

COMPLIANCE AUDIT

Ashville Volunteer Fire Company #1 Relief Association Cambria 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. Joseph Hutsky, 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, 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 finding 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.

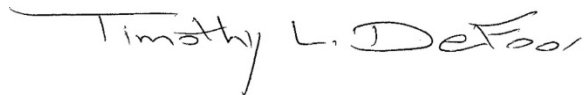
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2023:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Adhere To Relief Association Bylaws And Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 2 – Inadequate Minutes Of Meetings And Relief Association Bylaws

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.



Timothy L. DeFoor
Auditor General
July 1, 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>
Allegheny Township	Cambria	\$2,787	\$3,382	\$3,332
Ashville Borough	Cambria	\$ 803	\$ 933	\$ 920
Chest Springs Borough	Cambria	\$ 296	\$ 347	\$ 326
Clearfield Township	Cambria	\$3,686	\$4,526	\$4,572
Dean Township	Cambria	\$1,632	\$1,805	\$1,839
Gallitzin Township	Cambria	\$3,000	\$3,468	\$4,650

Based on the relief association's records, its total cash as of December 31, 2023, was \$53,578, as illustrated below:

Cash	<u>\$ 53,578</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$27,746, 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	\$ 8,342
Death benefits	500
Total Benefit Services	<u>\$ 8,842</u>
Fire Services:	
Equipment purchased	\$ 9,527
Training expenses	9,077
Total Fire Services	<u>\$ 18,604</u>
Administrative Services:	
Bond premiums	<u>\$ 300</u>
Total Expenditures	<u><u>\$ 27,746</u></u>

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

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

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

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

Although the relief association partially complied with the prior audit finding by filling the position of treasurer and maintaining bond coverage, the relief association again failed to adhere to their bylaws as further disclosed in Finding No. 1 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Adhere To Relief Association Bylaws Inadequate Signatory Authority For The Disbursement Of Funds

Condition: Although the relief association partially complied with the prior audit finding by filling the position of treasurer and maintaining bond coverage, the relief association did not adhere to the relief association’s bylaws provision that stipulates two of the five officers, one of whom shall be the treasurer, are authorized to sign all checks.

In addition, during the current audit engagement, 19 out of 21 checks that were drawn on the relief association checking account did not have proper signatory authority. Specifically for the 19 checks we found:

- Four checks contained signatures of relief association officers; however, neither of the two signatures were that of the disbursing officer.
- Twelve checks contained the signature of the Relief Association Treasurer and a trustee, who is not an authorized signer.
- Three checks contained the signature of the Relief Association Treasurer and a Co-Treasurer, who is not a relief association officer or authorized signer.

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 whom shall be the disbursing officer, shall be required to bind the association by formal contract of to issue a negotiable instrument.

In addition, the relief association’s bylaws at Article III, Section 1 states, in part:

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

Furthermore, the relief association’s bylaws at Article IV, Section 3 states, in part:

Two (2) of the five (5) officers, one (1) of which shall be the treasurer, of our relief association are authorized to sign all checks and any other papers that may be required for the withdrawal of any funds of the association.

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.

Cause: Relief association officials indicated that they were unaware of the bylaw guidelines established by the relief association.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws and issuing checks without the proper signatory, the relief association may have conducted its affairs without proper authorization and assets were placed at greater risk.

Recommendation: We again 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. We also recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association’s bylaws. 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: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 2 – Inadequate Minutes Of Meetings And Relief Association Bylaws

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws. Specifically, the relief association’s minutes did not address all financial-related transactions that occurred during the audit period. In addition, the existing bylaws of the relief association contains language to conduct business pertaining to the disbursement, investment, and purchase of funds that is based on Act 84 of June 11, 1968. The relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act.

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7415(a) of the VFRA Act states, in part, that the relief association:

. . . must 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.

The relief association's bylaws at Article III, Section 2 states, in part:

The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at meetings.

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

Funds of this association shall not be expended for any other purpose other than those authorized by the provisions of Act 84 and the association by-laws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Furthermore, the relief association's bylaws at Article VI, Section 1 states, in part:

Section 6(e) of Act 84 provides various types of expenditures which can be made with relief association funds at the discretion of the membership.

Also, the relief association's bylaws at Article VI, Section 1 states, in part:

Section 6(e) of Act 84 provides for various types of expenditures which can be made with relief association funds at the discretion of the membership.

Finally, the relief association's bylaws at Article VII, Section 1 states:

Funds of this association may be invested in any security authorized by the provisions of Section 6(c) of Act 84. All purchases and sales of investments must be made in a prudent manner to insure maximum investment return and authorized by a majority vote at an association meeting. The transactions must be duly recorded in the minutes. *[sic]*

ASHVILLE VOLUNTEER FIRE COMPANY #1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by the VFRA Act and the relief association’s bylaws. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes or why the bylaws were not updated to meet the requirements of the VFRA Act.

Effect: Without maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. As a result of the relief association not updating the bylaws to meet the appropriate requirements, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, we recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in 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 take action 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 Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ashville Volunteer Fire Company #1 Relief Association Governing Body:

Mr. Joseph Hutsky
President

Ms. Sharon Mummert-Wagner
Vice President

Mr. Nathan Bem
Secretary

Mr. Ian Nagle
Treasurer

Mr. Scott Sherry
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. Danielle Schnarrs
Secretary
Ashville Borough

Ms. Sandra Stevens
Secretary
Chest Springs Borough

Ms. Lynne P. Thomas
Secretary
Clearfield Township

Ms. Julie Novella
Secretary
Dean Township

Ms. Susan Balzano
Secretary
Gallitzin Township

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