

COMPLIANCE AUDIT

Eureka Volunteer Firefighter's Relief Association York County, Pennsylvania For the Period January 1, 2018 to December 31, 2021

August 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Stanley Little, President
Eureka Volunteer Firefighter's
Relief Association
Lancaster County

We have conducted a compliance audit of the Eureka Volunteer Firefighter's Relief Association (relief association) for the period January 1, 2018 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives identified above and was not, nor was it required to be, 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2018, to December 31, 2021:

- The relief association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- The relief association, in all significant respects, 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, except as noted in the findings listed below and discussed later in this report.

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

Finding No. 2 – Failure To Deposit A Donation

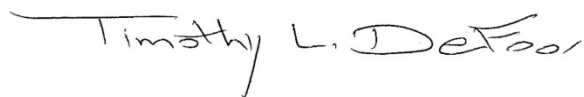
Finding No. 3 – Failure to Secure Ownership Interest in Jointly Purchased
Equipment

Finding No. 4 – Failure To Adhere To Relief Association Bylaws

Finding No. 5 – Failure To Maintain A Complete And Accurate Membership
Roster

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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.



Timothy L. DeFoor
Auditor General
July 6, 2022

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cross Roads Borough	York	\$ 2,720	\$ 2,881	\$ 2,898	\$ 2,569
East Hopewell Township	York	\$16,317	\$17,238	\$17,233	\$15,355
Hopewell Township	York	\$35,967	\$37,450	\$38,575	\$33,506
Stewartstown Borough	York	\$10,747	\$11,475	\$11,550	\$10,335

Based on the relief association’s records, its total cash as of December 31, 2021 was \$70,903, as illustrated below:

Cash \$ 70,903

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$429,819, as noted below. The accuracy of these expenditures was evaluated as part of the Department's audit to conclude on the relief association's compliance 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.⁴ The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.

Expenditures:

Benefit Services:

Insurance premiums	\$	15,183
Relief benefits		389
Tokens of sympathy and goodwill		759
Total Benefit Services	\$	<u>16,331</u>

Fire Services:

Equipment purchased	\$	329,148
Equipment maintenance		38,980
Training expenses		16,172
Fire prevention materials		1,647
Total Fire Services	\$	<u>385,947</u>

Administrative Services:

Other administrative expenses	\$	1,305
Bond premiums		624
Total Administrative Services	\$	<u>1,929</u>

Other Expenditures:

Miscellaneous*	\$	24,327
Undocumented expenditures		1,285
Total Other Expenditures	\$	<u>25,612</u>

Total Expenditures	\$	<u>429,819</u>
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* The Miscellaneous expenditures represent erroneous deposits in calendar years 2020 and 2021. Once the relief association realized the errors, the Eureka EMS and affiliated fire company was reimbursed.

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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:

Eureka Volunteer Fire & Ambulance Company, Inc.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the two prior audit findings and recommendations, as follows:

- Failure To Secure Ownership Interest In Jointly Purchased Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased vehicle.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditure

Although the relief association received reimbursement of \$360 from the affiliated fire company for the undocumented expenditure that was made in the prior audit period, the relief association again failed to provide adequate documentation to support all expenditures in the current audit period as further disclosed in Finding No. 1 of this report.

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

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

Condition: Although the relief association received reimbursement from the affiliated fire company for the undocumented expenditure that was made in the prior audit period, the relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
07/20/2018	2644	Relief benefit for gym membership	\$ 180
09/07/2018	2675	Relief benefit for gym membership	180
09/07/2019	2734	Meals for training class	163
10/17/2020	2802	Life member scholarship fund	500
07/18/2020	2787	Meals for training class	262
Total			<u>\$ 1,285</u>

A similar condition was noted in our prior audit report.

Criteria: Section 7418(a) of the VFRA Act 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 supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: According to the relief association official, obtaining proper documentation for the aforementioned expenditures was challenging. The relief association official attributed the missing 2020 invoices to a treasurer who failed to perform her duties and who has since been replaced. The relief official pledged to address the situation and improve procedures in order to maintain the required documentation.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 the VFRA Act. 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 again 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 \$1,285 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 2 – Failure To Deposit A Donation

Condition: The relief association's February 22, 2021 minutes acknowledged a donation check of \$15,000 being accepted by the Relief Association's President from a local vendor. The minutes also discussed the donation being used to offset the purchase of turnout gear. Although the relief association expended \$19,215 to purchase the turnout gear on August 17, 2021, the donation was erroneously deposited into the affiliated fire company's account.

