

# COMPLIANCE AUDIT

---

## The Highland Township Volunteer Fireman's Relief Association

Elk County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

---

August 2024



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. Leo Geibel, President  
The Highland Township Volunteer  
Fireman's Relief Association  
Elk County

We have conducted a compliance audit of The Highland Township Volunteer Fireman's 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 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, 2021, to December 31, 2023:

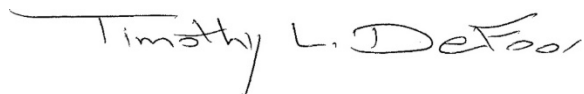
- The relief association took appropriate corrective action to address three of the four findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below,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

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Monitor Investment And Checking Activity And To Secure Ownership Access

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

Finding No. 3 – 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 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 18, 2024

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Background.....   | 1           |
| Status of Prior Findings .....  | 3           |
| Findings and Recommendations:   |             |
| Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To<br>Monitor Investment And Checking Activity And To Secure<br>Ownership Access..... | 4           |
| Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds.....   | 5           |
| Finding No. 3 – Inadequate Minutes Of Meetings And Relief Association Bylaws .....  | 7           |
| Report Distribution List .....  | 10          |

## 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.

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> |
|---------------------|---------------|-------------|-------------|-------------|
| Highland Township   | Elk           | \$2,066     | \$2,232     | \$2,315     |

<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)

Based on the relief association’s records, its total cash and investments as of December 31, 2023, were \$19,301, as illustrated below:

|                            |                  |
|----------------------------|------------------|
| Cash                       | \$ 17,930        |
| Fair Value of Investments  | <u>1,371</u>     |
| Total Cash and Investments | <u>\$ 19,301</u> |

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$1,920, 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:

|                                   |                 |
|-----------------------------------|-----------------|
| Administrative Services:          |                 |
| Bond premiums                     | \$ 300          |
| Other administrative expenses     | <u>40</u>       |
| Total Administrative Services     | <u>\$ 340</u>   |
| Other Expenditures:               |                 |
| Miscellaneous – See Finding No. 1 | <u>\$ 1,580</u> |
| Total Expenditures                | <u>\$ 1,920</u> |

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:

Highland Township Volunteer Fire Department

---

<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

THE HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By receiving reimbursement of \$1,052 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.

- Failure To Maintain A Pennsylvania Sales Tax Exemption Number

By maintaining a state sales tax exemption number and providing to all vendors from which the relief association purchases equipment.

- Failure To Maintain Surety (Fidelity) Bond Coverage

By maintaining Surety (Fidelity) bond coverage in an amount greater than the balance of the relief association's cash assets.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Monitor Investment Activity And Secure Ownership Access

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 HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Monitor Investment And Checking Activity And To Secure Ownership Access**

Condition: Relief association officials failed to monitor their investment and checking activity. Specifically, a certificate of deposit was considered dormant and was escheated to the Pennsylvania Department of Treasury. Relief association officials lost access to the account as the certificate of deposit did not have active and proper signatory authority assignment and relief officials were unable to contact the prior investment company to assist in obtaining ownership rights and access to the account, which resulted in the funds being turned over to the Pennsylvania Department of Treasury. As of the last renewal notice dated March 31, 2021, the stated value of the investment amounted to \$1,370 and the reported value by the Pennsylvania Department of Treasury amounted to \$1,371. A similar condition was noted in our prior audit report.

In addition, through bank error, eleven disbursements, totaling \$1,580, were made from the relief association's checking account for the prior relief association treasurer's personal bills. The disbursements occurred from May 16, 2022, through November 29, 2022. On December 16, 2022, the prior relief association treasurer notified the relief association's financial institution of the erroneous disbursements. After the relief association's financial institution researched these expenditures, they determined the erroneous disbursements were due to their error. On December 16, 2022, the financial institution corrected their error by depositing \$1,580 into the relief association's checking account. Failure of the relief association officials to monitor the relief association's checking account allowed the erroneous disbursements to occur over a seven-month span.

Criteria: The relief association's governing body has ultimate authority and the fiduciary responsibility for the financial management of relief association's funds which includes an obligation to monitor the activity of relief association's investments including disbursements made from the relief association checking account disbursements on a periodic basis, which is a prerequisite for sound administration of relief association accounts. Further, proper signatory authority should be maintained on all relief association investments so that the relief association secures its access and control of all relief association assets.

