

COMPLIANCE AUDIT

Carnegie Volunteer Fire and Rescue Relief

Allegheny County, Pennsylvania
For the Period
January 1, 2020, to December 31, 2023

September 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. Michael J. Clayton, President
Carnegie Volunteer Fire and
Rescue Relief
Allegheny County

We have conducted a compliance audit of the Carnegie Volunteer Fire and Rescue Relief (relief association) for the period January 1, 2020, 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.

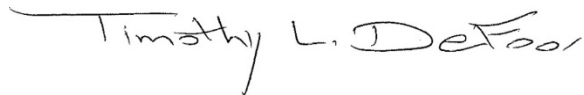
We were not able to obtain an independent confirmation of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2023, the relief association had a cash balance of \$109,480 and an investment balance with a fair value of \$60,000, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2020, 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 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 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
August 22, 2024

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	4
Finding and Recommendation:	
Finding – Inadequate Minutes Of Meetings And Relief Association Bylaws	5
Report Distribution List	7

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>	<u>2023</u>
Carnegie Borough	Allegheny	\$38,209	\$34,074	\$42,431	\$42,380
Pennsbury Village Borough	Allegheny	\$ 3,738	\$ 3,326	\$ 4,128	\$ 4,094

Based on the relief association’s records, its total cash and investments as of December 31, 2023, were \$169,480, as illustrated below:

Cash	\$ 109,480
Fair Value of Investments	<u>60,000</u>
Total Cash and Investments	<u><u>\$ 169,480</u></u>

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$251,657, 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>\$ 74,942</u>
Fire Services:	
Equipment purchased	\$ 175,645
Training expenses	<u>1,050</u>
Total Fire Services	<u>\$ 176,695</u>
Administrative Services:	
Other administrative expenses	<u>\$ 20</u>
Total Expenditures	<u><u>\$ 251,657</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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Carnegie Volunteer Fire and Rescue

CARNEGIE VOLUNTEER FIRE AND RESCUE
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Deposit State Aid

By depositing the 2019 state aid of \$41,519 from Carnegie Borough and Pennsbury Village Borough, and to ensure that all income received is deposited into the relief association's account.

- Inappropriate Ownership Of Rescue Vehicle

By ensuring the title of the rescue vehicle was transferred to the relief association.

CARNEGIE VOLUNTEER FIRE AND RESCUE
FINDING AND RECOMMENDATION

Finding – 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 and meeting minutes were not maintained for the year 2023. Because the meeting minutes were not available for the year 2023, we could not determine whether the meeting minutes contained an attendance record, or a sign-in sheet of members present, to verify those members who participated in the meeting ensured a quorum of membership was present and the relief association business was conducted before the membership for approval. 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, 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.

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 II, Section 1 states:

Regular meetings of this Association shall be held on every Second Sunday of the month immediately following the regular meeting of the C.V.F.R Seven (7) members shall constitute a quorum. Officers and association committee will meet every 1st Sunday of the month following the regular meeting of the officers of the C.V.F.R.

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

Funds of the Association shall not be expended for any 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.

Also, the relief association’s bylaws at Article VI, Section 1 states:

Funds of the Association may be invested in any security authorized by the provision 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.

CARNEGIE VOLUNTEER FIRE AND RESCUE
FINDING AND RECOMMENDATION

Finding – (Continued)

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

Secretary: The secretary shall keep a true record of the proceeding 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, prudent business practice dictates that the relief association officials should ensure that meeting minutes are signed and dated.

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 stated the lack of meeting minutes for the year 2023 were due to the secretary being deployed with the U.S. Military. Furthermore, the relief association officials did not provide a reason why all 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 the meeting minutes did not document attendance or why the bylaws were not updated to meet the requirements of the VFRA Act.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated that address all financial-related transactions, 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 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 and whether quorum requirements were met. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. 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.

CARNEGIE VOLUNTEER FIRE AND RESCUE
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Carnegie Volunteer Fire and Rescue Relief Governing Body:

Mr. Michael J. Clayton
President

Mr. Todd Scott
Vice President

Mr. Robert H. Chapman, Jr.
Treasurer

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

Mr. Stephen Beuter
Secretary
Carnegie Borough

Mr. Robert Wable
Secretary
Pennsbury Village 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.