

# COMPLIANCE AUDIT

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## Alsace Manor Fire Co. Fireman's Relief Association Berks County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

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December 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Scott Moyer, President  
Alsace Manor Fire Co. Fireman's  
Relief Association  
Berks County

We have conducted a compliance audit of the Alsace Manor Fire Co. Fireman'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, 2017 to December 31, 2018.

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 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 objective. 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, 2017 to December 31, 2018. 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 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 4 – Failure To Secure Ownership Interest In Jointly Purchased Equipment

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.

October 16, 2019



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. 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>2017</u>	<u>2018</u>
Alsace Township	Berks	\$21,496	*

\* During the current audit period, the relief association did not receive an allocation of state aid from Alsace Township in 2018. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

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:

Alsace Manor Fire Company

As of August, 15, 2018 the Township of Alsace, Berks County, decertified the Alsace Manor Fire Company as its fire service provider, by way of Resolution No. 2018-09. Subsequent to the audit period on May 6, 2019, we received a letter of written notification from a law office, including an accompanying court order from the Court of Common Pleas of Berks County, Pennsylvania, Orphans’ Court Division, that as of February 25, 2019, a Receiver was appointed to oversee the affairs of the Alsace Manor Fire Company. Further, the letter noted that the Receiver has obtained control of the relief association’s bank accounts, which contained funds of \$1,513 and \$1,293 as of the date the Receiver assumed control of the two accounts. Since the Alsace Manor Fire Company and the relief association are separate legal entities, prudent business practice dictates that the relief association membership conduct a meeting to determine the future operational status of the relief association.

As a result of the decertification of the Alsace Manor Fire Company, the relief association was no longer affiliated with a volunteer fire company for the purpose of providing fire service to the township, at the time of our audit. Act 118 prescribes specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act.

Section 7412 of Act 118 states, in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford 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... (Emphasis added.)

## BACKGROUND – (Continued)

Section 7412 of Act 118 further states in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or (Emphasis added.)
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. (Emphasis added.)

Because of the decertification of the relief association's affiliated fire company, the relief association no longer meets the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future. The association should consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take the steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the relief association with this determination.

In addition, prudent business practice dictates that relief associations that may be contemplating a dissolution and/or merger should consider retaining legal counsel to provide assurance that any form of dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owed to active and former association members are maintained and protected. In addition, if this is the case, it would be prudent that the remaining relief association members conduct a meeting to approve any dissolution/merger of the association and the disposition of its assets. Further, relief association officials should contact this department in preparation of a final audit of the relief association and perform the following:

- Provide full documentation of the monetary assets and equipment being transferred. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.
- Upon transfer of the equipment, a signed receipt from the relief association receiving the equipment should be obtained to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

The department will verify the receipt of the equipment and monetary assets transferred through an audit of the recipient association. However, as of the date of this report, the relief association has not provided this department notification that it has made a formal commitment to dissolve and/or merge with another relief association.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle**

Condition: On January 22, 2018, the relief association expended \$25,000 for the purpose of jointly purchasing a vehicle with the affiliated fire company. However, the relief association did not adequately secure its ownership interest in this jointly purchased vehicle as the vehicle was titled solely in the name of Alsace Manor Fire Company. Furthermore, subsequent to the period under review, the fire company defaulted on the loan for this vehicle and Alsace Township purchased the vehicle.

Criteria: Section 7418(a) of Act 118 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 practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle 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 vehicle, in the event the vehicle is ever sold.

Cause: Relief association officials failed to implement internal controls to ensure that it adequately secured its proportional ownership interest in the jointly purchased vehicle.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased vehicle placed the relief association's ownership interest at greater risk, as shown by the failure to recoup its investment in the vehicle after the subsequent sale of the vehicle. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials execute a formal written agreement with Alsace Township that enumerates the relief association's proportional ownership interest in the jointly purchased 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.



ALSACE MANOR FIRE CO. FIREMAN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

In addition, going forward the relief association officials must ensure that any and all such future joint purchases are secured by a joint purchase agreement. 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: 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. 2 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
05/01/17	666	Maintenance vendor	\$ 1,395
10/13/17	673	Training vendor	250
12/19/17	675	Maintenance vendor	1,048
04/09/18	683	Maintenance vendor	182
10/09/18	688	Non-affiliated fire company*	4,061
Total			<u>\$ 6,936</u>

\* Based on limited documentation provided at the time of our audit, the invoice did not agree with the amount expended and did not fully substantiate the propriety of the above noted expenditure; therefore, the transaction to the non-affiliated fire company is classified as an undocumented expenditure. Refer to Finding No. 4 of this audit report for additional information.

In addition, a similar condition was verbally issued on February 29, 2016 as an observation to the relief association during the prior audit period for a \$230 expenditure for which the relief association did not take corrective action to address the undocumented expenditure prior to the current audit period ending December 31, 2018.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7418(a) of Act 118 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 invoices and/or itemized receipts, 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.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$7,166 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 agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association provided this department with adequate documentation to support three of the undocumented expenditures totaling \$2,625. In addition, relief association management indicated they will take action to fully comply with the recommendation.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Auditor's Conclusion: We reviewed the supporting documentation verifying the propriety of the three expenditures totaling \$2,625; however, we recommend that the relief association officials provide this department with adequate supporting documentation for the remaining expenditures totaling \$4,541 or that the relief association be reimbursed \$4,541 (\$7,166 - \$2,625) for the remaining undocumented expenditures. 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. 3 – Failure To Maintain A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. Specifically, the membership roster has not been updated since 2016.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain an up to date comprehensive roster of relief association members.

Effect: The failure to maintain an up to date comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

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.

**Finding No. 4 – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: According to available information obtained and reviewed during our audit, on October 9, 2018, the relief association expended \$4,061 for the purpose of jointly purchasing air packs with two affiliated fire companies. However, based on the information/records available during the conduct of our audit, the relief association did not adequately secure its ownership interest in this jointly purchased equipment.

Criteria: Section 7418(a) of Act 118 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 practice dictates 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 implement internal controls to ensure that it maintain and provide documentation to demonstrate that it adequately secured its proportional ownership interest in the jointly purchased equipment.

Effect: The failure to adequately secure the relief association's proportional share of ownership interest in the jointly purchased equipment 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.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Recommendation: We recommend that the relief association officials execute a formal written agreement with the affiliated fire companies that enumerates the relief association's proportional ownership interest in the jointly purchased equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$4,061. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Subsequent to the audit exit conference, on October 29, 2019, relief association management was notified of this finding and a management response to the finding was requested. As of November 13, 2019, relief association management had not provided a response to this finding and recommendation.

Auditor's Conclusion: 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.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 1, 2 and 4 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 may 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.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2018

Cash	<u>\$ 2,835</u>
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ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 2,027
Fire Services:	
Equipment purchased	\$ 30,219
Equipment maintenance	9,493
Training expenses	1,170
Total Fire Services	\$ 40,882
Administrative Services:	
Other administrative expenses	\$ 10
Bond premiums	500
Total Administrative Services	\$ 510
Other Expenditures:	
Undocumented expenditures	\$ 6,936
Total Expenditures	\$ 50,355



ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Alsace Manor Fire Co. Fireman's Relief Association Governing Body:

**Mr. Scott Moyer**  
President

**Mr. Barry Bartsch**  
Vice President

**Mr. Wayne Becker, Jr.**  
Treasurer

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

**Ms. Kimberly Mallatratt**  
Secretary  
Alsace Township

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).