

COMPLIANCE AUDIT

Beale Township Volunteer Firefighter's Relief Association Juniata County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Kenneth Zook, President
Beale Township Volunteer Firefighter's
Relief Association
Juniata County

We have conducted a compliance audit of the Beale Township Volunteer Firefighter'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, 2018 to December 31, 2020.

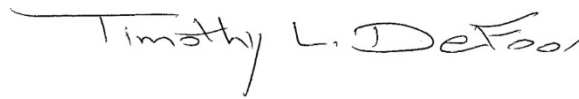
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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

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.



Timothy L. DeFoor
Auditor General

May 11, 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 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.

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 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>
Beale Township	Juniata	\$4,466	\$4,854	\$4,937
Spruce Hill Township	Juniata	\$1,102	*	*
Tuscarora Township	Juniata	\$2,169	\$1,544	\$2,330

* During the current audit period, the relief association did not receive allocations of state aid from Spruce Hill Township in 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.

Based on the relief association’s records, its total cash as of December 31, 2020 was \$9,741, as illustrated below:

Cash	<u>\$ 9,741</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$17,539, 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	\$ 10,631
Equipment maintenance	5,614
Training expenses	490
Total Fire Services	<u>\$ 16,735</u>

Administrative Services:

Other administrative expenses	\$ 420
Bond premiums	384
Total Administrative Services	<u>\$ 804</u>

Total Expenditures	<u><u>\$ 17,539</u></u>
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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 relief association is affiliated with the following fire service organization:

Beale Township Fire Company

BEALE TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to numerous provisions in the association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulations:

- The relief association did not hold monthly meetings.
- The relief association officer position of Vice President was vacant in the current audit period. In addition, an Assistant Secretary was included as an officer on the relief association's officer's list; however, this position is not a recognized officer's position in the relief association's bylaws.
- The relief association President cosigned checks instead of the Assistant Treasurer.

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

- Article II, Section 1 - Regular meetings of this association shall be held on the second Tuesday of each month immediately following the regular meeting of the Beale Township Fire Company.
- Article III, Section 1 - The officers of this association shall consist of a president, vice president, secretary, treasurer, assistant treasurer.
- Article III, Section 3 - The asst. treasurer shall be the second signer on all financial disbursements.

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.

In addition, as it relates to bylaws and the administration of a relief association, Section 7415 (a) (c) of Act 118, in part, states that bylaws should:

- 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.
- 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.
- Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

BEALE TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: Relief association officials indicated that monthly meetings were not held in 2018 and 2019 due to there being a lack of business and in 2020 due to COVID-19 safety concerns. They also indicated that the Vice President position was vacant because there was not an individual available to fill the position. The relief association officials also indicated that they were not aware that the Assistant Secretary position was not recognized in the bylaws. Relief association officials also stated that they thought the President was to be the second signer on the issued checks.

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.

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, including authorized check signers, monthly membership meetings, and the election of a position of vice president. Additionally, the relief association officials should update the bylaws to reflect the intent of the membership and the existing functional position of assistant secretary in order to meet the requirements set forth in Act 118. 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.

BEALE TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Beale Township Volunteer Firefighter's Relief Association Governing Body:

Mr. Kenneth Zook
President

Ms. Elizabeth Snyder
Treasurer

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

Mr. Steven T. Beers
Secretary
Beale Township

Ms. Tammy S. Brackbill
Secretary
Spruce Hill Township

Ms. Ginger Best
Secretary
Tuscarora 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.