

COMPLIANCE AUDIT

Clarksville and Community Volunteer Fire Department and Relief Association Greene County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

November 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jamie Forman, President
Clarksville and Community Volunteer Fire
Department and Relief Association
Greene County

We have conducted a compliance audit of the Clarksville and Community Volunteer Fire Department and Relief Association (relief association) for the period January 1, 2019, to December 31, 2022. 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 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 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$73,550, we were not able to verify this cash balance.

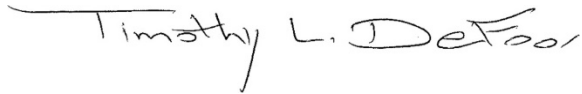
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019, to December 31, 2022, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative 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 – Untimely Deposit Of State Aid

Finding No. 2 – Improper Deposit Of Grant Funds

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

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.

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
October 26, 2023

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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>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Clarksville Borough | Greene | \$ 841 | \$ 856 | \$ 767 | \$ 846 |
| Jefferson Township | Greene | \$3,788 | \$3,830* | \$3,491 | \$4,273 |
| Morgan Township | Greene | \$5,793 | \$5,873 | \$5,244 | \$6,025 |

* The 2020 state aid allocation received from Jefferson Township was not deposited by the relief association until January 4, 2021, as disclosed in Finding No. 1 in this report.

Based on the relief association’s records, its total cash as of December 31, 2022, was \$73,550. The amount illustrated below includes \$37,237 of affiliated fire department funds that were transferred in 2023 as disclosed in Finding No. 2:

| | |
|------|------------------|
| Cash | <u>\$ 73,550</u> |
|------|------------------|

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$65,064, 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 | <u>\$ 5,051</u> |
|--------------------|-----------------|

Fire Services:

| | |
|-----------------------|-----------|
| Equipment purchased | \$ 33,015 |
| Equipment maintenance | 2,813 |
| Training expenses | 682 |

| | |
|---------------------|------------------|
| Total Fire Services | <u>\$ 36,510</u> |
|---------------------|------------------|

Administrative Services:

| | |
|-------------------------------|--------|
| Bond premiums | \$ 870 |
| Other administrative expenses | 30 |

| | |
|-------------------------------|---------------|
| Total Administrative Services | <u>\$ 900</u> |
|-------------------------------|---------------|

Other Expenditures:

| | |
|-----------------|------------------|
| Miscellaneous * | <u>\$ 22,603</u> |
|-----------------|------------------|

| | |
|--------------------|-------------------------|
| Total Expenditures | <u><u>\$ 65,064</u></u> |
|--------------------|-------------------------|

* The miscellaneous expenditure represents a transfer of funds on March 26, 2021, to correct an erroneous deposit in calendar year 2020.

⁴ 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:

Clarksville and Community Volunteer Fire Department

CLARKSVILLE AND COMMUNITY VOLUNTEER FIRE DEPARTMENT AND
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Untimely Deposit Of State Aid

Condition: The relief association did not deposit the 2020 state aid allocation it received from Jefferson Township, in the amount of \$3,830, until January 4, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who forwarded this state aid to the relief association on November 1, 2020, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Although the relief association was able to deposit two of the three checks in November, the relief association officials indicated that due to Covid-19 restrictions, the relief association check was not deposited into the bank account right away as travel and contact with people outside of the home was restricted and due to the uncertainty of Covid, they erred on the side of caution.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

CLARKSVILLE AND COMMUNITY VOLUNTEER FIRE DEPARTMENT AND
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.

Finding No. 2 – Improper Deposit Of Grant Funds

Condition: The affiliated fire department’s COVID-19 Crisis Fire, Rescue and EMS Grant funds in the amounts of \$22,603 and \$37,237 were improperly direct deposited into the relief association’s checking account on December 24, 2020, and July 15, 2022, respectively. After discovering the improper deposits, the relief association reimbursed \$22,603 and \$37,237 to the affiliated fire department on March 26, 2021, and July 18, 2023, respectively.

Criteria: Relief association funds should not be commingled with any other organization’s funds in order to maintain effective control of its assets. In addition, adequate accounting and internal controls should include procedures to prevent improper deposits into the relief association account.

Cause: The relief association officials stated that the funds received from the grants were direct deposited into the relief association account instead of the affiliated fire department account.

Effect: The failure to establish adequate internal controls could result in inappropriately using funds that are not relief association funds.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure that only funds intended for the relief association are deposited into the relief association’s account. 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 and indicated they will take action to comply with the recommendation.

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

CLARKSVILLE AND COMMUNITY VOLUNTEER FIRE DEPARTMENT AND
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Insufficient Surety (Fidelity) Bond Coverage

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association’s authorized disbursing officer. The relief association’s Surety (Fidelity) bond coverage amount was \$40,000; however, as of December 31, 2022, the relief association’s cash assets totaled \$73,550.

Criteria: 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.

Cause: Relief association officials indicated this occurred due to the Covid-19 grant monies being improperly deposited into the relief association account instead of the affiliated fire department account.

Effect: As a result of the authorized disbursing officer of the relief association being insufficiently bonded, the relief association’s cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association’s authorized disbursing officer, as required by the VFRA Act. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer to an amount greater than the expected maximum balance of the relief association’s cash assets, or by decreasing the relief association’s cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association’s cash balance to ensure that unexpected events affecting the relief association’s current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer. 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.

CLARKSVILLE AND COMMUNITY VOLUNTEER FIRE DEPARTMENT AND
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Clarksville and Community Volunteer Fire Department and Relief Association Governing Body:

Mr. Jamie Forman
President

Mr. Brian Sypin
Vice President

Ms. Sherry Forman
Secretary

Ms. Mary L. Shipley
Treasurer

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

Ms. Mary L. Shipley
Secretary
Clarksville Borough

Ms. Kimberly Cottle
Secretary
Jefferson Township

Ms. Relda K. Litten
Secretary
Morgan Township

CLARKSVILLE AND COMMUNITY VOLUNTEER FIRE DEPARTMENT AND
RELIEF ASSOCIATION
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