

COMPLIANCE AUDIT

Felton Firefighters' Relief Association

York County, Pennsylvania

For the Period

January 1, 2019 to October 20, 2021

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Tyler Burkins, President
Felton Firefighters' Relief Association
York County

We have conducted a compliance audit of the former Felton Firefighters' Relief Association (relief association) for the period January 1, 2019 to October 20, 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 former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former 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, 2019 to October 20, 2021:

- The former 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 former 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 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Untimely Deposit Of State Aid

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

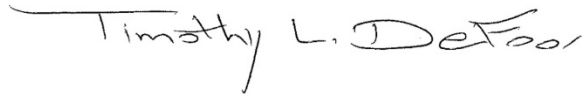
Finding No. 4 – Failure To Maintain Minutes Of Meetings

Finding No. 5 – Improper Merger

In addition, as of October 20, 2021, the former relief association completed the process of dissolution and merged with the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1. Consequently, all remaining monetary assets and equipment were transferred to the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

We are concerned by the number of findings noted and encourage the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1's management to implement the recommendations and corrective actions noted in this audit report.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have been included in the report.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
February 18, 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 former relief association was 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 former relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2020</u>
Chanceford Township	York	\$ 5,000	\$ 5,100*
Felton Borough	York	\$ 2,510	\$ 2,530
North Hopewell Township	York	\$ 1,736	\$ 1,741
Windsor Township	York	\$19,635	\$19,763

* The 2020 state aid allocation received from Chanceford Township was not deposited by the former relief association until January 13, 2021 as disclosed in Finding No. 2 in this report.

As of October 20, 2021, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of October 20, 2021 was zero, as illustrated below:

Cash \$ 0

BACKGROUND – (Continued)

Based on the former relief association’s records, its total expenditures for the period January 1, 2019 to October 20, 2021 were \$106,637, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the former 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	\$ 7,604
Tokens of sympathy and goodwill	102
Total Benefit Services	<u>\$ 7,706</u>
Fire Services:	
Equipment purchased	\$ 39,015
Equipment maintenance	9,590
Training expenses	11,898
Total Fire Services	<u>\$ 60,503</u>
Administrative Services:	
Other administrative expenses	\$ 1,518
Bond premiums	384
Total Administrative Services	<u>\$ 1,902</u>
Total Investments Purchased	<u>\$ 10,000</u>
Other Expenditures:	
Transfer of monetary assets *	\$ 26,329
Unauthorized expenditure **	197
Total Other Expenditures	<u>\$ 26,526</u>
Total Expenditures	<u><u>\$ 106,637</u></u>

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

BACKGROUND – (Continued)

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of October 20, 2021, the former relief association completed the process of dissolution and merged with the Volunteer Firefighter’s Relief Association of Leo Independent Fire Engine Company No. 1. Consequently, all remaining monetary assets and equipment were transferred to the Volunteer Firefighter’s Relief Association of Leo Independent Fire Engine Company No. 1. Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter’s Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report.

** During 2020, the former relief association made an insignificant disbursement in the amount of \$197 which was not authorized by the VFRA Act. We disclosed this issue to relief association officials on February 3, 2022.

The former volunteer firefighters’ relief association and the affiliated fire service organization were separate, legal entities. The former relief association was affiliated with the following fire service organization:

Union Volunteer Fire Company of Felton

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1, the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1's management should strive to implement the recommendations and corrective actions noted in this audit report.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Equipment Roster**

Condition: The former relief association did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

Criteria: Prudent business practice dictates that the former relief association should have established adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: According to the current relief association officials, the prior relief association officials did not keep complete records as required.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. The Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 management should strive to implement the recommendation and corrective action noted in this audit report. Compliance will be subject to verification through our next audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

Finding No. 2 – Untimely Deposit Of State Aid

Condition: The former relief association did not deposit the 2020 state aid allocation it received from Chanceford Township, in the amount of \$5,100, until January 13, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020, who forwarded this state aid to the relief association on October 30, 2020, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to 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, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: According to the current relief association management, the prior treasurer failed to process this deposit in a timely manner.

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

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

Condition: The former 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.

Cause: According to the current relief association management, the past leadership did not maintain records or coordinate with the membership secretary.

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: Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 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: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure To Maintain Minutes Of Meetings

Condition: The former relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws.

Criteria: Section 7415(a) of the VFRA Act 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.

In addition, the former relief association's bylaws at Article 3, Section 3 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: According to the current relief association officials, this was due to multiple people filling in to conduct the duties of the secretary.

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

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials maintain a permanent record of all relief association meetings as required by the VFRA Act. The minutes should include an adequate record 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: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Improper Merger

Condition: The former relief association did not properly document the dissolution of the organization and subsequent merger with the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1. Specifically, the relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former relief association.

Criteria: Section 7415(a) of the VFRA Act 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.

Furthermore, prudent business practice dictates that the relief association should properly document the membership's approval of the merger in the minutes of meetings held by the relief association regarding the merger. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1, along with a signed receipt of the recipient.

Cause: The current relief association officers stated that this was an oversight of the officers at the time of the merger.

Effect: Without detailed documentation, evidence that the relief association's merger with the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former 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.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 officials should obtain evidence supporting the propriety of all equipment transferred in the merger. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1.

FELTON FIREFIGHTERS' 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

Felton Firefighters' Relief Association Governing Body:

Mr. Tyler Burkins
President

Mr. Derek Eveler
Vice President

Mr. Joseph Russell
Secretary

Mr. John McCarty
Treasurer

Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1
Governing Body:

Mr. Tyler Burkins
President

Mr. Derek Eveler
Vice President

Mr. Joseph Russell
Secretary

Mr. John McCarty
Treasurer

FELTON FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Leah R. Geesey
Secretary
Chanceford Township

Ms. Joy Flinchbaugh
Secretary
Felton Borough

Ms. Kerrie Ebaugh
Secretary
North Hopewell Township

Ms. Jennifer L. Gunnet
Secretary
Windsor Township

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.