

COMPLIANCE AUDIT

Blue Ball Firemen's Relief Association Lancaster County, Pennsylvania For the Period January 1, 2012 to February 28, 2013

October 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. David Wright, President
Blue Ball Firemen's Relief Association
Lancaster County

We have conducted a compliance audit of the former Blue Ball Firemen's Relief Association (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, 2012 to February 28, 2013.

The objective of the audit was to determine if the former relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. Our audit was limited to the areas related to the objective identified above.

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, 2012 to February 28, 2013, the former relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Improper Merger

Finding No. 2 – Unauthorized Expenditures

In addition, as of February 28, 2013, the former relief association completed the process of dissolution and merged with Liberty Volunteer Firemen’s Relief Association of New Holland, Pennsylvania to form Garden Spot Fire Rescue Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Garden Spot Fire Rescue Relief Association.

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 former relief association and, where appropriate, their responses have been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

October 19, 2016



EUGENE A. DEPASQUALE
Auditor General

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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, 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 former relief association was 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. The relief associations' bylaws define the specific operational procedures by which the relief association conducts 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 the relief association 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2012</u>
East Earl Township	Lancaster	\$28,552

* As of February 28, 2013, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following former fire service organization:

Blue Ball Fire Company No. 1

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Merger

Condition: The relief association did not properly document the dissolution of its organization and subsequent merger with Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania to form the Garden Spot Fire Rescue Relief Association. Specifically, the relief association did not provide meeting minutes evidencing membership's approval of the merger or evidence of the transfer of equipment owned by the former relief association. In addition, one vehicle that was owned by the former relief association should have been re-titled in the name of the newly formed relief association and, for another vehicle that was jointly-owned with the fire company, there should have been an amended agreement for the newly formed relief association's proportionate ownership share in the vehicle. Furthermore, the relief association was without officer's Surety (Fidelity) bond coverage during the year 2013; although, as of February 28, 2013, all remaining monetary assets were transferred to the new relief association.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

Furthermore, prudent business practice dictates that the former relief association should have properly documented the membership's approval of the merger in the minutes of meetings held by the former relief association regarding the merger. In addition, the transfer of equipment from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to Garden Spot Fire Rescue Relief Association along with a signed receipt of the recipient.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the newly formed relief association.

Effect: Without detailed documentation, evidence that the former relief association's merger with Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to Garden Spot Fire Rescue Relief Association, we are providing officials of Garden Spot Fire Rescue Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Garden Spot Fire Rescue Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, we recommend that the Garden Spot Fire Rescue Relief Association officials have the former relief association's owned vehicle re-titled in the name of the newly formed relief association, and amend the agreement for the relief association's proportionate ownership interest in the jointly owned vehicle with the fire company. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our audit of the Garden Spot Fire Rescue Relief Association.

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
08/07/12	1178	Member benefit	\$ 250
10/15/12	1185	Training vendor – grant writing	403
		Total	<u>\$ 653</u>

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 11) 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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the purchase of grant writing services and for relief benefits that are not defined in the bylaws do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Garden Spot Fire Rescue Relief Association, we are providing officials of the Garden Spot Fire Rescue Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Garden Spot Fire Rescue Relief Association be reimbursed \$653 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our audit of the Garden Spot Fire Rescue Relief Association.

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF FEBRUARY 28, 2013

Cash	\$	-
Fair Value of Investments		<u>-</u>
Total Cash and Investments	\$	<u><u>-</u></u>

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2013 TO FEBRUARY 28, 2013

Expenditures:

Benefit Services:	
Insurance premiums	\$ 3,162
Fire Services:	
Equipment purchased	\$ 15,177
Equipment maintenance	627
Training expenses	500
Fire prevention materials	1,348
Total Fire Services	<u>\$ 17,652</u>
Administrative Services:	
Other administrative expenses	\$ 1,360
Bond premiums	346
Total Administrative Services	<u>\$ 1,706</u>
Other Expenditures:	
Transfer of monetary assets*	\$ 78,822
Unauthorized expenditure	653
Total Other Expenditures	<u>\$ 79,475</u>
Total Expenditures	<u><u>\$ 101,995</u></u>

*Transfer of Monetary Assets/Dissolution of Relief Association. As of February 28, 2013, the former relief association completed the process of dissolution and merged with Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania to form the Garden Spot Fire Rescue Relief Association. Consequently, all remaining monetary assets were transferred to the Garden Spot Fire Rescue Relief Association. In addition to this transfer, the former relief association sold its certificate of deposit in the amount of \$15,483 on February 28, 2013 and the financial institution sent the proceeds from the surrender of the certificate of deposit directly to the Garden Spot Fire Rescue Relief Association. Due to the dissolution of the former relief association, we are providing officials of Garden Spot Fire Rescue Relief Association copies of this report.

BLUE BALL FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Blue Ball Firemen's Relief Association Governing Body:

Mr. David Wright
President

Ms. Anita Witmer
Treasurer

Garden Spot Fire Rescue Relief Association Governing Body:

Mr. Timothy Sprecher
President

Mr. Matthew Boley
Vice President

Mr. David Wright
Secretary

Mr. Dennis Weaver
Treasurer

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

Ms. Connie J. Gross
Secretary
East Earl 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.