

COMPLIANCE AUDIT

Greensburg Volunteer Firemen's Relief Association

Westmoreland County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2022

August 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Clyde J. Snyder, President
Greensburg Volunteer Firemen's
Relief Association
Westmoreland County

We have conducted a compliance audit of the Greensburg Volunteer Firemen'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.

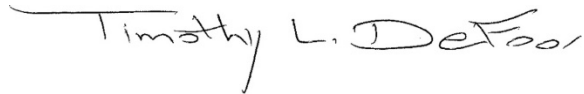
Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2022:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- Because of the significance of the matter described in Finding No. 1 below and discussed later in this report, 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. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Inappropriate Ownership Of Rescue Vehicle

Finding No. 2 – Unauthorized Expenditures

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
August 21, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Greensburg City	Westmoreland	\$69,940	\$63,134	\$77,411

Based on the relief association's records, its total cash and investments as of December 31, 2022, were \$3,376,411, as illustrated below:

Cash	\$ 92,776
Fair Value of Investments	<u>3,283,635</u>
Total Cash and Investments	<u>\$ 3,376,411</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$686,206, 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	\$ 37,275
Death benefits	137,822
Relief benefits	48,639
Tokens of sympathy and goodwill	<u>11,233</u>
Total Benefit Services	<u>\$ 234,969</u>
Fire Services:	
Equipment purchased	\$ 163,661
Equipment maintenance	80,137
Training expenses	<u>87,042</u>
Total Fire Services	<u>\$ 330,840</u>
Administrative Services:	
Bond premiums	\$ 1,089
Officer compensation	14,950
Other administrative expenses	<u>2,560</u>
Total Administrative Services	<u>\$ 18,599</u>
Total Investments Purchased	<u>\$ 100,000</u>
Other Expenditures:	
Unauthorized expenditures – See Finding No. 2	<u>\$ 1,798</u>
Total Expenditures	<u><u>\$ 686,206</u></u>

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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Hose Company No. 1

Hose Company No. 3

Hose Company No. 6

Hose Company No. 7

Hose Company No. 8

Truck Company No. 2

GREENSBURG VOLUNTEER FIREMEN'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:

- Failure To Deposit Proceeds From Vehicle Sold Into Relief Association Account

By receiving reimbursement for the erroneous deposit and depositing it into a relief association account.

GREENSBURG VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inappropriate Ownership Of Rescue Vehicle

Condition: On March 13, 2023, the relief association purchased a 2022 Ford Police Interceptor Utility rescue vehicle, in the amount of \$36,292, to carry personnel and safeguard equipment; however, the title to the vehicle was issued in the name of the City of Greensburg. There was a Memorandum of Agreement (Memorandum) dated March 13, 2023, between the City of Greensburg, the affiliated fire company and the relief association. The Memorandum states that the relief association shall retain 100% of the equitable and secured interest in the vehicle, with a right of reverted title. The Memorandum further indicates that the City of Greensburg will “take title” to the vehicle, maintain liability insurance repair, maintain, and ensure garage for said vehicle and that the relief association would be listed as an additional insured. The agreement had one signature of a representative of each party involved.

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 purchased by the relief association are to be titled in the name of the relief association.

Cause: Relief association officials stated that they entered into a Memorandum for the 2022 Ford Interceptor Utility rescue vehicle (vehicle). The City of Greensburg provides insurance coverage for the vehicle; therefore, the vehicle is titled in the name of the City of Greensburg. However, the relief association and the City of Greensburg entered into a Memorandum whereas the relief association shall retain 100% equitable and secured interest in the vehicle during the lifetime of the vehicle with right to reverted title. It is the relief association's position that this Memorandum is sufficient to demonstrate that title of the vehicle remains with the relief association.

Effect: The Memorandum, by itself, does not provide a legally secured interest in the vehicle. As a result of the vehicle being inappropriately titled solely in the name of the City of Greensburg, this relief association asset was not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until compliance with the finding recommendation.

Recommendation: We recommend that the vehicle be titled jointly in the name of the relief association and the City of Greensburg. Alternatively, the relief association could obtain a legally secured interest in the vehicle which would require the filing of documentation identifying the properly secured interest in the asset along with a more comprehensive binding contract with the city that contains language for the relief association to enforce the agreement if necessary. If such action is not taken, we recommend that the relief association be reimbursed \$36,292. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

GREENSBURG VOLUNTEER FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management’s Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated that the relief association and the City of Greensburg entered into memorandum of agreement whereas the relief association shall retain 100% equitable and secured interest in the vehicle during the lifetime of the vehicle with right to reverted title. It is the relief association’s position that this memorandum of agreement is sufficient to demonstrate that title of the incident command vehicle remains with the relief association.

Auditor’s Conclusion: As stated in the Criteria above, the relief association should maintain sole ownership of all equipment purchased with relief association funds; therefore, rescue vehicles purchased by the relief association should be titled in the name of the relief association. Although the relief association and the City of Greensburg entered into memorandum of agreement and the relief association will retain 100% equitable and secured interest in the vehicle during the lifetime of the vehicle with right to reverted title, the rescue vehicle must have the relief association’s name on the title, they should also obtain and file a legally secured interest in the vehicle, or enter into a binding contract with the city that contains language for the relief association to enforce the agreement if necessary, and if possible file such agreement with the Court. 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.

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
09/15/2021	4399	Program books/posters for annual memorial service	\$ 985
11/02/2021	4415	Posters for annual memorial service	60
05/25/2022	4494	Program books for annual memorial service	632
06/29/2022	4501	Picture frames for annual memorial service	121
Total			<u>\$ 1,798</u>

GREENSBURG VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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.
- (5) To pay the cost of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

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 the purchase of program books, posters, and picture frames for annual memorial services do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

GREENSBURG VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$1,798 for the unauthorized expenditures 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. 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 at the audit exit conference and stated these types of tokens of sympathy were never addressed, questioned, or identified as an audit finding in prior audits. As a result, it was the understanding of the relief association that these were allowable expenditures. However, on April 22, 2024, the relief association received reimbursement of \$1,798 from the affiliated fire company for the unauthorized expenditures.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,798 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

GREENSBURG VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
POTENTIAL WITHHOLD

A condition such as that reported by Finding No. 1 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 316E Finance Building, Harrisburg, PA 17120.

GREENSBURG VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Greensburg Volunteer Firemen's Relief Association Governing Body:

Mr. Clyde J. Snyder
President

Mr. Robert A. Manley
Vice President

Mr. Louis R. Battistella
Secretary

Mr. Michael Answine
Treasurer

Mr. Jon A. Hillwig
Financial Secretary

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

Ms. Kelsye A. Milliron
Secretary
Greensburg City

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.