

COMPLIANCE AUDIT

Relief Association of the Morrell Volunteer Fire Company

Fayette County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2024

June 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. James Adenhardt, President
Relief Association of the Morrell
Volunteer Fire Company
Fayette County

We have conducted a compliance audit of the Relief Association of the Morrell Volunteer Fire Company (relief association) for the period January 1, 2021, to December 31, 2024. 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.

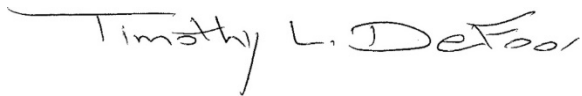
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 objective. 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, 2024, 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 – Untimely Deposits Of State Aid

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
June 6, 2025

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ 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 Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

BACKGROUND - (Continued)

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Dunbar Township	Fayette	\$13,435	\$16,294*	\$16,032*	\$16,422*

* The 2022, 2023, and 2024 state aid allocations received from Dunbar Township were deposited into the fire company's checking account. All allocations were transferred from the fire company's checking account to the relief association's checking account on February 18, 2025, as disclosed in the finding in this report.

Based on the relief association's records, its total cash and investments as of December 31, 2024, were \$11,988, as illustrated below:

Cash	\$ 9,451
Fair Value of Investments	<u>2,537</u>
Total Cash and Investments	<u>\$ 11,988</u>

BACKGROUND - (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021. to December 31, 2024, were \$48,284, 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.⁵ **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	\$ 19,075
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Fire Services:

Equipment purchased	\$ 17,243
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Equipment maintenance	2,270
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Training expenses	5,546
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Total Fire Services	\$ 25,059
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Administrative Services:

Bond premiums	\$ 900
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Other administrative expenses	3,250
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Total Administrative Services	\$ 4,150
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Total Expenditures	\$ 48,284
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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:

Morrell Volunteer Fire Company

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

RELIEF ASSOCIATION OF THE MORRELL VOLUNTEER FIRE COMPANY
FINDING AND RECOMMENDATION

Finding – Untimely Deposits Of State Aid

Condition: The relief association did not deposit its 2022, 2023, and 2024 state aid allocations received from Dunbar Township, in the amounts of \$16,294, \$16,032, and \$16,422, respectively, until February 18, 2025. The foreign fire insurance premium tax (state aid) allocations were distributed to the municipal treasurer on September 21, 2022, September 21, 2023, and September 18, 2024, respectively, and were forwarded to the relief association on October 17, 2022, October 13, 2023, and October 15, 2024, respectively, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, (P.L. 1005, No. 205) (Act). However, the state aid allocations were erroneously deposited into the affiliated fire company's account. The relief association did not ensure the funds were received and deposited timely into a relief association account.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited into the relief association account in a timely manner.

Cause: The relief association officials noted that the untimely deposit of state aid occurred due to erroneous deposit of the state aid checks into the affiliated fire company's bank account.

Effect: As a result of the untimely deposits of state aid, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of state aid increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the accurate and timely deposit of all state aid allocations received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

RELIEF ASSOCIATION OF THE MORRELL VOLUNTEER FIRE COMPANY
FINDING AND RECOMMENDATION

Finding – (Continued)

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 \$48,748 on February 15, 2025.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$48,748 from the affiliate fire company was received. Compliance for accurate and timely deposit of state aid allocations will be subject to verification during the next audit.

RELIEF ASSOCIATION OF THE MORRELL VOLUNTEER FIRE COMPANY
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Relief Association of the Morrell Volunteer Fire Company Governing Body:

Mr. James Adenhardt
President

Mr. Clyde D. Grimm, Sr.
Secretary

Ms. Jennifer Helms
Treasurer

Mr. Michael Rock
Financial Secretary

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

Ms. Luanne M. Dye
Secretary
Dunbar Township

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.