Cause: The relief association officials indicated that this situation was not addressed by the previous relief association treasurer. In addition, as stated in the prior audit, the inability to access the account was due to a former treasurer, who had passed away, being listed as the person of contact on the original certificate of deposit. Relief association officials did not provide a reason for why the erroneous disbursements occurred or why the relief association did not identify the erroneous disbursements.



THE HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Effect: The relief association's failure to adequately monitor checking account and investment activity resulted in a potential loss of funds to pay general operating expenses or for other investment purposes and any future interest income from this investment.

Recommendation: We recommend the relief association contact the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury to obtain the funds from their dormant custodial investment account. Also, the relief association should obtain reimbursement for the erroneous disbursements made from the prior treasurer's personal account from their financial institution. In addition, the management of the relief association should monitor all future checking account activity and investments to ensure they are maximizing their investment return and that assets are safeguarded from loss. 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, as a result of our audit, the Bureau of Unclaimed Property within the Pennsylvania Department of Treasury reimbursed the relief association \$1,371 for the escheated funds on May 28, 2024. In addition, the relief association's financial institution reimbursed the \$1,580 that was erroneously deducted from their account for expenditures made from the prior relief association treasurer's personal account on December 16, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursements of \$1,371 and \$1,580 were received. Compliance for escheated funds and erroneous disbursements made during the next audit period will be subject to verification through our next audit.

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

Condition: During the current audit engagement, we identified one check out of three checks drawn on the relief association's checking account that only contained the signature of one officer, the Relief Association Treasurer, even though two signatures are required by the VFRA Act and the relief association's bylaws. Issuing checks with the signature of only one relief association officer negates the relief association's internal control over the disbursement process.

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.

THE HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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

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 association savings account, the redemption any relief association investment or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures 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. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials indicated that this situation occurred as an oversight with the previous relief association treasurer failing to obtain a second signature on the checks.

Effect: As a result of the relief association officer issuing checks with only one authorized signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second authorized signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two relief association officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined 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'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 HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – 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, the relief association's minutes did not address all financial-related transactions that occurred during the audit period. In addition, although meetings are to be held quarterly, meetings were only held in two months during calendar year 2021, one month during calendar year 2022, and three months during calendar year 2023. Furthermore, the meeting minutes were not signed and dated by the recording officer. 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 III, Section 1 states:

Regular meetings of this Association shall be held quarterly directly following the regular monthly meeting of the Highland Township Volunteer Fire Department in the months of January, April, July, October unless business needs conducted and is so stated at the regular meeting of the Highland Township Volunteer Fire Department.

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

Secretary: 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.

Furthermore, the relief association's bylaws at Article VI, Section 1 states, in part:

Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the association bylaws. All expenditures must be approved by a majority vote of officers with the President voting only in case of a tie.

THE HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Also, the relief association's bylaws at Article VII, states, in part:

Any such purchase shall follow the provisions of Act 84 governing the use of Relief Association monies and must be authorized by the provisions set forth in the bylaws.

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

Funds of this association may be invested and any security authorized by the provisions of Section 6 (c) of Act 84. All purchases and sales of investments must be made in a prudent manner to insure maximum investment return and authorized by a majority vote at an association meeting. The transactions must be duly recorded in the minutes.

Prudent business practice dictates that the relief association officials should ensure that meeting minutes are signed and dated. Relief association officials should also update and maintain its bylaws to reflect the current requirements of the VFRA Act.

Cause: The relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by the VFRA Act and the relief association's bylaws. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes, why the Secretary of the Relief Association did not sign the meeting minutes, why all required meetings were not held, or 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.

THE HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (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. 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 HIGHLAND TOWNSHIP VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Highland Township Volunteer Fireman's Relief Association Governing Body:

**Mr. Leo Geibel**  
President

**Mr. Scott Frey**  
Vice President

**Ms. Judy Orzetti**  
Secretary

**Ms. Amy Beers**  
Treasurer

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

**Ms. Carrie Dempsey**  
Secretary  
Highland 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).