

COMPLIANCE AUDIT

Spangler Fire Company Relief Association

Cambria County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2024

November 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Francis M. Lutch, President
Spangler Fire Company Relief Association
Cambria County

We have conducted a compliance audit of the Spangler Fire Company Relief Association (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.

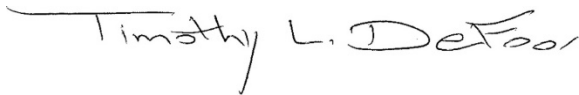
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2024:

- 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 – Unauthorized Expenditures And Inappropriate Commingling Of Funds

Finding No. 2 – Failure To Hold Relief Association Meetings And Failure To Properly Document Minutes Of Relief Association Meetings

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
August 5, 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.

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

Municipality	County	2021	2022	2023	2024
Northern Cambria Borough	Cambria	\$6,564	\$7,557	\$7,498	\$7,608
West Carroll Township	Cambria	\$2,315	\$2,644	\$2,584	\$2,622

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 as of December 31, 2024, was \$12,016, as illustrated below:

Cash	<u>\$ 12,016</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$95,226, 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	\$ 33,334
Relief benefits	316
Total Benefit Services	<u>\$ 33,650</u>

Fire Services:

Equipment purchased	\$ 3,081
Equipment maintenance	250
Training expenses	3,288
Total Fire Services	<u>\$ 6,619</u>

Administrative Services:

Bond premiums	\$ 750
Other administrative expenses	89
Total Administrative Services	<u>\$ 839</u>

Other Expenditures:

Unauthorized expenditures – See Finding No. 1	<u>\$ 54,118</u>
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Total Expenditures	<u>\$ 95,226</u>
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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:

Spangler Fire Company

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
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:

- Undocumented Expenditure

By providing adequate documentation to evidence the propriety of the undocumented expenditure made in the prior audit period.

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures And Inappropriate Commingling Of Funds

Condition: During the current audit period, the relief association and the affiliated fire company improperly commingled funds which resulted in both unauthorized expenditures, millage tax funded reimbursements, and misapplied revenues. This led to an excess reimbursement to the relief association of \$3,843 by the affiliated fire company as illustrated below:

<u>Transactions</u>	<u>Purpose</u>	<u>Amount</u>
Unauthorized expenditures:	Commercial insurance premiums of the affiliated fire company	\$ 34,498
	Transfer to affiliated fire company for the purchase of equipment	15,620
	Purchases of non-relief owned equipment	<u>4,000</u>
	Total unauthorized expenditures	<u>\$ 54,118</u>
Deposit owed to relief association:	Insurance reimbursement for an equipment claim erroneously deposited into the affiliated fire company account	<u>\$ 1,944</u>
	Total due to relief association	<u>\$ 56,062</u>
Reimbursements received:	Insurance premiums and equipment purchases – monthly fire tax received from two municipalities (millage tax funded)	\$ (44,905)
	Reimbursement for equipment purchase	<u>(15,000)</u>
	Total reimbursed to relief association	<u>\$ (59,905)</u>
	Excess reimbursed and granted to the relief association	<u>\$ (3,843)</u>

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.
- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
- (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.

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Costs associated with payment of certain commercial insurance premiums of the affiliated fire company do not qualify as authorized volunteer firefighters' relief association expenditures. Consequently, these expenditures are not authorized under the VFRA Act.

Furthermore, prudent business practices dictate that in order to maintain effective control over monetary assets, relief association expenditures should be paid directly from relief association accounts and relief association funds should not be commingled with the affiliated fire company funds.

Cause: The relief association officials indicated that they were unaware that payment of certain insurance premiums for the affiliated fire company are not authorized by the VFRA Act and that the transfer of funds to the affiliated fire company to indirectly pay expenditures was not permitted.

Effect: As a result of the unauthorized expenditures and erroneous deposit of relief association funds into the affiliated fire company's account, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act. In addition, the practice of paying bills through the affiliated fire company's account reduced the relief association's control over custody of assets.

Recommendation: The affiliated fire company has indicated that the excess reimbursement is to be considered a donation to the relief association. As such, no reimbursement is required. However, we recommend that the relief association become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. We further recommend that the relief association pay all relief association expenditures directly from and deposit all relief association proceeds directly to a relief association account. 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: During the next audit period, compliance for authorized expenditures and for making expenditures directly from the relief association's account will be subject to verification.

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure To Hold Relief Association Meetings And Failure To Properly Document Minutes Of Relief Association Meetings

Condition: The relief association failed to hold regular monthly meetings and failed to properly document minutes of certain meeting as required by the VFRA Act and the relief association bylaws. As such, the relief association's records may not reflect the approval of all financial transactions during the audit period, attendance records, sign-in sheet for members present, and whether a quorum was present.

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 first Thursday of each month, immediately following the regular monthly meeting of the Spangler Fire Company. Ten (10) members shall constitute a quorum.

In addition, the relief association's bylaws at Article III, Section 3 states, in part:

The Secretary shall keep a true record of the proceedings 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.

Cause: Relief association officials indicated that they were unaware of the requirement under the VFRA Act and the association's bylaws to hold monthly meetings and to maintain detailed minutes documenting financial transactions, attendance, and quorum verification.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that address all financial-related transactions, attendance, and quorum verification there is insufficient evidence that relief association business was documented and presented before the membership for approval.

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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. 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.

SPANGLER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Spangler Fire Company Relief Association Governing Body:

Mr. Francis M. Lutch
President

Mr. C. Edward Kelly
Vice President

Ms. Lisa Uhron
Secretary

Mr. Edward V. Link
Treasurer

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

Ms. Claudine M. Nagle
Secretary
Northern Cambria Borough

Ms. Teresa Wooley
Secretary
West Carroll 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.