

COMPLIANCE AUDIT

Voluntary Relief Association of Alert Fire Company No. 1 of Emigsville, PA York County, Pennsylvania For the Period January 1, 2013 to December 31, 2016

October 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Sean Page, President
Voluntary Relief Association of Alert
Fire Company No. 1 of Emigsville, PA
York County

We have conducted a compliance audit of the Voluntary Relief Association of Alert Fire Company No. 1 of Emigsville, PA (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2013 to December 31, 2016.

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 required to be and was not 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 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, 2013 to December 31, 2016:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed 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 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure

Finding No. 3 – Failure To Receive Appropriate State Aid Allocation

Finding No. 4 – Relief Association Accounts Registered Under Prior Federal Tax Identification Number

As later disclosed in Finding No. 3 of this report, the relief association submitted incorrect information to Manchester Township that is used to complete the township's reporting Certification Form AG 385, for the year 2016, that would have enabled them to receive their correct foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the year 2016. Consequently, the relief association did not receive their appropriate share of the foreign fire tax allocation for the year 2016 from this municipality; and therefore, those funds were not available to for general operating expenses or for investment purposes. The relief association should ensure that accurate information is provided to the township for future submissions of Form AG 385s to ensure the proper receipt and distribution of state aid to the relief association in subsequent periods. In addition, Manchester Township should contact the Municipal Pension and Fire Relief Programs Unit at 1-800-882-5073 or e-mail Comptroller@PaAuditor.gov to resolve the matter of the incorrectly filed Certification Form AG 385 for the year 2016.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

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.

September 27, 2017

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure	5
Finding No. 3 – Failure To Receive Appropriate State Aid Allocation.....	6
Finding No. 4 – Relief Association Accounts Registered Under Prior Federal Tax Identification Number	8
Supplementary Financial Information	9
Report Distribution List	11

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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 association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the 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.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Manchester Township	York	\$35,543	\$33,643	\$25,888	\$2,923*

* The relief association failed to receive the correct distribution of state aid from Manchester Township during 2016 due to a reporting error made by relief association officials to the township during the completion of the Certification Form AG 385 submitted during 2016 as disclosed in Finding No. 3 of this report.

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:

Alert Fire Company No. 1 of Emigsville, PA

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster
- Undocumented Expenditure

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Equipment Roster**

Condition: As disclosed in the prior audit report, the relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. A similar condition occurred during the current audit period. And, although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, and cost of equipment to accurately identify all equipment owned by the relief association. As such, we were unable to determine whether all of the equipment purchased during the audit period in the amount of \$31,329 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the continued failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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: 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.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure

Condition: As disclosed in the prior audit report, relief association officials were unable to provide adequate supporting documentation for an expenditure amounting to \$750 disbursed previously on January 8, 2009. As of the date of this report, supporting documentation, such as an invoice, to evidence the propriety of the expenditure or reimbursement amounting to \$750 for this undocumented expenditure remains outstanding.

Criteria: As previously disclosed, Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to provide documentation to evidence the propriety of the expenditure or seek reimbursement amounting to \$750 for this undocumented expenditure.

Effect: The continued failure to provide supporting documentation for this expenditures made it impossible to determine whether this expenditure was made in accordance with Act 118. Additionally, funds were not available for investment purposes or to pay other expenditures authorized by Act 118.

Recommendation: We again recommend that relief association officials provide this department with adequate supporting documentation, such as an invoice, to ensure the propriety of the expenditure or that the relief association be reimbursed \$750 for the undocumented expenditure. We also again recommend that relief association officials maintain supporting documentation for all future expenditures. 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 exit conference and, as a result of our audit, subsequent to our audit period on September 7, 2017, the affiliated fire company reimbursed the relief association \$750 for the undocumented expenditure.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of 750 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 3 – Failure To Receive Appropriate State Aid Allocation

Condition: The relief association failed to receive an appropriate distribution of state aid from Manchester Township during 2016 due to a reporting error made by relief association officials to the township during the completion of the Certification Form AG 385 submitted during 2016. This form enables municipalities to receive their annual foreign fire insurance premium tax state aid allocation based on the information reported; however, the relief association underreported the number of volunteer firefighters providing fire service to the township.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practices dictate that the relief association should establish adequate internal control procedures to ensure that correct information is reported to the municipality.

Cause: Relief association officials failed to establish internal control procedures to ensure the correct number of volunteers was accurately reported to the municipality for completion of Certification Form AG 385.

Effect: As a result of this reporting error, the relief association received less state aid than entitled during 2016 and these funds were not available to pay general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the correct reporting of information to the municipality for the preparation of future Certification Form AG 385s. We also recommend that relief association officials contact officials from Manchester Township to determine whether a revised AG 385 can be submitted for 2016 by contacting the Municipal Pension and Fire Relief Programs Unit at 1-800-882-5073 or e-mail Comptroller@PaAuditor.gov.

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.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Relief Association Accounts Registered Under Prior Federal Tax Identification Number

Condition: As of December 31, 2016, the relief association held checking and savings accounts, with a total value of \$28,053, which were registered under a prior federal tax identification number rather than the relief association's current identification number.

Criteria: Prudent business practice dictates that the relief association maintain ownership of all accounts as a means of safeguarding its assets from unauthorized use or disposition.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that all of its accounts were registered with the relief association's current federal tax identification number.

Effect: As a result of the accounts being inappropriately registered under another entity's federal tax identification number, these relief association assets were not properly safeguarded.

Recommendation: We recommend that the relief association officials secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all accounts are registered under the relief association's federal tax identification number. 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.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	<u>\$ 44,574</u>
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VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
 EMIGSVILLE, PA
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 34,266
Relief benefits	5,652
Total Benefit Services	\$ 39,918
Fire Services:	
Equipment purchased	\$ 31,329
Equipment maintenance	34,163
Training expenses	4,556
Total Fire Services	\$ 70,048
Administrative Services:	
Other administrative expenses	\$ 15
Bond premiums	798
Total Administrative Services	\$ 813
Unauthorized Expenditure*	\$ 120
Total Expenditures	\$ 110,899

* During 2014, the relief association made an insignificant disbursement in the amount of \$120 which was not authorized by Act 118. We disclosed this issue to relief association officials on August 7, 2017.

VOLUNTARY RELIEF ASSOCIATION OF ALERT FIRE COMPANY NO. 1 OF
EMIGSVILLE, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Voluntary Relief Association of Alert Fire Company No. 1 of Emigsville, PA Governing Body:

Mr. Sean Page
President

Mr. Jonathan Dacheux
Vice President

Mr. Austin Zirkle
Secretary

Mr. Craig Wisherd
Treasurer

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

Mr. Timothy R. James
Secretary
Manchester 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.