

COMPLIANCE AUDIT

Excelsior Fire Company Fireman's Relief Association

Blair County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

July 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. James Greene, President
Excelsior Fire Company Fireman's
Relief Association
Blair County

We have conducted a compliance audit of the Excelsior Fire Company Fireman's Relief Association (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 findings 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.

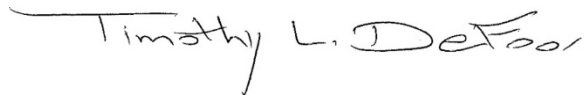
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 took appropriate corrective action to address the findings contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

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
June 27, 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>
Antis Township	Blair	\$21,816	\$26,714	\$26,653
Bellwood Borough	Blair	\$ 7,357	\$ 8,976	\$ 8,898

Based on the relief association’s records, its total cash and investments as of December 31, 2023, were \$51,280, as illustrated below:

Cash	\$ 48,252
Fair Value of Investments	<u>3,028</u>
Total Cash and Investments	<u>\$ 51,280</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$178,972, 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>\$ 20,257</u>
Fire Services:	
Equipment purchased	\$ 109,340
Equipment maintenance	23,200
Training expenses	<u>8,928</u>
Total Fire Services	<u>\$ 141,468</u>
Administrative Services:	
Bond premiums	\$ 1,047
Other administrative expenses	<u>164</u>
Total Administrative Services	<u>\$ 1,211</u>
Other Expenditures:	
Miscellaneous *	\$ 15,654
Unauthorized payments of sales tax ***	207
Unauthorized expenditure **	<u>175</u>
Total Other Expenditures	<u>\$ 16,036</u>
Total Expenditures	<u><u>\$ 178,972</u></u>

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

BACKGROUND – (Continued)

- * The relief association made an erroneous deposit during the audit period. On October 4, 2021, the relief association returned the \$15,654 to the affiliated fire company.
- ** During calendar year 2021, the relief association made a \$175 disbursement that was not authorized under the VFRA Act. We disclosed this issue to relief association officials on February 8, 2024, but we did not include a finding in this report due to the relatively low dollar amount.
- *** During calendar years 2021 and 2022, the relief association made insignificant disbursements in the amounts of \$19 and \$188, respectively, for the unauthorized payment of sales tax on purchases that were authorized under the VFRA Act. We disclosed these issues to relief association officials on February 8, 2024, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Excelsior #1 Fire Company

EXCELSIOR FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Undocumented Expenditures

By receiving reimbursement of \$3,483 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the audit period.

EXCELSIOR FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 98 checks out of 98 checks and three checks out of five checks in the post audit period, drawn on the relief association's checking account, that did not contain the proper signatory authority. Specifically, for the 101 checks, we found:

- One hundred checks contained two signatures as required by the VFRA Act; however, the relief association's bylaws require three signatures, one being that of the disbursing officer, be present for the disbursement of funds. One of the signatures on all 100 checks was that of the disbursing officer.
- One check contained only one signature, that of the Relief Association President.

Also, the relief association's financial institution indicated that the disbursing officer is not one of the authorized signers for the relief association's certificate of deposit.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall 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.

In addition, the relief association's bylaws at Article 7, Section 1 states:

The signatures of at least three officers, one of whom shall be the Treasurer, shall be required for the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure that the signatures of three relief association officials, as required by the relief association's bylaws, are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks. Furthermore, relief association officials should ensure that there is proper signatory authority for all investments.

EXCELSIOR FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: The relief association officials indicated that they were unaware that the bylaws required the signatures of three officers for the disbursement of funds and proper signatory authority for all investments.

Effect: As a result of the relief association officers issuing checks without the signatures of three relief association officers, as required by the relief association's bylaws, assets were placed at greater risk without the disbursing officer having the opportunity to verify the propriety of the expenditures. In addition, without proper signatory on all investments, assets are placed at greater risk and assets can be liquidated without knowledge of those individuals who are officers.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of three relief association officers, one of whom shall be the disbursing officer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. In addition, we also recommend that all relief association investments have proper signatory authority. 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.

EXCELSIOR FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Excelsior Fire Company Fireman's Relief Association Governing Body:

Mr. James Greene
President

Mr. John Finamore
Vice President

Ms. Nichole Wheland
Secretary

Mr. Robert Whiteford
Treasurer

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

Ms. Lori Del Biondo
Secretary
Antis Township

Ms. Hope A. Ray
Secretary
Bellwood Borough

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.