

# COMPLIANCE AUDIT

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## Garden Spot Fire Rescue Relief Association Lancaster County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

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April 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Tim Sprecher, President  
Garden Spot Fire Rescue  
Relief Association  
Lancaster County

We have conducted a compliance audit of the Garden Spot Fire Rescue 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, 2013 to December 31, 2015.

The objective of the audit was 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 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, because of the significance of the matters described in the findings 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, for the period January 1, 2013 to December 31, 2015. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures
- Finding No. 3 – Noncompliance With Prior Audit Recommendation – Improper Merger
- Finding No. 4 – Insufficient Surety (Fidelity) Bond Coverage
- Finding No. 5 – Failure To Secure Ownership Interest In Jointly Purchased Equipment
- Finding No. 6 – Inadequate Relief Association Bylaws
- Finding No. 7 – Inadequate Minutes Of Meetings

The seven findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings and strongly encourage timely implementation of the recommendations noted in this report.

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.

April 3, 2017

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

<u>Municipality</u>	<u>County</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Earl Township	Lancaster	\$27,885	\$26,463	\$26,127
East Earl Township	Lancaster	\$25,962	\$30,858	\$30,042
New Holland Borough	Lancaster	\$40,998	\$38,643	\$37,144

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:

Garden Spot Fire Rescue

As disclosed later in this report, Garden Spot Fire Rescue Relief Association was formed through a merger of the former Liberty Volunteer Firemen’s Relief Association of New Holland, Pennsylvania and the former Blue Ball Firemen’s Relief Association, which was deemed improper because evidence of membership’s approval of the merger and the approval of its current bylaws to account for not only the name change but also the overall change in organizational structure was lacking as further discussed in Finding No. 3. Prior to beginning operations, the relief association received monetary assets and equipment from the former Liberty Volunteer Firemen’s Relief Association of New Holland, Pennsylvania and the former Blue Ball Firemen’s Relief Association after their formal dissolutions and subsequent merger into the newly formed relief association. We were concerned with some of the former volunteer firefighters’ relief associations’ failures to correct previously reported audit findings resulting from final audits conducted of these former entities and recommended that the newly formed Garden Spot Fire Rescue Relief Association’s management strive to implement the recommendations and corrective actions noted in each of these former relief associations’ final audit reports. The relief association’s corrective action is discussed in the Status of Prior Findings section of this report.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

Due to the dissolution and subsequent merger of the former Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania and the former Blue Ball Firemen's Relief Association, officials of the relief association were provided copies of these former entities' final audit reports so that they were made aware of conditions that were detected in the operations of these former relief associations during the course of their final audits and recommended that the newly formed relief association's management strive to implement the recommendations and corrective actions noted in each of these former relief associations' final audit reports. The relief association's status of corrective action relative to these issues is as follows:

**Former Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania:**

- Improper Merger

Based on additional documentation provided by relief officials, the three vehicles specifically identified in this disclosure in the final audit report of the former Liberty Volunteer Firemen's Relief Association of New Holland, Pennsylvania were actually retired from service by the former relief association in a period prior to the merger; however, former officials failed to disclose this fact during the conduct of the final audit of the former relief association and the roster was not updated accordingly. During the current audit period, relief association provided an accurate, detailed roster of equipment as disclosed below. Therefore, no further action is required by current relief association officials regarding this issue. However, we will continue to monitor relief association records going forward to ensure that a cumulative, detailed roster of all relief association-owned equipment including vehicles is maintained by the relief association.

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the following finding and recommendation of this former entity, as follows:

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment during the current audit period.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not fully complied with the prior audit findings and recommendations of these former entities, as follows:

- Undocumented Expenditures

Although the relief association received reimbursement of \$6,835 from Garden Spot Fire Rescue, the new affiliated fire company, for the undocumented expenditures that were made in the prior audit period, a similar condition occurred during the current audit period as disclosed in Finding No. 1 of this report.

- Unauthorized Expenditures

Although the relief association received reimbursement of \$23,641 from Garden Spot Fire Rescue, the new affiliated fire company, for the unauthorized expenditures that were made in the prior audit period, a similar condition occurred during the current audit period as disclosed in Finding No. 2 of this report.

**Former Blue Ball Firemen’s Relief Association:**

- Improper Merger

Although the relief association re-titled the 1991 International truck in the name of the relief association, the relief association failed to amend the 2009 Pierce Quantum Pumper agreement for the relief association’s proportionate ownership interest in the vehicle as further disclosed in Finding No. 3 of this report.

