

# COMPLIANCE AUDIT

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## Cochranton Volunteer Fire Department's Relief Association Crawford County, Pennsylvania For the Period January 1, 2021, to December 31, 2023

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November 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Shane Neff, President  
Cochranton Volunteer Fire  
Department's Relief Association  
Crawford County

We have conducted a compliance audit of the Cochranton Volunteer Fire Department's 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 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.

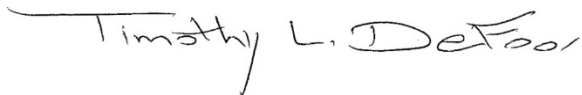
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2023:

- 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 findings listed below and discussed later in this report.

Finding No. 1 – Duplicate Payment

Finding No. 2 – Undocumented 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  
October 7, 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 Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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>
Cochranton Borough	Crawford	\$4,305	\$5,178	\$5,207
East Fairfield Township	Crawford	\$4,070	\$4,659	\$4,637
Fairfield Township	Crawford	\$4,504	\$5,482	\$5,404
Wayne Township	Crawford	\$6,833	\$7,933	\$8,103
French Creek Township	Mercer	\$3,668	\$4,332	\$4,410

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

## BACKGROUND – (Continued)

Based on the relief association’s records, its total cash and investments as of December 31, 2023, were \$168,862, as illustrated below:

Cash	\$ 53,936
Fair Value of Investments	<u>114,926</u>
Total Cash and Investments	<u>\$ 168,862</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$63,957, 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.<sup>4</sup> **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>\$ 26,272</u>
Fire Services:	
Equipment purchased	\$ 20,145
Equipment maintenance	<u>8,751</u>
Total Fire Services	<u>\$ 28,896</u>
Administrative Services:	
Bond premiums	<u>\$ 702</u>
Other Expenditures:	
Undocumented expenditures – See Finding No. 2	\$ 2,132
Duplicate payment – See Finding No. 1	<u>5,955</u>
Total Other Expenditures	<u>\$ 8,087</u>
Total Expenditures	<u>\$ 63,957</u>

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<sup>4</sup> 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:

Cochranton Volunteer Fire Department

COCHRANTON VOLUNTEER FIRE DEPARTMENT'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unauthorized Expenditures

By receiving reimbursement of \$3,239 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

- Failure To Adhere To Relief Association Bylaws

By establishing guidelines and procedures to meet the provisions contained in the relief association bylaws.

- Untimely Receipt And Deposit Of State Aid

By timely receiving and depositing all income received.



COCHRANTON VOLUNTEER FIRE DEPARTMENT'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Duplicate Payment**

Condition: On July 21, 2021, the relief association expended \$5,955 for an insurance policy. On September 1, 2021, the relief association erroneously made a duplicate payment for the same insurance policy. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment. The relief association obtained reimbursement from the vendor for the duplicate payment however the refund was deposited into the affiliated fire company general account on April 22, 2022.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices and to ensure duplicate payments are recouped.

Cause: The relief association officials indicated that a duplicate payment was made by mistake.

Effect: As a result of the erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$5,955 from the affiliated fire company for the erroneous duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association 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 agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$5,955 for the duplicate payment on August 30, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$5,955 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

COCHRANTON VOLUNTEER FIRE DEPARTMENT'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Undocumented Expenditures**

**Condition:** The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
08/25/2021	329	Training vendor	\$ 400
11/02/2021	335	Member reimbursement	250
04/05/2022	344	Member reimbursement	247
04/07/2022	345	Member reimbursement	365
04/07/2022	346	Training vendor	250
08/17/2022	352	Training vendor	340
08/28/2023	360	Training vendor	280
Total			\$ 2,132

**Criteria:** Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

**Cause:** The relief association officials indicated that they were missing the receipts for these expenditures and will confirm they are kept in the future.

**Effect:** Lack of supporting documentation, such as invoices and itemized receipts, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

COCHRANTON VOLUNTEER FIRE DEPARTMENT'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$2,132 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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 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.

COCHRANTON VOLUNTEER FIRE DEPARTMENT'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Cochranton Volunteer Fire Department's Relief Association Governing Body:

**Mr. Shane Neff**  
President

**Mr. Jason Saeger**  
Vice President

**Ms. Lisa Mailliard**  
Secretary

**Mr. Eric Danielson**  
Treasurer

COCHRANTON VOLUNTEER FIRE DEPARTMENT'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:

**Ms. Susan Armburger**  
Secretary  
Cochranton Borough

**Ms. Lori Guianen**  
Secretary  
East Fairfield Township

**Ms. Amanda Allen**  
Secretary  
Fairfield Township

**Ms. Mary Kennedy**  
Secretary  
Wayne Township

**Ms. Kelli Miller**  
Secretary  
French Creek Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).