

# COMPLIANCE AUDIT

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## Nelson Volunteer Firemen's Relief Association

Tioga County, Pennsylvania

For the Period

January 1, 2022, to December 31, 2024

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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. Clay Groves, President  
Nelson Volunteer Firemen's  
Relief Association  
Tioga County

We have conducted a compliance audit of the Nelson Volunteer Firemen's Relief Association (relief association) for the period January 1, 2022, 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 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 independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2024, the relief association had a cash balance of \$7,439, we were not able to verify the cash balance.

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, 2022, to December 31, 2024:

- The relief association took appropriate corrective action to address four of the five findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings 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 fund, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendations –  
Inadequate Relief Association Bylaws

Finding No. 2 – Unauthorized Expenditures

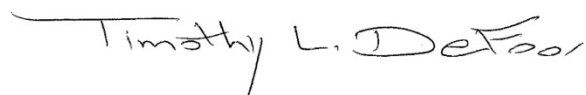
Finding No. 3 – Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 4 – Failure To Maintain A Complete And Accurate Cumulative  
Equipment Roster And Failure To Conduct An Annual  
Physical Inventory Of Equipment

Finding No. 5 – Failure To Hold Relief Association Meetings And Inadequate  
Minutes Of Relief Association Meetings

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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 30, 2025

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,<sup>1</sup> Section 403 of The Fiscal Code,<sup>2</sup> and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),<sup>3</sup> 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,<sup>4</sup> 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>2022</u>	<u>2023</u>	<u>2024</u>
Farmington Township	Tioga	\$2,131	\$2,111	\$2,142
Lawrence Township	Tioga	\$1,046	\$1,035	\$1,036
Nelson Township	Tioga	\$2,891	\$2,937	\$2,995

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<sup>1</sup> Pa. Const. Art. VIII § 10.

<sup>2</sup> 72 P.S. § 403.

<sup>3</sup> 35 Pa.C.S. § 7411 *et seq.*

<sup>4</sup> 53 P.S. § 895.701 *et seq.*

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash as of December 31, 2024, was \$7,439, as illustrated below:

Cash	<u>\$ 7,439</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2022, to December 31, 2024, were \$23,941 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>5</sup> **The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.**

### Expenditures:

#### Fire Services:

Equipment purchased	\$ 16,441
Equipment maintenance	520
Training expenses	<u>2,350</u>
Total Fire Services	<u>\$ 19,311</u>

#### Administrative Services:

Bond premiums	<u>\$ 300</u>
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#### Other Expenditures:

Miscellaneous Expenditure *	\$ 2,960
Unauthorized expenditures – See Finding No. 2	<u>1,370</u>
Total Other Expenditures	<u>\$ 4,330</u>

Total Expenditures	<u>\$ 23,941</u>
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\* The miscellaneous expenditure represents an erroneous transfer of \$2,960 from the relief association to the affiliated fire company on February 16, 2022. Once the relief association noticed the error, the affiliated fire company reimbursed the relief association \$2,960 on March 17, 2022.

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:

Nelson Volunteer Fire Department

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

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Untimely Deposit Of State Aid

By timely depositing all state aid received.

- Erroneous Transfer Of Funds

By receiving reimbursement from the affiliated fire company of the erroneous transfers made during the prior and current audit periods.

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

- Failure To Adhere To Relief Association Bylaws

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

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 Findings and Recommendations section of this report:

- Inadequate Relief Association Bylaws

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws**

Condition: The most recent bylaws of the relief association, dated June 17, 2024, reflect the combination of the position/office of the Secretary and Treasurer.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the duties of the secretary and treasurer are sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors, irregularities, or misappropriations.

The minimum requirements of the Secretary's position of a relief association are to maintain detailed minutes of meetings documenting authorization of the relief association's financial operations, to review and coordinate amendments to the bylaws as necessary to comply with the minimum requirements of the VFRA Act, and to make these bylaws available for review by the membership.

The minimum requirements of the Treasurer's position are to maintain an account of all funds belonging to the relief association, to maintain a journal and ledger detailing all financial transactions along with maintaining supporting documentation for receipts and disbursements, to co-sign all negotiable instruments along with another relief association officer, and to prepare annual financial statements for presentation to the membership.

The relief association's by-laws did not contain the following provisions as defined in Section 7415(c) of the VFRA Act:

- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

The relief association bylaws at Article III, Section 1 state, in part:

The Association shall consist of a President, Vice-President and a Secretary/Treasurer. The officers shall be responsible for the management of the association business upon direction received by the membership at association meetings.



NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

In addition, the relief association bylaws at Article III, Section 4, state in part:

Secretary/Treasurer: The Secretary/Treasurer 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 the meetings. The Secretary/Treasurer shall also maintain an updated copy of the bylaws and make them available for review by the membership.