- Unauthorized Expenditures

Although the relief association received reimbursement of \$653 from Garden Spot Fire Rescue, the new affiliated fire company, for the unauthorized expenditures that were made in the prior audit period, a similar condition occurred during the current audit period as disclosed in Finding No. 2 of this report.

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

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the new affiliated fire company for the undocumented expenditures disclosed during the final audit of the former Liberty Volunteer Firemen’s Relief Association of New Holland, Pennsylvania, a similar condition occurred during the current audit period and relief association officials again were unable to provide adequate supporting documentation for the following expenditures made during the current audit period, as follows:

Date	Check No.	Payee Description	Amount
02/13/13	1001	Food for training	\$ 93
05/15/13	1032	Equipment vendor	115
06/12/13	1044	Food for training	108
07/17/13	1050	Equipment vendor	112
01/15/14	1092	Food for training, training items	468
02/19/14	1095	Food for training, craft supplies, equipment vendor	511
03/26/14	1105	Food for training	73
05/14/14	1116	Food for training	69
03/25/15	1187	Food for training	122
Total			<u>\$ 1,671</u>

Criteria: 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.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$1,671 for the undocumented expenditures. We also recommend that the 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 indicated that the Garden Spot Fire Rescue (GSFR) Board of Directors (Board) at their monthly meeting on March 1, 2017, voted unanimously to reimburse the GSFR Relief Association \$924 for the undocumented expenditures identified during the period and listed in the preliminary finding presented during the exit conference. The reimbursement should occur as soon as the Treasurer is able to coordinate the transfer before the next monthly meeting of the GSFR Board scheduled for April 5, 2017.

Auditor's Conclusion: Based on the management response, it appears that the relief association intends on complying with the finding recommendation. However, it should be noted that during our review phase of the audit process, which occurred after the GSFR Board's March 1 monthly meeting, we noted an additional \$747 of undocumented expenditures included in the schedule above, that the relief association may either provide adequate supporting documentation, such as invoices, to evidence the propriety of the expenditures or that the relief association be reimbursed an additional \$747 (\$1,671 in total) for the undocumented expenditures. Compliance will be subject to verification in the next audit of the relief association.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures**

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursements from the new affiliated fire company for the unauthorized expenditures disclosed during the final audits of the two former relief associations, a similar condition occurred during the current audit period and current relief association officials again expended funds during the current audit period that are not authorized by Act 118, as follows:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
11/04/15	1235	Materials for permanent training structure	\$ 1,468
11/18/15	1238	Storage trailers	2,400
Total			<u>\$ 3,868</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 10, 17) 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.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters’ training schools.
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Costs associated with these modifications to fire company property 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.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

**Recommendation:** We recommend that the relief association be reimbursed \$3,868 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:** Relief association management indicated the GSFR Board, at their monthly meeting on March 1, 2017, voted unanimously to reimburse the GSFR Relief Association \$3,867 for the unauthorized expenditures identified during this audit and listed in this finding. This reimbursement should occur as soon as the Treasurer is able to coordinate the transfer before the next monthly meeting of the GSFR Board scheduled for April 5, 2017.

**Auditor’s Conclusion:** Based on the management response, it appears that the relief association intends on complying with the finding recommendation. Compliance will be subject to verification in the next audit of the relief association.

**Finding No. 3 – Noncompliance With Prior Audit Recommendation – Improper Merger**

**Condition:** As disclosed in the Status of Prior Findings section of this report, although the relief association re-titled one of the vehicles properly into the name of the newly formed relief association, the relief association again failed to amend the 2009 Pierce Quantum Pumper agreement for the relief association’s proportionate ownership interest in the vehicle. In addition, the relief association failed to complete the minimum administrative procedures necessary to properly merge with the two dissolved former relief associations. Although the relief association physically changed its name on all financial accounts with the financial institution, officials failed to effectively complete the merger by providing or performing the following:

- Provide relief association meeting minutes evidencing membership approval of the merger.
- Approve its current bylaws to account for the name change as well as the overall change in organizational structure, as warranted.
- Amend the 2009 Pierce Quantum Pumper agreement for the newly formed relief association’s proportionate ownership share in the vehicle.
- Maintain adequate Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118 as disclosed in Finding No. 4.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: Act 118 at 35 Pa.C.S. 7415(e) states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

In addition, Act 118 at 35 Pa.C.S. § 7415(c)(3) and (10) state, that the relief association's bylaws shall:

- (3) Require that the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year...
  
- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Cause: Relief association officials were aware of the importance of the administrative provisions of Act 118 identified above and the significance of approving their bylaws and were also of the belief that this merger was executed properly. However, the documentation provided by relief association officials only confirmed the merger of the former affiliated fire companies into the newly formed affiliated fire company, not the former relief associations into newly formed relief association.

Effect: Without detailed documentation, evidence that the merger to form Garden Spot Fire Rescue Relief Association was presented before the membership for approval does not exist. In addition, without evidence of the re-titling of equipment to the relief association and the amendment of the vehicle agreement, the 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. Also, the relief association's cash assets were not adequately safeguarded as disclosed in Finding No. 4. Moreover, the relief association's future state aid allocations may be withheld until the relief association complies with our finding recommendation.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend the relief association:

- Provide evidence of membership's approval of the merger of the relief association.
- Provide an approved and signed copy of the bylaws.
- Amend the formal written agreement with the fire company that enumerates the relief association's proportionate ownership interest in the jointly owned vehicle as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$25,000.
- Maintain adequate bond coverage on its authorized disbursing officer, as disclosed in Finding No. 4.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management indicated that when the Liberty and Blue Ball fire companies and their respective volunteer firefighters' relief associations merged in December 2012 to become Garden Spot Fire Rescue (fire company) and Garden Spot Fire Rescue Relief Association, the merger was facilitated by the Pennsylvania Department of Community and Economic Development. In addition, the merging entities engaged a law firm that was experienced with volunteer fire service mergers to assist with this merger and this law office prepared the dissolution documents for the predecessor organizations and composed all of the new entity documentation for both the fire company and the relief association and submitted the documentation to this department with their response.

Auditor's Conclusion: Based on review of the documentation provided as well as audits of the two dissolved former relief associations and the current relief association, the resolutions that were provided to this department are resolutions authorizing the merger of the individual fire companies into the newly formed Garden Sport Fire Rescue which, also includes a provision that the fire companies were to authorize their respective relief associations to consolidate their assets and liabilities into a new relief association. However, none of the relief associations were able to provide appropriate meeting minutes documenting memberships' approvals of these dissolutions and the disposition of their respective assets. Therefore, the recommendation remains as stated above. Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Insufficient Surety (Fidelity) Bond Coverage**

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association’s authorized disbursing officer. The relief association’s Surety (Fidelity) bond coverage amount was \$150,000; however, as of December 31, 2015, the relief association’s cash assets totaled \$171,419. In addition, as previously noted in Finding No. 3, the relief association failed to maintain a surety bond from January 1, 2013 through December 1, 2014.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials failed to monitor the relief association’s cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer was in compliance with Act 118 provisions.

Effect: As a result of the authorized disbursing officer of the relief association being insufficiently bonded, the relief association’s cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association’s authorized disbursing officer, as required by Act 118. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer to an amount greater than the expected maximum balance of the relief association’s cash assets, or by decreasing the relief association’s cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association’s cash balance to ensure that unexpected events affecting the relief association’s current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Management's Response: Relief association management indicated that while the GSFR Relief Association Board of Directors cannot go back and correct the surety bond deficiency relative to the December 31, 2015 cash balance identified in this audit, the relief association board will inquire of the relief association's insurance provider to explore the possibility of increasing the current surety bond coverage to a value two times the average amount annually disbursed to the relief association by the local municipalities.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 5 – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: On March 11, 2015, the relief association expended \$12,000 for the purpose of jointly purchasing radios with the affiliated fire company. However, the relief association did not adequately secure its ownership interest in this jointly purchased equipment.

Criteria: 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.

Prudent business practices dictate that the relief association should secure its proportional ownership interest in the jointly purchased equipment by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

Cause: Relief association officials failed to adequately secure its proportional ownership interest in the jointly purchased radios.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased radios places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association’s proportional ownership interest in the jointly purchased radios as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the radios are ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$12,000. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management indicated that the GSFR Board, at their monthly meeting on March 1, 2017, voted unanimously to execute a joint purchase agreement with the GSFR Relief Association for radios purchased under an invoice totaling \$36,075 for which the GSFR Relief Association contributed \$12,000 toward the purchase via check #1192, dated March 11, 2015. The GSFR Relief Association’s Board of Directors, at their monthly meeting on March 1, 2017, voted unanimously to execute a joint purchase agreement with GSFR (fire company) for radios purchased under an invoice totaling \$36,075 for which GSFR (fire company) contributed \$24,075 and the GSFR Relief Association contributed \$12,000 toward the purchase via check #1192, dated March 11, 2015. A Joint Purchase Agreement will be drafted and executed by each entity’s board on or before their respective monthly meetings scheduled for May 3, 2017.

