

COMPLIANCE AUDIT

Warsaw Township Volunteer Fire Company Relief Association

Jefferson County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2023

June 2025



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. Jeff Martz, President
Warsaw Township Volunteer Fire Company
Relief Association
Jefferson County

We have conducted a compliance audit of the Warsaw Township Volunteer Fire Company Relief Association (relief association) for the period January 1, 2020, 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, 2020, to December 31, 2023:

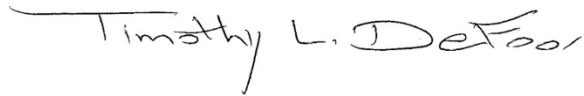
- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- Because of the significance of the matter described in Finding No. 1 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Inappropriate Ownership Of Rescue Vehicle

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds And Incorrect Signature Card At Financial Institution

Finding No. 3 – Inadequate Relief Association Bylaws And Failure To Adhere To 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.



Timothy L. DeFoor
Auditor General
May 9, 2025

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	4
Findings and Recommendations:	
Finding No. 1 – Inappropriate Ownership Of Rescue Vehicle	5
Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds And Incorrect Signature Card At Financial Institution.....	5
Finding No. 3 – Inadequate Relief Association Bylaws And Failure To Adhere To Relief Association Bylaws.....	7
Potential Withhold of State Aid.....	10
Report Distribution List	11

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.

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)

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Polk Township	Jefferson	\$1,564	\$1,466	\$1,859	\$1,853
Warsaw Township	Jefferson	\$7,181	\$6,463	\$7,746	\$7,635

Based on the relief association's records, its total cash as of December 31, 2023, was \$18,178, as illustrated below:

Cash	<u>\$ 18,178</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$48,684, 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:

Fire Services:

Equipment purchased	\$ 46,653
Equipment maintenance	1,566
Training expenses	<u>90</u>
Total Fire Services	<u>\$ 48,309</u>

Administrative Services:

Bond premiums	<u>\$ 200</u>
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Other Expenditures:

Unauthorized expenditure *	<u>\$ 175</u>
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Total Expenditures	<u><u>\$ 48,684</u></u>
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* During calendar year 2020, the relief association made a \$175 disbursement that was not authorized under the VFRA Act. We disclosed this issue to relief association officials on January 31, 2025, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Warsaw Township Volunteer Fire Company

WARSAW TOWNSHIP VOLUNTEER 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:

- Failure To Segregate Relief Association Officers' Duties

By ensuring that there is segregation of duties between the relief association secretary and treasurer positions.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inappropriate Ownership Of Rescue Vehicle

Condition: On June 19, 2023, the relief association purchased a rescue vehicle, in the amount of \$25,000, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the relief association's affiliated fire company.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the affiliated fire company, this relief association asset was not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the finding recommendation.

Recommendation: We recommend that the rescue vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$25,000. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding's recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds And Incorrect Signature Card At Financial Institution

Condition: During the current audit engagement, we identified five checks out of 12 checks drawn from the relief association's checking account that did not contain the proper signatory authority. Specifically, for the five checks, we found:

- Four checks contained the signature of the relief association's disbursing officer and the Fire Chief. The Fire Chief is not an authorized officer of the relief association.
- One check contained only the signature of the relief association's disbursing officer.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Also, the signature card on file at the relief association's financial institution contains four names as authorized signers. Only two of the names are relief association officers. The other two names, including the Fire Chief, are not relief association officers, and are not authorized to sign relief association checks.

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 relief association's bylaws at Article III, Section 1 states, in part:

The officers of this association shall consist of a President, Vice President, Secretary and Treasurer.

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

The signatures of at least two officers shall be required for the issuance of relief association checks, withdrawal from the association 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 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 with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials indicated they were unaware the Fire Chief could not sign the checks unless he was an officer. Relief officials did not provide a reason for why two signatures were not applied to one of the checks.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: Issuing checks with the signature of only one relief association officer, and/or without a second relief association officer's signatures negates the relief association's internal control over the disbursement process. As a result, 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 appropriate authorized signatures ensures the risk of errors occurring and going undetected. Also, having non-members on the bank signature card makes the relief association susceptible to a greater risk of fraud.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two authorized relief association officers, one of whom shall be the Treasurer/disbursing officer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. In addition, the signature cards at the relief association's financial institution must be updated to reflect the signatures of only authorized relief association officers. 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 our recommendation presented at the 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.

Finding No. 3 – Inadequate Relief Association Bylaws And Failure To Adhere To Relief Association Bylaws

Condition: The existing bylaws of the relief association do not clearly address all the provisions required by Section 7415(c) of the VFRA Act and considered to be beneficial to the operation of a relief association. Specifically, the bylaws do not address that the Treasurer of the relief association must be one of the two required signatures on the issuance of relief associations checks and/or withdrawals from the relief financial institution. The existing bylaws of the relief association contain language based on Act 84 of June 11, 1968, rather than the VFRA Act. In addition, the relief association did not adhere to the provision in the relief association's bylaws, which require that the relief association maintain its financial records, such as journals, ledgers, equipment rosters, and membership rosters, in a businesslike manner and present them in a timely and orderly fashion to representatives of the Department of the Auditor General.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (3) 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 relief association's bylaws at Article III, Section 3 states, in part:

Treasurer: ...The Treasurer is responsible for maintaining relief association financial records in a businesslike manner and for presenting, in an orderly fashion, all records requested by representatives of the Department of the Auditor General in connection with their auditing duties.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization and that the relief association updates its bylaws to meet the requirements set forth in the VFRA Act.

Cause: Relief association officials indicated that they were unaware of the mandatory change in bylaw provisions established by the VFRA Act. Relief association officials did not provide any further reason for why the bylaws did not address that the Treasurer of the relief association must be one of the two required signatures on the issuance of relief associations checks and/or withdrawals from the relief financial institution or why the relief association did not maintain and present its financial records to our auditors in a timely and businesslike manner.

Effect: As a result of the relief association not adhering to its bylaws and the mandatory provisions of the VFRA Act not being included in the bylaws, the relief association may have conducted its affairs without proper authorization and in noncompliance with the VFRA Act and relief association bylaws.

Recommendation: We recommend that the relief association officials review its bylaws and comply with the provisions stipulated by the bylaws, and that the relief association removes 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. Relief association officials should ensure it provides its financial records to our auditors in a timely and businesslike manner. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

WARSAW TOWNSHIP VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Warsaw Township Volunteer Fire Company Relief Association Governing Body:

Mr. Jeff Martz
President

Mr. Nathan Wolfe
Secretary

Mr. Chris Clark
Treasurer

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

Ms. Anne Chamberlin
Secretary
Polk Township

Ms. Tina M. Bernarduci
Secretary
Warsaw 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.