Secretary/Treasurer shall keep account of all money belonging to the association and shall not expend monies or enter into investment transactions without authorization of the membership. The Secretary/Treasurer shall keep a journal and ledger which details all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the association.

Cause: Relief association officials indicated lack of oversight as the reason for not correcting the bylaws despite the relief association being notified of this condition during the prior audit.

Effect: The combined positions of the Secretary/Treasurer as noted in the relief association bylaws may result in the relief association conducting its affairs without proper segregation of duties and without proper authorization. The bylaws, therefore, are inconsistent with business best practices and the VFRA Act.

Recommendation: We again recommend that the relief association officials review and update the bylaws governing its organization to meet the requirements set forth in the VFRA Act and beneficial to the operation of the relief association. 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.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Unauthorized Expenditures**

Condition: During the current audit period, the relief association incurred expenditures of \$1,370 for the following items that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/12/2024	1151	Maintenance for an affiliated fire company owned vehicle	\$ 118
02/12/2024	1152	Maintenance for an affiliated fire company owned vehicle	96
02/12/2024	1153	Maintenance for an affiliated fire company owned vehicle	1,156
Total			<u>\$ 1,370</u>

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the payment of maintenance for affiliated fire company owned vehicles do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these expenditures are not authorized under the VFRA Act.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Cause: The relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

Effect: As a result of the unauthorized expenditures, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$1,370 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of 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 during the next audit.

**Finding No. 3 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain surety (fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's surety (fidelity) bond coverage expired on December 3, 2024, and has not been renewed.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

In addition, Article VII, Section 2 of the relief association's bylaws states:

- The association shall maintain an officer's bond on the Secretary/Treasurer. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: Relief association officials stated a lack of oversight for the expiration of the surety (fidelity) bond on the disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not renewing its surety bond coverage, the relief association's maximum cash balance may not be adequately safeguarded in the event the disbursing officer commits a wrongful or fraudulent act. Additionally, without sufficient surety bond coverage, the relief association is not in compliance with the VFRA Act and its bylaws.

Recommendation: We recommend that the relief association officials immediately renew its surety (fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by 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 during the next audit.

**Finding No. 4 – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster And Failure To Conduct An Annual Physical Inventory Of Equipment**

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. Specifically, the relief association purchased \$16,441 of equipment during the current audit period and these purchases were not included in the equipment roster. In addition, there was no evidence that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

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 that the performance of an annual physical inventory of all equipment is documented. A complete and accurate cumulative equipment roster of all relief association purchased equipment should include the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers from which the equipment was purchased
- Serial numbers, if applicable
- Current location(s) of items
- Final dispositions if damaged, sold or disposed of
- Evidence of the performance, date, and results of an annual physical inventory

Cause: Relief association officials stated a lack of oversight for not maintaining an equipment roster or performing an annual physical inventory of the relief association's owned equipment.

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 equipment 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.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – Failure To Hold Relief Association Meetings And Inadequate Minutes Of Relief Association Meetings**

Condition: The relief association failed to hold regular monthly meetings as required by the relief association's bylaws. Meetings were held in only six months during calendar year 2022, two months during calendar year 2023, and three months during calendar year 2024. Additionally, the relief association's records do not reflect the approval of all financial transactions that occurred during the audit period, attendance records, a sign-in sheet of members present, and whether a quorum was present. In addition, the relief association meeting minutes did not contain the signature of the recording officer.

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 the third Monday of each month immediately following the regular meeting of the Nelson Volunteer Fire Company, Inc. Three members shall constitute a quorum.

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

Secretary/Treasurer: The Secretary/Treasurer 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.

Furthermore, prudent business practice dictates that the relief association officials should ensure that meeting minutes are signed and dated by the recording officer.

Cause: The relief association officials stated a lack of oversight as to why all required meetings were not held, why the meeting minutes did not reflect approval of all financial transactions, or why the meeting minutes did not document attendance or document the presence of a quorum, and why the recording officer of the relief association did not sign the meeting minutes.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, that address all financial-related transactions and that are signed and dated by the recording officer, there is insufficient evidence that the relief association business was documented and presented before the membership for approval.

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 recording officer of the relief association to ensure the validity of the meeting minutes. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management 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.

NELSON VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Nelson Volunteer Firemen's Relief Association Governing Body:

**Mr. Clay Groves**  
President

**Mr. Tyler Neal**  
Secretary/Treasurer

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

**Ms. Penny Jeffers**  
Secretary  
Farmington Township

**Ms. Lisa Stage**  
Secretary  
Lawrence Township

**Ms. Terri Card**  
Secretary  
Nelson Township

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