



NEFFSVILLE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION

LANCASTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008 TO DECEMBER 27, 2010



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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 Neffsville Community Fire Company Relief Association, herein referred to as Neffsville Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Neffsville Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Manheim Township	Lancaster	\$102,191	\$277,631	*

*Beginning in 2010, Manheim Township ceased allocations to the Neffsville Volunteer Firefighters' Relief Association and began allocating its state aid to the Manheim Township Fire and Rescue Volunteer Firefighters' Relief Association.

As of December 27, 2010, the Neffsville Volunteer Firefighter's Relief Association dissolved its organization and transferred all of its monetary assets and equipment to the Manheim Township Fire and Rescue Volunteer Firefighters' Relief Association.

The former Neffsville Volunteer Firefighters' Relief Association and the affiliated fire service organization were separate, legal entities. The Neffsville Volunteer Firefighters' Relief Association was affiliated with the Neffsville Community Fire Company.



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Donald L. Mellott, President
NEFFSVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lancaster County

We have conducted a compliance audit of the Neffsville Volunteer Firefighters' 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, 2008 to December 27, 2010.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Neffsville Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context

of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Neffsville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Neffsville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 27, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period January 1, 2008 to December 27, 2010, found the Neffsville Volunteer Firefighters' Relief Association, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures. The results of our tests also indicated the Neffsville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of December 27, 2010, Neffsville Volunteer Firefighters' Relief Association dissolved its organization.

The contents of this report were discussed with the former management of the Neffsville Volunteer Firefighters' Relief Association on February 25, 2011. As a result of the transfer of Neffsville Volunteer Firefighters' Relief Association's monetary assets and equipment to Manheim Township Fire Rescue Volunteer Firefighters' Relief Association, and Manheim Township's decision in 2010 to cease allocating state aid to the Neffsville Volunteer Firefighters' Relief Association and begin allocating state aid to the Manheim Township Fire Rescue Volunteer Firefighters' Relief Association, we are forwarding a copy of this report to the governing body of the Manheim Township Fire Rescue Volunteer Firefighters' Relief Association.

February 25, 2011

EUGENE A. DEPASQUALE
Auditor General

NEFFSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 27, 2010

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 35,897
Relief benefits	4,247
Tokens of sympathy and goodwill	2,650
Total Benefit Services	\$ 42,794
Fire Services:	
Equipment purchased	\$ 256,261
Equipment maintenance	18,129
Training expenses	16,554
Fire prevention materials	7,350
Total Fire Services	\$ 298,294
Administrative Services:	
Miscellaneous administrative expenses	\$ 6,920
Total Administrative Services	\$ 6,920
Total Investments Purchased:	\$ 277,631

NEFFSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 27, 2010 (Continued)

Other Expenditures:	
Principal payments on lease-financing	\$ 85,023
Interest payments on lease-financing	7,841
Transfer of monetary assets*	<u>64,395</u>
Total Other Expenditures	<u>\$ 157,259</u>

* Transfer of Monetary Assets

As of December 27, 2010, the Neffsville Volunteer Firefighters' Relief Association disbanded and transferred all monetary assets over to the Manheim Township Fire Rescue Volunteer Firefighters' Relief Association.

Due to the dissolution of the Neffsville Volunteer Firefighters' Relief Association, we are providing officials of the Manheim Township Fire Rescue Volunteer Firefighters' Relief Association copies of this report.

NEFFSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Neffsville Volunteer Firefighters' Relief Association Former Governing Body:

Mr. Donald L. Mellott, President

Mr. Christian Brooks, Vice President

Ms. Betty J. Hendricks, Secretary

Ms. Jenn L. Hollinger, Treasurer

Mr. Daniel L. Hollinger, Assistant Secretary

Mr. Lawrence E. Marshall, Financial Secretary

Manheim Township Fire Rescue Volunteer Firefighters' Relief Association Governing Body:

Mr. William Gross, President

Mr. Steve Leayman, Secretary

Mr. Don Mellott, Treasurer

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

Mr. Michael D. Rimer, Secretary
Manheim Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.