Auditor’s Conclusion: Based on the management response, it appears that the relief association intends on complying with the finding recommendation. Due to the potential withhold of state aid, the relief association’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 6 – Inadequate Relief Association Bylaws**

Condition: The existing bylaws of the relief association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the bylaws do not address the following:

- The requirement that the signatures of at least two officers, one of whom shall be the disbursing officer, must sign negotiable instruments. (Current bylaws specify two members, one of which shall be the treasurer.)
- The approval procedure for expenditures, other than investments.
- The approval and acceptance of the current bylaws by the membership and the signature of the appropriate authorizing official.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

In addition, although the bylaws contain a provision that states that three auditors are to be appointed annually, to audit the accounts of the association and make a written report of the audit to the members of the association, during the current audit period, no individuals have been appointed by to serve in this capacity.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3, 6, 9, 10) 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. (Emphasis added.)
- (6) Establish procedures for the approval and payment of expenditures, investment of funds and sale of investments.
- (9) Be faithfully preserved, along with amendments thereto and the effective date of the amendments, in permanent form.
- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

In addition, Section 3 of Article VII of the bylaws states:

The president shall appoint three auditors at the regular meeting of the association in January who shall audit the accounts of the association and make a written report of the audit to the members of the association within 60 days.

Furthermore, the relief association bylaws should authorize and clearly specify the criteria to be met before receiving death or relief benefits and the amount of any benefit payments. In addition, the bylaws should address the authorization of compensation to relief association officers.

Cause: Relief association officials indicated that they were unaware of all of the mandatory bylaw provisions established by Act 118.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

**Recommendation:** We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

**Management’s Response:** Relief association management indicated that the GSFR Relief Association Board of Directors, at their monthly meeting on March 1, 2017, directed the relief association’s secretary to draft an amendment to the association’s bylaws correcting the identified deficiencies documented in this finding, as follows:

- Article VII: Miscellaneous Section 1 will be changed to read as follows: “The signatures of two officers, one of whom shall be the treasurer, shall be required...”
- Article VII: Miscellaneous Section 3 will be removed from the Bylaws.
- Article VII: Miscellaneous Section 6 while it may not require a change to the Bylaws, it will require the development of a process to execute the Bylaws’ requirement that “the equipment committee needs to have their annual report on equipment documented in meeting minutes.”

**Auditor’s Conclusion:** Based on the management response, it appears that the relief association intends on complying with the finding recommendation. Compliance will be subject to verification through our next audit.

**Finding No. 7 – Inadequate Minutes Of Meetings**

**Condition:** The relief association failed to maintain detailed minutes of meetings as required by Act 118. Specifically, the relief association’s minutes did not address all of the financial-related transactions that occurred during the audit period.

**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.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

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

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.

Cause: Relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management indicated that the GSFR Relief Association Board of Directors at its monthly meeting of March 1, 2017 implemented a more robust documentation of its meeting activities in order to insure the missing meeting items identified in this audit recommendation will be included with the minutes in the future.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as that reported by Finding Nos. 3 and 5 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will 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 327 Finance Building, Harrisburg, PA 17120.

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2015

Cash	<u>\$ 171,419</u>
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GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 20,118
Fire Services:	
Equipment purchased	\$ 182,452
Equipment maintenance	17,029
Training expenses	71,281
Fire prevention materials	2,166
Total Fire Services	\$ 272,928
Administrative Services:	
Other administrative expenses	\$ 2,587
Bond premiums	100
Total Administrative Services	\$ 2,687
Other Expenditures:	
Undocumented expenditures	\$ 1,671
Unauthorized expenditures	3,868
Total Other Expenditures	\$ 5,539
Total Expenditures	\$ 301,272

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Garden Spot Fire Rescue Relief Association Governing Body:

**Mr. Tim Sprecher**  
President

**Mr. Matt Boley**  
Vice President

**Mr. David Wright**  
Secretary

**Mr. Dennis Weaver**  
Treasurer

**Mr. Paul Nolt**  
Director, Chairman of Property Committee

**Mr. Leon Arment**  
Director, Chairman of the Auxiliary

**Mr. Geoff Class**  
Director, Community Representative

**Mr. Larry Martin**  
Director, Fire Chief

**Mr. Tom Lieberher**  
Director, Representative at Large

GARDEN SPOT FIRE RESCUE RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Brenda S. Becker**  
Secretary  
Earl Township

**Ms. Connie J. Gross**  
Secretary  
East Earl Township

**Mr. J. Richard Fulcher**  
Secretary  
New Holland Borough

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).