

# COMPLIANCE AUDIT

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## The Firemen's Relief Association of the Orbisonia-Rockhill Fire Company #1 Huntingdon County, Pennsylvania For the Period January 1, 2021, to December 31, 2023

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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. Matt T. Gilliland, Sr., President  
The Firemen's Relief Association of the  
Orbisonia-Rockhill Fire Company #1  
Huntingdon County

We have conducted a compliance audit of The Firemen's Relief Association of the Orbisonia-Rockhill Fire Company #1 (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 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.

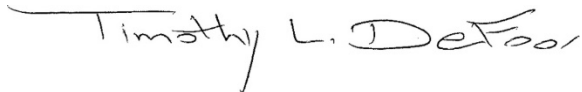
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2023:

- 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes Of Meetings And Relief Association  
Bylaws

Finding No. 2 – Payment Of Pennsylvania Sales Tax

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  
September 6, 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.

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<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)**

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>
Cromwell Township	Huntingdon	\$6,604	\$8,100	\$7,995
Orbisonia Borough	Huntingdon	\$1,560	\$1,973	\$1,967
Rockhill Borough	Huntingdon	\$1,373	\$1,701	\$1,691
Shirley Township	Huntingdon	\$4,223	\$5,022	\$5,067
Shirleysburg Borough	Huntingdon	\$ 529	\$ 628	\$ 604

Based on the relief association’s records, its total cash as of December 31, 2023, was \$26,092, as illustrated below:

Cash \$ 26,092

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$45,898, 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	\$ 8,200
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#### Fire Services:

Equipment purchased	\$ 9,130
Equipment maintenance	15,592
Training expenses	1,472

Total Fire Services	<u>\$ 26,194</u>
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#### Administrative Services:

Bond premiums	\$ 456
Other administrative expenses	1,318

Total Administrative Services	<u>\$ 1,774</u>
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#### Other Expenditures:

Payments on loan	\$ 9,064
Undocumented expenditures *	234

Unauthorized payment of sales tax – See Finding No. 2	432
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Total Other Expenditures	<u>\$ 9,730</u>
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Total Expenditures	<u><u>\$ 45,898</u></u>
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\* The relief association was unable to provide adequate supporting documentation evidencing the propriety of three expenditures totaling \$234 made during calendar years 2021 and 2023. We disclosed these issues to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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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:

Orbisonia-Rockhill Volunteer Fire Company #1



THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
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:

- Failure To Maintain Minutes Of Meetings

Although the relief association has complied with the prior audit recommendation by holding all required meetings and maintaining a permanent record of all relief association meeting minutes as required by the VFRA Act, the relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association bylaws as disclosed in Finding No. 1 of this report.

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.

THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes  
Of Meetings And Relief Association Bylaws**

Condition: Although the relief association has complied with the prior audit recommendation by holding all required meetings and maintaining a permanent record of all relief association meeting minutes as required by the VFRA Act, the relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association's minutes did not address all financial-related transactions that occurred during the audit period. In addition, the relief association officials did not respond to our email to confirm the validity of the meeting minutes to ensure the meeting minutes are not fraudulent, altered, etc. Furthermore, the existing bylaws of the relief association contains language to conduct business pertaining to the disbursement, investment, and purchase of funds 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.

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 VI, Section 3 states:

It shall be the duty of the secretary to keep a true and correct account of all minutes of all meetings. He or she shall keep these minutes in a separate book so they may be available to the Auditor General and the association membership. He or she must keep a copy of the bylaws and make it available to the membership.

In addition, the relief association's bylaws at Article VIII, Section 1 states:

Anything purchased by the association must be authorized by the provisions of Act 84 and meet with Association Bylaws.

Furthermore, the relief association's bylaws at Article X, Section 1 states:

Fund of this association may be invested in any security authorized by the provisions of Section 6 of Act 84. All purchases and sales of investment must be made in a prudent manner to insure [*sic*] maximum investment return, [*sic*] and authorized by a majority vote at an association meeting and duly recorded in the minutes.

THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Cause: Relief association officials indicated that they thought the minutes as they were recorded met the standard requirements for maintaining minutes of meetings. Relief association officials also indicated that an invalid email address may be the cause for why a response has not been received to our email requests for the verification of the validity of the meeting minutes.

Effect: Without maintaining detailed minutes of meetings that address all financial-related transactions, evidence that relief association business was presented before the membership for approval does not exist. As a result of the relief association not updating the bylaws to meet the appropriate requirements, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials 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. We also recommend the relief association officials provide a response to our request to confirm the validity of the meeting minutes. 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.

**Finding No. 2 – Payment Of Pennsylvania Sales Tax**

Condition: The relief association paid \$432 of Pennsylvania sales tax to vendors from which the relief association had purchased equipment, maintenance and administrative items. These payments would not have been required if the relief association had provided its sales tax exemption number to the vendors.

THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: Relief association officials indicated that they missed that there was tax being applied to those expenditure transactions.

Effect: As a result of the relief association's failure to provide its sales tax exemption number to all vendors, the relief association was required to pay Pennsylvania sales tax on its purchase, which reduced the funds otherwise available for general operating expenditures and for investment purposes.

Recommendation: We recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$432, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, relief association officials furnish its state sales tax exemption number to all vendors from which the relief association purchases equipment. 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.

THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Firemen's Relief Association of the Orbisonia-Rockhill Fire Company #1 Governing Body:

**Mr. Matt T. Gilliland, Sr.**  
President

**Mr. Charles Yates**  
Vice President

**Ms. Tammy L. Gilliland**  
Secretary

**Ms. Daphne L. Gilliland**  
Treasurer

THE FIREMEN'S RELIEF ASSOCIATION OF THE ORBISONIA-ROCKHILL  
FIRE COMPANY #1  
REPORT DISTRIBUTION LIST

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

**Ms. Laurie Secrest**  
Secretary  
Cromwell Township

**Ms. Cindi McGarvey**  
Secretary  
Orbisonia Borough

**Ms. Cindi McGarvey**  
Secretary  
Rockhill Borough

**Ms. Kathy J. Varner**  
Secretary  
Shirley Township

**Ms. Kathy J. Varner**  
Secretary  
Shirleysburg Borough

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