Auditor General

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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<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 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>2018</u>	<u>2019</u>	<u>2020</u>
Allegheny Township	Cambria	\$2,871	\$3,093	\$3,142
Ashville Borough	Cambria	\$ 844	\$ 899	\$ 907
Chest Springs Borough	Cambria	\$ 305	\$ 327	\$ 333
Clearfield Township	Cambria	\$3,624	\$3,991	\$4,064
Dean Township	Cambria	\$1,581	\$1,736	\$1,762
Gallitzin Township	Cambria	\$3,919	\$4,252	\$3,246

Based on the relief association's records, its total cash as of December 31, 2020 was \$39,008, as illustrated below:

Cash \$ 39,008

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$48,833, 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>4</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	\$	17,235
Death benefits		1,000
Relief benefits		1,050
Tokens of sympathy and goodwill		209
Total Benefit Services	\$	<u>19,494</u>

#### Fire Services:

Equipment purchased	\$	17,931
Equipment maintenance		2,555
Training expenses		7,130
Total Fire Services	\$	<u>27,616</u>

#### Administrative Services:

Other administrative expenses	\$	1,423
Bond premiums		300
Total Administrative Services	\$	<u>1,723</u>

Total Expenditures	\$	<u><u>48,833</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:

Ashville Volunteer Fire Company No. 1

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

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Adhere To Relief Association Bylaws And To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association did not abide by the following bylaw stipulation:

- The officers of this association shall consist of a president, vice president, secretary, treasurer, and fire chief.

As of the completion of our audit, the relief association did not have anyone assigned to the position of treasurer and did not fill the position of treasurer for years 2019 and 2020. In addition, the 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 in place during the audit period was for the position of treasurer, for which the relief association did not have anyone designated to the position for the years 2019 and 2020. The relief association President and Secretary who were not bonded signed the checks written during that period.

Criteria: The relief association’s bylaws stipulate the following:

- Article III, Section 1 – The officers of this association shall consist of a president, vice president, secretary, treasurer, and fire chief. The officers of the Ashville Volunteer fire company #1 Relief Association shall be the same as the regularly elected officers of the Ashville Volunteer Fire Company #1, The officers shall be responsible for the management of association business upon direction received by the membership at association meetings.

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.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association’s bylaws to ensure that the relief association conducts its affairs with proper authorization.



ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Cause: Relief association officials indicated there was a lack of volunteers to take on the position of treasurer.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization. Further, as a result of the treasurer position not being filled, the relief association officers who signed checks during the audit period were not bonded and the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. In addition, we recommend that the relief association officials maintain 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. 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 appoint a person to the position of VFRA treasurer to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Ashville Volunteer Fire Company #1 Relief Association Governing Body:

**Mr. Justin Seese**  
President

**Mr. Adam Ratchford**  
Vice President

**Ms. Lynn Racz**  
Secretary

**Mr. Mark Malloy**  
Fire Co. Trustee

**Mr. Joseph Racz**  
Fire Chief

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Debra Hoover**  
Secretary  
Allegheny Township

**Ms. Diane Boslet**  
Secretary  
Ashville Borough

**Ms. Nicole D. Farabaugh**  
Secretary  
Chest Springs Borough

**Ms. Lynne P. Thomas**  
Secretary  
Clearfield Township

**Ms. Sherry Hatch**  
Secretary  
Dean Township

**Ms. Susan Balzano**  
Secretary  
Gallitzin 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).