

COMPLIANCE AUDIT

Tidioute Area Volunteer Fireman's Relief Association

Warren County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2022

June 2024



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. Dakota Gourley, President
Tidioute Area Volunteer Fireman's
Relief Association
Warren County

We have conducted a compliance audit of the Tidioute Area Volunteer Fireman's Relief Association (relief association) for the period January 1, 2020, 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 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, 2020, to December 31, 2022:

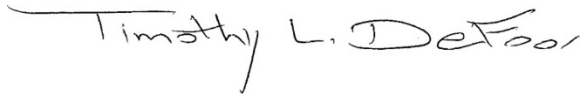
- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Unauthorized Expenditure

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

Finding No. 3 – Inadequate Financial Record-Keeping System

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
April 11, 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>2020</u>	<u>2021</u>	<u>2022</u>
Deerfield Township	Warren	\$1,235	**	\$1,191
Limestone Township	Warren	\$2,293*	\$2,012	\$2,172
Tidioute Borough	Warren	\$2,657	\$2,363	\$2,674*+
Triumph Township	Warren	\$1,263	\$1,104***	\$1,265***
Watson Township	Warren	\$ 523	\$ 453	\$ 504*+

* Although Limestone Township prepared and returned a Certification Form AG 385 for 2020, the township failed to complete the 2020 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online as required by the instructions accompanying Form 706-B and the instructions accompanying the 2020 state aid allocation received by the township disclosing this information.

Limestone Township is still required to complete a 2020 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.

** During the current audit period, the relief association did not receive an allocation of state aid from Deerfield Township in 2021. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

*** Although Triumph Township prepared and returned a Certification Form AG 385 for 2021 and 2022 by the March 31 annual filing date in accordance with Act 205, the township did not distribute the 2021 and 2022 state aid to the relief association in a timely manner. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 21, 2021 and September 21, 2022, respectively, who forwarded the state aid to the relief association on October 26, 2023, which is not 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 deposited the funds, on November 15, 2023 into a relief association account.

BACKGROUND – (Continued)

*+ Although Tidioute Borough and Watson Township prepared and returned Certification Form AG 385 for 2022 by the March 31 annual filing date in accordance with Act 205, the borough and township did not distribute the 2022 state aid to the relief association in a timely manner. The foreign fire insurance tax allocation was distributed to the municipal treasurers on September 21, 2022, who forwarded this state aid to the affiliated fire company instead of the relief association on September 26, 2022, and September 22, 2022, respectively. Although the distribution was within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), the state aid allocation was sent to the incorrect entity and not to the relief association. The affiliated fire company erroneously deposited the state aid allocation. As a result of our audit, on October 25, 2023, the relief association received two checks from the affiliated fire company in the amounts of \$2,674 and \$504, respectively, which were deposited into the relief association’s account on October 25, 2023.

Based on the relief association’s records, its total cash as of December 31, 2022, was \$17,836, as illustrated below:

Cash	<u>\$ 17,836</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$9,902, 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>\$ 9,085</u>
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Administrative Services:

Bond premiums	\$ 200
Other administrative expenses	<u>91</u>

Total Administrative Services	<u>\$ 291</u>
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Other Expenditures:

Unauthorized expenditure – See Finding No. 1	<u>\$ 526</u>
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Total Expenditures	<u><u>\$ 9,902</u></u>
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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:

Tidioute Area Volunteer Fire Department, Inc.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditure

Condition: The relief association expended \$526 for the auto liability insurance premium on a non-relief association owned ambulance during the current audit period that is not authorized by the VFRA Act.

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (12) To secure insurance against legal liability of the volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with payment of the auto liability insurance premium on a non-relief association owned ambulance do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unsure of why previous relief officers paid this expense out of the relief association's account.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by the VFRA Act. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the improperly expended funds will result in a withholding of future state aid fund disbursements until the improperly expended fire relief association monies identified in the finding have been reimbursed to the relief association.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$526 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. All supporting documentation verifying the receipt of reimbursement for the unauthorized expenditure should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316-E Finance Building, Harrisburg, PA 17120. 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.

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. Meetings were only held/provided in one month during calendar year 2020, one month during calendar year 2021, and one month during calendar year 2022. In addition, the meeting minutes were not signed and dated by the recording officer. Furthermore, the existing bylaws of the relief association contains language to conduct business pertaining to the disbursement 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.

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 5, states, in part:

Meetings shall be held bimonthly on the first Sunday of the month.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, the relief association's bylaws at Article 6 states:

Funds of this association shall not be expended for any other purpose than those authorized by the provisions of act 84 or any current state regulations and the association bylaws. 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 8 states, in part:

All expenditures of the association and records of the Association shall be governed and maintained by the Secretary and the Treasurer of the association according to the requirements of PA. Act 84, and any amendment or changes to or legislation changing same.

Cause: The relief association officials indicated that meeting minutes were in a locked office and the relief association treasurer did not have access to that office even though a few meeting minutes were provided. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes, why the Secretary of the Relief Association did not sign and date the meeting minutes, why all required meetings were not held or why the bylaws were not updated to meet the requirements of the VFRA Act.

Effect: Without holding regular meetings, providing the meeting minutes, and maintaining detailed minutes of meetings that are signed and dated, 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 hold all required meetings and maintain and provide 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 meeting minutes are kept at the relief association's main location where more than one officer has access. Furthermore, 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.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (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. 3 – Inadequate Financial Record-Keeping System

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- A journal was not maintained to record the receipts and disbursements of the relief association that occurred in 2022.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Documentation to support various expenditures and deposits were not available for examination at the time of the audit.
- Checks were written out of sequential order.

Criteria: Section 7415(a) of the VFRA Act 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. In either case, it 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, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials indicated that they were unaware of their various record-keeping responsibilities.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. 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.

TIDIOUTE AREA VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Tidioute Area Volunteer Fireman's Relief Association Governing Body:

Mr. Dakota Gourley
President

Mr. Chris Morgan
Vice President/Secretary

Mr. Michael Craft
Treasurer

TIDIOUTE AREA VOLUNTEER FIREMAN'S 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:

Mr. Jeri Graham
Secretary
Deerfield Township

Ms. Sally Paulmier
Secretary
Limestone Township

Ms. Amanda Mesel
Secretary
Tidioute Borough

Ms. Sandra L. Martin
Secretary
Triumph Township

Ms. Michelle Spencer
Secretary
Watson Township

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