Criteria: Prudent business practice dictates that the relief association should closely monitor all proceeds, including donations and ensure they are received and timely deposited into a relief association account.

Cause: The relief association officials did not provide a reason for the erroneous deposit of the monetary donation into the fire company's account.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The failure to receive and deposit all relief association proceeds in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the donation not being deposited into a relief association account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$15,000 for the erroneous deposit into the affiliated fire company's account. We also recommend that the relief association officials establish accounting and internal control procedures to ensure that all proceeds are timely deposited into a relief association account. 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 affiliated fire company reimbursed the relief association \$15,000 for the donation on July 8, 2022.

Auditor's Conclusion: We reviewed a deposit slip verifying that the reimbursement of \$15,000 was received; however, the relief association must provide a copy of the bank statement showing the deposit into the relief association account. Full compliance for confirming this deposit and for depositing proceeds in a timely manner during the next audit period will be subject to verification through our next audit.

Finding No. 3 – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Condition: On March 17, 2020, the relief association paid \$44,236 for an air compressor. The affiliated fire company obtained a FEMA grant for \$41,905 for the same air compressor. The relief association received and deposited \$41,905 in FEMA grant monies from the affiliated fire company for the air compressor on July 13, 2020. The relief association has properly recorded the equipment purchased on the relief association's equipment roster, thereby indicating the relief association's ownership of equipment; however, there was no formal written agreement provided to specify the relief association's percentage of ownership.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Section 7418(a) of the VFRA Act 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 equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the equipment. 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 were unaware of the requirement to execute a formal written agreement and therefore, did not execute one.

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

Recommendation: We recommend that the relief association officials execute a formal written agreement with the affiliated fire company that enumerates the relief association's proportional ownership interest in the 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 \$2,331. 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: Compliance will be subject to verification through our next audit.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to numerous provisions in the association's bylaws. Specifically, the relief association did not abide by bylaw stipulations as noted below:

- The relief association positions of Vice President and Treasurer are vacant.
- The relief association currently has a Financial Secretary instead of a Treasurer that is not stipulated in the bylaws.
- Various invoices were not maintained to verify all disbursements by the relief association.
- An auditing committee was not established by the relief association.
- Physical inspections of inventories were not reported to the relief association in the meetings on an annual basis.

Criteria: The relief association's bylaws stipulate the following:

- Article VIII, Section 5 – In the event of the death, resignation, removal, or incapacity of an elected official of this association, the vacancy so created shall be filled by the appointment of a member by the president. All persons appointed to fill such a vacancy shall serve in the position for the unexpired term.
- Article III, Section 1 – The officers of this association shall consist of a president, vice president, secretary, and treasurer.
- Article V, Section 2 – All expenditures must be made through a relief association account and recorded, in detail, in the association journals and ledgers. Supporting documentation such as invoices, canceled checks, etc., shall be maintained to verify all disbursements.
- Article VIII, Section 3 – 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.
- Article VIII, Section 6 – The president shall appointment a committee of not less than three association members who shall be charged with making a physical inspection, on at least an annual basis, of all equipment owned by the relief association. Upon completion of the physical inspection, the committee shall be required to make a full report at a regular membership meeting. The findings of this report shall be documented in the minutes.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials indicated that they were unaware of the bylaw provisions established and adopted by the relief association.

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

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. 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: Compliance will be subject to verification through our next audit.

Finding No. 5 – 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.

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.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of relief association members.

Effect: The failure to maintain a 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.

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.

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Eureka Volunteer Firefighter's Relief Association Governing Body:

Mr. Stanley Little
President

Ms. Laura Russell
Secretary

Mr. Wayne McElwain
Financial Secretary

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

Ms. Martha J. Miller
Secretary
Cross Roads Borough

Ms. Martha J. Miller
Secretary
East Hopewell Township

Ms. Katie Berry
Secretary
Hopewell Township

Ms. Melissa Mathews
Secretary
Stewartstown Borough

EUREKA VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.