

COMPLIANCE AUDIT

Volunteer Firemen's Relief Association of Mount Pleasant, Pennsylvania Westmoreland County For the Period January 1, 2021, to December 31, 2024

July 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Richard Pologruto, President
Volunteer Firemen's Relief Association
of Mount Pleasant, Pennsylvania
Westmoreland County

We have conducted a compliance audit of the Volunteer Firemen's Relief Association of Mount Pleasant, Pennsylvania (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 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, 2021, to December 31, 2024:

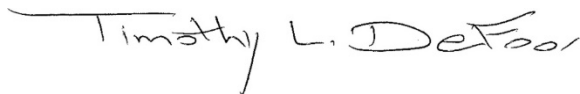
- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Erroneous Transfer Of Funds

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 3 – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

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
June 13, 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>
Mount Pleasant Borough	Westmoreland	\$17,176*	\$20,295	\$20,307	\$20,563

* The municipality filed an AG 385 Form timely and completed their 706-B Form online in Munstats; however, the municipality failed to distribute the total 2021 state aid amount in full. The municipality distributed \$50 less than allocated. We disclosed this issue to the Relief Association Officials during the conduct of the audit. Once disclosed, the municipality distributed the remaining \$50 on April 21, 2025.

Based on the relief association's records, its total cash and investments as of December 31, 2024, were \$109,068, as illustrated below:

Cash	\$ 74,283
Fair Value of Investments	<u>34,785</u>
Total Cash and Investments	<u><u>\$ 109,068</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$236,461, 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	\$ 1,020
Death benefits	29,637
Total Benefit Services	<u>\$ 30,657</u>

Fire Services:

Equipment purchased	\$ 177,591
Equipment maintenance	10,334
Training expenses	1,088
Total Fire Services	<u>\$ 189,013</u>

Administrative Services:

Officer Compensation	\$ 500
Other administrative expenses	1,155
Total Administrative Services	<u>\$ 1,655</u>

Other Expenditures:

Erroneous transfer of funds by financial institution – See Finding No. 1	<u>\$ 15,136</u>
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Total Expenditures	<u><u>\$ 236,461</u></u>
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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:

Mount Pleasant Volunteer Fire Department

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

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
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:

- Untimely Deposit Of State Aid

By timely depositing all state aid received.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Erroneous Transfer Of Funds

Condition: On June 18, 2024, during the closing of the relief association's money market account, the financial institution erroneously transferred funds in the amount of \$15,136 from the relief association's money market account to the affiliated fire company's checking account.

Criteria: In order to maintain effective control of its assets, relief association funds should not be commingled with any other organization's funds. In addition, adequate accounting and internal controls should include procedures to prevent and detect erroneous transfers.

Cause: The relief association officials were aware of the closing of the money market account. However, the relief association officials indicated that they were not aware that an erroneous transfer of funds to the affiliated fire company had taken place.

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

Recommendation: We recommend that the relief association be reimbursed \$15,136 for the erroneous transfer. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association transfers. 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 exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$15,136 on April 15, 2025, for the erroneous transfer of funds.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$15,136 was received. Compliance will be subject to verification during the next audit.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit period, we identified nine of 39 checks drawn on the relief association's checking account that did not contain the proper signatory authority. The VFRA Act requires the signature of at least two officers, one of whom shall be the disbursing officer, on each negotiable instrument. The relief association bylaws require the signature of the president, secretary, and the countersignature of the treasurer (disbursing officer). Of the nine checks, five checks were signed by only the relief association president and relief association secretary, but not the treasurer; one check was signed solely by the relief association treasurer; and three checks were signed solely by the relief association president. Issuing checks with the signature of only one relief association officer and/or without the signature of the disbursing officer, negates the relief association's internal control over the disbursement process.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall 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.

In addition, the relief association's bylaws at Article 4, Section 5 states, in part:

The checks will be signed by the president and secretary and countersigned by [the treasurer] himself.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of the appropriate relief association officers, as required under the VFRA Act and the relief association bylaws, are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: Relief association officials indicated that a turnover in officer positions caused inadequate signatory authority for the disbursement of funds.

Effect: As a result of the relief association issuing checks with only one signature and/or without the signature of the disbursing officer, the relief association was not in compliance with the VFRA Act or its bylaws and increased the risk of misappropriation and undetected errors.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of appropriate relief association officers, as required under the VFRA Act and the relief association bylaws, are included on all negotiable instruments. 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 during the next audit.

Finding No. 3 – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

Condition: The relief association failed to maintain a complete and accurate cumulative roster of equipment owned by the relief association. Although a roster of relief association owned equipment was provided during the current audit, the roster was incomplete and did not accurately identify all the equipment owned by the relief association. The relief association purchased \$177,591 of equipment during the current audit period, but the current year purchases of equipment were not properly accounted for on the relief association's equipment roster. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

Criteria: Prudent business practice dictates that the relief association establish adequate internal control procedures to ensure the maintenance of a complete and accurate cumulative roster of equipment purchased by the relief association and the performance of an annual physical inventory of all equipment is documented. A complete and accurate cumulative roster of all relief association equipment should include the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: The relief association officials indicated that a turnover in officer positions caused the failure to maintain a complete and accurate equipment roster.

Effect: Failure to properly record equipment purchases in a complete and accurate cumulative equipment roster prevents relief association officials from effectively monitoring the relief association's equipment purchases. In addition, failure to maintain a complete and accurate cumulative equipment roster and failure to perform an annual physical inventory of the equipment prevents adequate accountability for, and safeguarding of, relief association assets.

Recommendation: We recommend that the relief association officials maintain a complete and accurate cumulative roster of all relief association equipment. Furthermore, the relief association should ensure an annual physical inventory of all relief association purchased equipment is performed and documented. 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 during the next audit.

VOLUNTEER FIREMEN’S RELIEF ASSOCIATION OF MOUNT PLEASANT,
PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Volunteer Firemen’s Relief Association of Mount Pleasant, Pennsylvania Governing Body:

Mr. Richard Pologruto
President

Mr. Joseph Siska
Treasurer

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

Ms. Sharon Lesko
Secretary
Mount Pleasant 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.