COMPLIANCE AUDIT

Parker City Volunteer Firemen's Relief Association

Armstrong County, Pennsylvania

For the Period

January 1, 2023, to December 31, 2025

September 2026

Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Richard Farrington, President
Parker City Volunteer Firemen's Relief
Association
Armstrong County

We have conducted a compliance audit of the Parker City Volunteer Firemen's Relief Association (relief association) for the period January 1, 2023, to December 31, 2025. 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.

Based on our audit procedures, we conclude that, for the period January 1, 2023, to December 31, 2025:

- The relief association took appropriate corrective action to address one of the two 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 funds, except as noted in the findings listed below and discussed later in this report.

  Finding No. 1 – Noncompliance With Prior Audit Recommendation – Terms Of Loan Agreements Do Not Comply With The VFRA Act Requirements

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

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

Timothy L. DeFoor
Auditor General
July 2, 2026

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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.

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

Municipality	County	2023	2024	2025
Hovey Township	Armstrong	$ 490	$ 326	$ 577
Parker City	Armstrong	$2,875	$2,918	$3,079
Allegheny Township	Butler	$1,363	$1,407	$1,588
Foxburg Borough	Clarion	$ 937	$ 952	$ 514

[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)

Based on the relief association's records, its total cash and investments as of December 31, 2025, were $51,237, as illustrated below:

Cash	$	11,237
Book Value of Other Investments		40,000
Total Cash and Investments	$	51,237

Based on the relief association's records, its total expenditures for the period January 1, 2023, to December 31, 2025, were $149,166, 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	$	6,130
Fire Services:		
Fire prevention materials	$	1,871
Administrative Services:		
Bond premiums	$	300
Other Expenditures:		
Payments on loan	$	92,755
Miscellaneous *		48,110
Total Other Expenditures	$	140,865
Total Expenditures	$	149,166

* In April 2021, funds from the estate of an affiliated fire company lifetime member totaling $48,110 were erroneously deposited into the relief association's bank account and subsequently added to an existing certificate of deposit held by the relief association. The certificate of deposit matured on January 8, 2025. On February 1, 2025, the relief association paid the $48,110 to the affiliated fire company as reported in the Status of Prior Findings section of this report.

[5] 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:

Parker City Volunteer Fire Department

PARKER CITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Erroneous Deposit Of Funds

  By paying the affiliated fire company for the $48,110 erroneous deposit made during the prior audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Terms Of Loan Agreement Do Not Comply With The VFRA Act Requirements

  Although the relief association received reimbursement of $1,194 from the affiliated fire company for the remaining interest due on the loan, the relief association again failed to ensure proper collateralization for loans issued in the current audit period, 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.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Terms Of Loan Agreements Do Not Comply With The VFRA Act Requirements

Condition: During the current audit period, the relief association entered into three short-term loan agreements with the affiliated fire company totaling $92,755. No collateral provisions were included in the three loan agreements. Two loans were paid in full during the current audit period. The remaining outstanding loan has a principal balance of $40,000 and was due, in one lump sum, on July 15, 2026.

A similar condition was noted in our two prior audit reports.

Criteria: Section 7416(c)(3) of the VFRA Act requires that loans be:

> …(i) secured by assets of the company having capital value equal to at least 150% of the amount of the obligation at the time it is made: (ii) subject to provisions which amortize the loan at a rate ensuring that the depreciated value of the assets pledged shall continue to be at least 150% of the balance due.

Prudent business practices dictate that the relief association have adequate accounting policies and internal control procedures to ensure that loan transactions are fully documented through a formal written loan agreement that specifies the payment schedule, interest rate, and collateral, and is signed by both parties.

Cause: Relief association officials indicated they were unaware that collateral was needed to secure the loans despite the being notified of this condition during the prior audit.

Effect: Failure to obtain adequate security for the loans places the relief association's investment at greater risk.

Recommendation: We again recommend that the relief association officials update the terms of the loan agreement to comply with the requirements of the VFRA Act, including ensuring proper collateralization of the outstanding loan. If such action is not taken, we recommend that the loan be immediately liquidated. We further recommend that the relief association officials ensure that all future loan agreements are executed in accordance with the VFRA Act requirements. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Finding No. 1 – (Continued)

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: 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. Compliance with collateral provisions for future loans will be subject to verification during the next audit.

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

Condition: During the current audit period, we identified eight of 11 checks drawn on the relief association's checking account that did not contain the proper signatory authority. The eight checks contained the signatures of the relief association disbursing officer (treasurer); however, the second signature was that of the Fire Chief, who is not an officer of the relief association.

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, Article VII, Section 1 of the relief association's bylaws state:

> The signatures of at least two Officers, one of whom shall be the Treasurer, shall be required for the issuance of Relief Association checks, withdrawal from the savings account, the redemption of any Relief Association investment or on any other negotiable instrument issued by the Association.

Furthermore, prudent business practice dictates that a relief association have internal control procedures that 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 with supporting documentation, such as invoices or contracts.

Cause: The relief association officials indicated they were unaware that the Fire Chief could not sign relief association checks.

Finding No. 2 – (Continued)

Effect: As a result of the relief association officers issuing checks with only one authorized signature, the relief association was not in compliance with the VFRA Act or its bylaws and increased the risk of misappropriation and undetected errors.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure the signatures of at least two relief association officers, one of whom should be the disbursing officer (treasurer), are included on all relief association negotiable instruments as required by the VFRA Act and the relief association's bylaws. 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.

PARKER CITY 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

Parker City Volunteer Firemen's Relief Association Governing Body:

Mr. Richard Farrington
President

Mr. William Gombos
Vice President

Ms. Jacque Gombos
Secretary

Mr. William McCall
Treasurer

PARKER CITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Janice Shrum
Secretary
Hovey Township

Ms. Linda K. Strauser
Secretary
Parker City

Ms. Kellie Langdon
Secretary
Allegheny Township

Ms. Lauren Cousins
Secretary
Foxburg 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.