

# COMPLIANCE AUDIT

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## The Adams Township Volunteer Fire Company Dunlo #1 Relief Association Cambria 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. Dennis Gdula, President  
The Adams Township Volunteer Fire  
Company Dunlo #1 Relief Association  
Cambria County

We have conducted a compliance audit of The Adams Township Volunteer Fire Company Dunlo #1 Relief Association (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 P.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.

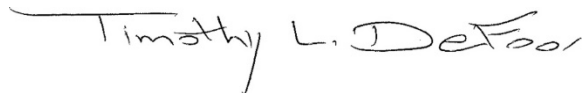
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2021, to December 31, 2023:

- The relief association took appropriate corrective action to address the findings 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 finding listed below and discussed later in this report.

Finding – Inadequate Minutes Of Meetings And Relief Association Bylaws

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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  
July 30, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Adams Township	Cambria	\$13,018	\$15,553	\$15,168

Based on the relief association’s records, its total cash and investments as of December 31, 2023, were \$35,533, as illustrated below:

Cash	\$ 12,474
Fair Value of Investments	<u>23,059</u>
Total Cash and Investments	<u><u>\$ 35,533</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$55,516, 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 *	\$ 19,623
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#### Fire Services:

Equipment purchased	\$ 831
Equipment maintenance	4,502
Training expenses	3,269
Total Fire Services	<u>\$ 8,602</u>

#### Administrative Services:

Other administrative expenses	<u>\$ 27</u>
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#### Other Expenditures:

Payments on loan	\$ 27,160
Unauthorized payment of sales tax **	104
Total Other Expenditures	<u>\$ 27,264</u>

Total Expenditures	<u><u>\$ 55,516</u></u>
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\* During calendar year 2021, the relief association made a \$313 disbursement that was not authorized under the VFRA Act. We disclosed this issue to relief association officials as part of a finding issued during the conduct of our prior audit. In the current audit period, on January 12, 2022, the relief association received reimbursement from the affiliated fire company.

\*\* During calendar years 2022 and 2023, the relief association made insignificant disbursements totaling \$104 for the unauthorized payment of sales tax on purchases that were authorized under the VFRA Act. In addition, in the post audit period, the relief association made an insignificant disbursement in the amount of \$6 for the unauthorized payment of sales tax on a purchase that was authorized under the VFRA Act. We disclosed these issues to relief association officials on May 10, 2024, 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:

Adams Township Volunteer Fire Company Dunlo #1



THE ADAMS TOWNSHIP VOLUNTEER FIRE COMPANY DUNLO #1  
RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unauthorized Expenditures

By receiving reimbursement of \$626 from the affiliated fire company for the unauthorized expenditure made in the prior audit period and an unauthorized expenditure made in the current audit period.

- Inappropriate Presigning Of Blank Checks

By prohibiting the presigning of blank checks.

THE ADAMS TOWNSHIP VOLUNTEER FIRE COMPANY DUNLO #1  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Inadequate Minutes Of Meetings And Relief Association Bylaws**

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws. Specifically, meetings were only held in seven months during calendar year 2021, in seven months during calendar year 2022, and in five months during calendar year 2023. The meeting minutes were also not signed and dated by the recording officer. 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 I, Section 1 states:

The regularly scheduled meetings of the Association shall be held monthly at the close of the regular meeting of the Adams Township Volunteer Fire Company Dunlo #1.

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

The secretary shall write and sign all orders on the Treasurer and keep a correct record of the proceedings of all meetings of the Association.

Furthermore, the relief association’s bylaws at Article IV, Sections 1 and 3 state, in part:

The funds of this Association shall not be used for any purpose whatever except as provided for in ARTICLE II of the Constitution and those authorized by the provisions of Pennsylvania Act 84, dated 11 June 1968.

All funds over and above the working capital of the Association will be invested as they may accumulate. All investments must be made in a prudent manner to insure [*Sic*] maximum investment return and may only be invested in any security authorized by Section 6(C) of Act 84.

THE ADAMS TOWNSHIP VOLUNTEER FIRE COMPANY DUNLO #1  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

In addition, prudent business practice dictates that the relief association officials should ensure that meeting minutes are signed and dated.

Cause: Although the relief association officials indicated that they did not follow the guidelines in the bylaws for the number of meetings to be held and they did not sign the meeting minutes, a reason was not provided. In addition, the relief association officials did not provide a reason why the bylaws were not updated to meet the requirements of the VFRA Act.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, 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 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. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure 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: Compliance will be subject to verification through our next audit.

THE ADAMS TOWNSHIP VOLUNTEER FIRE COMPANY DUNLO #1  
RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Adams Township Volunteer Fire Company Dunlo #1 Relief Association Governing Body:

**Mr. Dennis Gdula**  
President

**Ms. Brenda S. Gdula**  
Treasurer

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

**Ms. Jennifer Zakraysek**  
Secretary  
Adams Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).