

COMPLIANCE AUDIT

The Relief Fund Association of York Springs Fire Company No. 1 of Adams County, Pennsylvania

For the Period
January 1, 2010 to December 31, 2014

October 2015



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
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www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Murray Eyler, President
YORK SPRINGS VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Adams County

We have conducted a compliance audit of the York Springs 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, 2010 to December 31, 2014.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the volunteer firefighters' 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 objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the York Springs 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. Volunteer firefighters' 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.

We were not able to obtain an independent confirmation of the investment balance directly from the financial institution. Therefore, while the York Springs Volunteer Firefighters' Relief Association provided copies of investment statements that indicated that, as of December 31, 2014, the volunteer firefighters' relief association had an investment balance of \$79,653, we were not able to verify this investment balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2010 to December 31, 2014:

- The York Springs Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- The York Springs Volunteer Firefighters' 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 finding listed below and discussed later in this report.

Finding – Noncompliance With Prior Audit Recommendation – Untimely Receipt Of State Aid

- The York Springs Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$73,459 and an investment balance with a reported fair value of \$79,653.

The contents of this report were discussed with the management of the York Springs Volunteer Firefighters' Relief Association and, where appropriate, their response has 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 24, 2015



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 Fund Association of York Springs Fire Company No. 1 of Adams County, Pennsylvania, herein referred to as the York Springs 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 York Springs Volunteer Firefighters’ Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Huntington Township	Adams	\$11,403	\$18,817	\$10,691	\$11,813	\$11,177
Latimore Township	Adams	\$13,671	\$21,534	\$12,199	\$13,823	\$13,053
York Springs Borough	Adams	\$ 3,258	\$ 6,496	\$ 3,695	\$4,165*	\$ 3,935

* The 2013 state aid allocation received from York Springs Borough was not deposited by the York Springs Volunteer Firefighters’ Relief Association until February 12, 2014 as disclosed in the finding in this report. York Springs Borough did not forward the 2013 state aid allocation to the relief association until February 9, 2014.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The York Springs Volunteer Firefighters’ Relief Association is affiliated with the following fire service organization:

York Springs Fire Company No. 1

YORK SPRINGS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The York Springs Volunteer Firefighters' Relief Association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Untimely Receipt Of State Aid

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

YORK SPRINGS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Untimely Receipt Of State Aid

Condition: The volunteer firefighters' relief association did not receive the 2013 state aid allocation from York Springs Borough, in the amount of \$4,165, until February 12, 2014, which was 142 days after the municipality received the funds from the Commonwealth of Pennsylvania, on September 23, 2013.

A similar condition was noted in our prior audit.

Criteria: As required by the Foreign Fire Insurance Tax Distribution Law Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), 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. It is the relief association's responsibility to monitor the municipality's distribution of the state aid. Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to monitor the municipality's receipt and distribution of state aid allocations.

Effect: As a result of the untimely receipt of the state aid allocation, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely receipt of allocations increases the risk that funds could be lost or misappropriated.

Recommendation: We again recommend that the relief association officials monitor the municipality's distribution of state aid allocations to ensure that the allocation is distributed to the relief association within 60 days of the date of receipt. 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 that the corrective action for this finding will be that a reminder will be set for the November meeting of the relief association that instructs/reminds the VFRA treasurer to print a report of all relief money received year to date. If any of the three municipalities are found to be delinquent, then the treasurer will be instructed to contact that municipality and have it resolved by the end of the calendar year.

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

YORK SPRINGS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2014

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	\$ 12,237
Death benefits	1,200
Tokens of sympathy and goodwill	150
Total Benefit Services	\$ 13,587
Fire Services:	
Equipment purchased	\$ 239,502
Equipment maintenance	11,643
Training expenses	14,441
Fire prevention materials	743
Total Fire Services	\$ 266,329
Administrative Services:	
Other administrative expenses	\$ 3,930
Bond premiums	375
Total Administrative Services	\$ 4,305
Total Investments Purchased	\$ 35,000
Other Expenditures:	
Miscellaneous	\$ 2,000

YORK SPRINGS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

York Springs Volunteer Firefighters' Relief Association Governing Body:

Mr. Murray Eyer	President
Mr. Scott Hintz	Vice President
Ms. Jayne Bosserman	Secretary
Ms. Linda Kernan	Treasurer

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

Ms. Patricia V. Davis Huntington Township	Secretary
Ms. Valena M. Carlin Latimore Township	Secretary
Ms. Catherine Jonet York Springs Borough	Secretary

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.