

COMPLIANCE AUDIT

Cecil Township Volunteer Fire Company No. 2 Relief Association Washington County, Pennsylvania For the Period January 1, 2019 to December 31, 2020

September 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Brigham Blume, President
Cecil Township Volunteer Fire Company
No. 2 Relief Association
Washington County

We have conducted a compliance audit of the Cecil Township Volunteer Fire Company No. 2 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, 2019 to December 31, 2020.

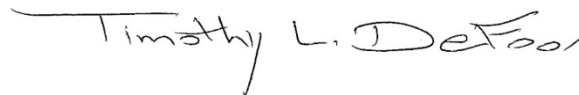
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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, 2019 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 – Relief Association Made Payments To Two Separate Insurance Vendors To Obtain What Appears To Be The Same Type Of Insurance Coverage For Its Members

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.

August 17, 2021

Timothy L. DeFoor
Auditor General

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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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>
Cecil Township	Washington	\$31,824	\$31,764

Based on the relief association’s records, its total cash as of December 31, 2020 was \$36,454, as illustrated below:

Cash	<u>\$ 36,454</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2020 were \$68,060, 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:

Benefit Services:	
Insurance premiums	\$ 6,034
Relief benefits	834
Total Benefit Services	<u>\$ 6,868</u>
Fire Services:	
Equipment purchased	\$ 40,851
Equipment maintenance	11,601
Training expenses	3,070
Total Fire Services	<u>\$ 55,522</u>
Administrative Services:	
Other administrative expenses	<u>\$ 26</u>
Other Expenditures:	
Duplicate expenditures	<u>\$ 5,644</u>
Total Expenditures	<u><u>\$ 68,060</u></u>

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:

Cecil Township Volunteer Fire Company No. 2

CECIL TOWNSHIP VOLUNTEER FIRE COMPANY NO. 2 RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

**Finding – Relief Association Made Payments To Two Separate Insurance Vendors To Obtain
What Appears To Be The Same Type Of Insurance Coverage For Its Members**

Condition: On July 1, 2020, the relief association expended \$3,017 for accident and health coverage to an insurance vendor (Vendor 1). According to Vendor 1, the insurance policy was in place dating back to at least the year 2014 and the policy was still in effect at the time of our audit. Then on March 2, 2020 and on October 23, 2020, the relief association made payments to a separate insurance vendor (Vendor 2) for what appears to be the same type of insurance coverage for a total of \$5,644 (\$2,219 + 3,425 respectively). According to Vendor 2 and records reviewed by our auditors, this insurance policy became effective February 5, 2020. Current relief association officials did not know why a second insurance policy was obtained for the relief association's members. The purchases for both insurance policies were made under the former relief association treasurer. Further, the relief association's meeting minutes did not provide any indication that the purchase of the second insurance policy was discussed and brought before the relief association membership for review and approval. In addition, according to Vendor 1 and Vendor 2, an insurance claim cannot be filed on two different accident and health insurance policies by the relief association for the same accident/incident. As such, when payments are made to two separate vendors for the same insurance coverage/services those payments/services are considered duplicative, unreasonable and unnecessary.

Criteria: Section 7416 Funds (1) of Act 118 states, in part, state that relief association funds may be used:

To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association....

Section 7415(a) of Act 118 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.

In addition, the relief association's bylaws at Article III, Section 3 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.

CECIL TOWNSHIP VOLUNTEER FIRE COMPANY NO. 2 RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Prudent business practice dictates that adequate accounting and internal control procedures should be implemented to prevent duplicative payments to obtain the same type of insurance coverage/services for the relief association.

Cause: The insurance coverage/service was paid for under the former relief association treasurer and current relief association officials stated the organization was unaware of the duplicative insurance policies, why those two policies remained in place covering overlapping periods, and why the transactions were not documented in the relief association's meeting minutes.

Effect: As a result of the duplicative payments, the relief association was unable to use these funds for other general operating expenses or for investment purposes. In addition, without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association discontinue payments for duplicative insurance coverage/services and establish accounting and internal control procedures to monitor future relief association expenditures. Further, relief association officials should maintain a permanent record of all relief association meetings, which includes an adequate record of all financial-related business conducted by the relief association as required by the relief association bylaws and 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.

CECIL TOWNSHIP VOLUNTEER FIRE COMPANY NO. 2 RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Cecil Township Volunteer Fire Company No. 2 Relief Association Governing Body:

Mr. Brigham Blume
President

Mr. Keith Christner
Vice President

Ms. Cami Yerkey
Secretary

Mr. Matthew Blume
Treasurer

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

Mr. Donald A. Gennuso
Secretary
Cecil 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.