

# COMPLIANCE AUDIT

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## East Bangor Volunteer Firefighters' Relief Association Northampton County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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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. Peter Zazulak, President  
East Bangor Volunteer Firefighters'  
Relief Association  
Northampton County

We have conducted a compliance audit of the East Bangor Volunteer Firefighters' 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.

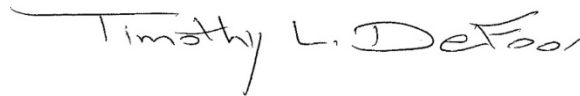
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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.

We were not able to obtain an independent confirmation of the cash balance from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$6,757, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, because of the significance of the matter described in the finding below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the relief association did not, in all significant respects, comply 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, collectively as a whole, for the period January 1, 2018 to December 31, 2020. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Inappropriate Ownership Of An ATV

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.

Timothy L. DeFoor  
Auditor General

May 3, 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.

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
East Bangor Borough	Northampton	\$4,897	\$5,243	\$5,295

## BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2020 was \$6,757, as illustrated below:

Cash	<u>\$ 6,757</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 \$17,109, 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>1</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	<u>\$ 420</u>
Fire Services:	
Equipment purchased	\$ 3,405
Equipment maintenance	<u>1,571</u>
Total Fire Services	<u>\$ 4,976</u>
Administrative Services:	
Bond premiums	<u>\$ 750</u>
Other Expenditures:	
Payments on loan	<u>\$ 10,963</u>
Total Expenditures	<u><u>\$ 17,109</u></u>

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<sup>1</sup> 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:

East Bangor Volunteer Fire Company

EAST BANGOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Inappropriate Ownership Of An ATV**

Condition: On December 19, 2012, the relief association purchased an ATV (rescue vehicle) in the amount of \$13,050 to carry personnel and safeguard equipment; however, the title to the vehicle was never issued in the name of the relief association and at the time of our audit was still in the name of the vendor. Rescue vehicles are used to transport personnel, safeguard equipment and to transport and provide specialized equipment for safety and rescue purposes. At the time of our audit, relief officials did not provide documentation of insurance coverage for the ATV.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles such as ATVs purchased for fire safety rescue purposes by a relief association, are to be titled in the name of the relief association. In addition, relief officials should maintain proof of insurance for the vehicle. Further, Pennsylvania's Department of Conservation and Natural Resources (DCNR) indicates on its website that all ATVs in Pennsylvania must have a title issued by DCNR. Exceptions noted include:

- ATVs registered with DCNR prior to February 12,1987 – these ATVs do not require a title until they are sold by the owner
- ATVs used exclusively as utility vehicles for agricultural or business purposes
- ATVs owned and used by a federal, state, or local government body
- ATVs owned by a dealer before and until sale
- ATVs owned by a nonresident
- ATVs owned by a Pennsylvania resident, but registered and used in another state

The relief association does not meet the qualifications for any of the above noted exemptions.

Section 7415. Structure (a) General Rule of Act 118, in part, states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution.

Cause: The relief association president stated that the relief officials believed they did not have to title the ATV based on information seen on the DCNR's website concerning titling exemptions for certain entities. Further, relief officials were working on confirming what insurance was in place for the ATV; however, they were unable to provide evidence of proof of insurance on the vehicle prior to the release of the audit report.



EAST BANGOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: As a result of the ATV being inappropriately titled in the name of the vendor, this relief association asset was not properly safeguarded. In addition, if insurance is not in place, the relief association may not be properly protected in the event of bodily injury or property damage and the risk of liability is increased in the case of an accident. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the rescue vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$13,050. In addition, relief association officials should ensure that proper insurance is in place on the vehicle. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not agree with the finding as presented during a post audit exit conference; however, management did agree with the recommendation of getting their name on the title to show ownership and indicated they will take action to comply with the recommendation as soon as possible. In addition, subsequent to the post audit exit conference, on May 3, 2021, relief officials provided documentation showing that the relief association began the process to have the ATV titled in the name of the relief association.

Auditor's Conclusion: We are pleased to see the relief association has begun to take steps to address this deficiency so that the relief association and its asset will be protected. Therefore, the finding stands as stated. Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

EAST BANGOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
POTENTIAL WITHHOLD

A condition such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

EAST BANGOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

East Bangor Volunteer Firefighters' Relief Association Governing Body:

**Mr. Peter Zazulak**  
President

**Ms. Brianna Zazulak**  
Secretary

**Mr. Nate Belzner**  
Treasurer

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

**Ms. Bonnie L. Due**  
Secretary  
East Bangor Borough

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).