

COMPLIANCE AUDIT

Houtzdale Firemen's Relief Association Clearfield County, Pennsylvania For the Period January 1, 2022, to December 31, 2023

September 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jeffrey Arnold, Jr., President
Houtzdale Firemen's Relief Association
Clearfield County

We have conducted a compliance audit of the Houtzdale Firemen's Relief Association (relief association) for the period January 1, 2022, 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 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.

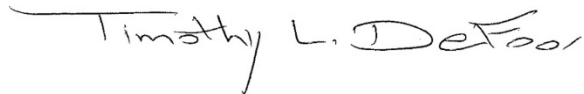
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2022, to December 31, 2023:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this 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 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws And Failure To Adhere To 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
September 9, 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>2022</u>	<u>2023</u>
Brisbon Borough	Clearfield	\$ 1,878	\$ 1,855
Houtzdale Borough	Clearfield	\$ 3,424	\$ 3,414
Woodward Township	Clearfield	\$16,494	\$16,359

Based on the relief association’s records, its total cash as of December 31, 2023, was \$58,224, as illustrated below:

Cash	<u>\$ 58,224</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2022, to December 31, 2023, were \$42,636, 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>\$ 14,720</u>
Fire Services:	
Equipment purchased	<u>\$ 27,636</u>
Administrative Services:	
Bond premiums	\$ 250
Other administrative expenses	<u>30</u>
Total Administrative Services	<u>\$ 280</u>
Total Expenditures	<u><u>\$ 42,636</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:

Houtzdale Fire Company No. 1

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Inadequate Relief Association Bylaws

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws And Failure To Adhere To Relief Association Bylaws

Condition: The existing bylaws of the relief association do not clearly address all the provisions required by Section 7415(c) of the VFRA Act. Specifically, the bylaws do not state that the disbursing officer must be one of the two required signers for the issuance of checks, withdrawals and other negotiable instruments. In addition, the existing bylaws of the relief association contains language to conduct business pertaining to the disbursement, investment, and purchase of funds, along with the operation of the relief association 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. A similar condition was noted in our prior two audit reports.

Furthermore, the relief association officials did not adhere to a provision in the relief association's bylaws. Specifically, the relief association did not abide by the quorum requirement for meetings.

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.
- (3) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

The relief association's bylaws at Article I, Section 1 states, in part:

...in the Fire Service and/or assistance as permitted by Act 84 (being Title 53 P.S. Sections 8501-8508), and/or use of Act 84 monies as permitted at Law.

The relief association's bylaws at Article II, Section 1 also states:

Regular Meetings of this Corporation shall be held on the third Wednesday of each month immediately following the Regular Meeting of the Fire Company. Seven (7) Members shall constitute a quorum.

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

In addition, the relief association's bylaws at Article III, Section 3C states, in part:

Secretary: ...The secretary shall also maintain accurate Firefighter rolls, accurate Relief equipment and inventory data/information, and any other business records or processes required by Act 84...

The relief association's bylaws at Article VI, Section 1 states, in part:

Funds of this Corporation shall not be expended for any purpose other than those authorized by the provisions of Act 84 of 1968 and these By-laws.

The relief association's bylaws at Article VII, Section 1, states:

Section 6(e) of Act 84 provides for various types of expenditures which can be made with Relief Association funds at the discretion of the Membership.

The relief association's bylaws at Article VII, Section 3, states, in part:

Discretionary Members' benefits may only be paid to individuals who are currently or have previously participated as an "Active Firefighter" in the Fire Service as defined by Act 84...Extending any type of benefits to individuals who do not participate in the Fire Service as defined by Act 84 is not considered authorized.

The relief association's bylaws at Article VIII, Section 1, states, in part:

Funds of this Association may be invested in any security authorized by the provisions of Section 6(c) of Act 84.

The relief association's bylaws at Article VIII, Section 5, states, in part:

The Association must consider its investment choices in compliance with existing statutory regulations including the Fiduciaries Investment Act and authorized by the provisions of Act 84.

The relief association's bylaws at Article IX, Section 1 states:

The signature of at least two (2) Officers, one (1) of whom shall be the President, shall be required for: a) the issuance of Relief Association checks; b) withdrawal from the Corporate savings account; c) redemption of any Relief Association investment; d) on any other negotiable instrument issued by the Corporation; and e) all contracts or agreements. (Emphasis added.)

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Furthermore, the relief association's bylaws at Article XI, Section 2A, states, in part:

The By-Laws Committee shall be required to review the proposed Amendment to insure the Amendment is [*sic*]:

- A. proper and legal pursuant to Act 84 and the Laws of the Commonwealth of Pennsylvania

In conclusion, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: The relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during our prior two audits. In addition, the relief association officials did not provide a reason why the bylaws were not updated to meet the requirements of the VFRA Act or why the quorum requirements were not followed.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, and the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of the relief association. We also recommend that the relief association officials establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Houtzdale Firemen's Relief Association Governing Body:

Mr. Jeffrey Arnold, Jr.
President

Mr. Scott Miscavish
Vice President

Ms. Kirsten Andrasko
Secretary

Mr. Matthew Reifer
Treasurer

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

Ms. Mary Ann Albright
Secretary
Brisbon Borough

Ms. Janis Bush
Secretary
Houtzdale Borough

Ms. Kimberly Caldwell
Secretary
Woodward Township

HOUTZDALE FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.