

COMPLIANCE AUDIT

Gettysburg Fire Department Firemen's Relief Association

Adams County, Pennsylvania

For the Period

January 1, 2018, to December 31, 2021

January 2023



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. Dave Blocher, President
Gettysburg Fire Department Firemen's
Relief Association
Adams County

We have conducted a compliance audit of the Gettysburg Fire Department Firemen'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.

We were not able to obtain an independent confirmation of a portion of the cash balance and a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided copies of investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$128,092 and an investment balance with a fair value of \$858,696, we were not able to verify portions of those cash and investment balances.

In addition, we were not able to obtain an independent confirmation of a certificated investment balance directly from the financial institution. Therefore, while the relief association provided copies of the initial investment statement during the previous audit period that indicated that, as of October 26, 2017, the relief association had a certificated investment balance with a fair value of \$55,469, we were not able to verify this certificated investment balance as of December 31, 2021, as disclosed in Finding No. 1 in this report.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the two preceding paragraphs, for the period January 1, 2018, to December 31, 2021:

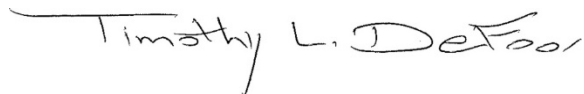
- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below 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 –
Inadequate Investment Records

Finding No. 2 – Unauthorized Expenditures

Finding No. 3 – Failure To Conduct Annual Physical Equipment Inventories

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
December 14, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Investment Records.....	6
Finding No. 2 – Unauthorized Expenditures.....	8
Finding No. 3 – Failure To Conduct Annual Physical Equipment Inventories	9
Report Distribution List	10

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>
Gettysburg Borough	Adams	\$35,690	\$38,255	\$38,541	\$34,021
Highland Township	Adams	\$ 1,903	\$ 2,031	\$ 2,029	\$ 1,819
Mount Joy Township	Adams	\$ 6,565	\$ 6,881	\$10,776	\$ 9,544
Mount Pleasant Township	Adams	\$ 3,210	\$ 3,320	\$ 3,442	\$ 3,101
Straban Township	Adams	\$26,558	\$28,432	\$28,394	\$25,108

Based on the relief association’s records, its total cash and investments as of December 31, 2021, were \$986,788. However, the relief association’s records did not include the \$55,469 of certificated investments that were purchased in October of 2017, which is described in Finding No. 1 of this report. The value of the relief association’s cash and investments, per the relief association’s records and **excluding the certificated investment amount**, is shown below.

Cash	\$ 128,092
Fair Value of Investments	<u>858,696</u>
Total Cash and Investments	<u><u>\$ 986,788</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018, to December 31, 2021, were \$351,945 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	\$	35,521
Death benefits		13,000
Relief benefits		16,611
Tokens of sympathy and goodwill		50
Total Benefit Services	\$	<u>65,182</u>

Fire Services:

Equipment purchased	\$	215,668
Equipment maintenance		29,709
Training expenses		15,296
Fire prevention materials		2,016
Total Fire Services	\$	<u>262,689</u>

Administrative Services:

Bond premiums	\$	400
Other administrative expenses *		21,329
Total Administrative Services	\$	<u>21,729</u>

Other Expenditures:

Unauthorized expenditures	\$	<u>2,345</u>
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Total Expenditures	\$	<u><u>351,945</u></u>
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* A majority of the other administrative expenses represent accounting services in the amount of \$5,550 and a refund of an erroneous deposit of the affiliated fire company's funds in the amount of \$14,055.

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:

Gettysburg Fire Department

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Equipment Roster

Although the relief association did provide and maintain a complete and accurate equipment roster, the relief association officials failed to conduct annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association as further disclosed in Finding No. 3 of this report.

- Inadequate Authority For The Investment Of Funds

By developing a formal investment policy to ensure the propriety and oversight of all investment transactions.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Inadequate Investment Records

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Investment Records

Condition: Relief association officials did not maintain adequate records of investments purchased and sold, as well as the source of investment income. Specifically, the investment statements for Pulse InfoFrame Inc. were not maintained by relief association officials or provided to the relief association officials by their investment advisor, nor were they identified in the minutes of the relief association's meetings. The relief association officials were unaware of the value of their stock account purchased in October of 2017 for \$55,469.

Subsequent to the period under review, the new investment advisor was able to obtain financial statements for Pulse InfoFrame Inc. that noted a going concern in Note No. 1 of the financial statements. Additionally, a letter from Pulse InfoFrame Inc. stated that they are unable to provide an updated value for the Class B common shares that the relief association purchased in October 2017.

A similar condition for inadequate records was noted in our prior audit report.

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

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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.

Relief association officials are responsible for the management of association assets. The prudent investment of association monies is a primary element of this responsibility. The Fiduciaries Investment Act allows the association to invest in a security if it is one which "a prudent man of discretion and intelligence, who is seeking a reasonable income and preservation of capital, would buy."

Additionally, sound accounting procedures for investment purchases and sales should include the recording of the following, as applicable:

- Date of purchase or sale of the security
- Identification number of the security
- Rate of interest
- Date of receipt of interest income
- Date of maturity

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: The relief association officials indicated that the original cause of the finding was based on the performance or lack thereof from the relief association's investment advisor during the audit period and the advisor's lack of reporting mechanisms.

Effect: The continued failure to maintain an adequate record-keeping system for investment transactions prevents officials from effectively monitoring the relief association's financial position.

Recommendation: We again recommend that the relief association officials take the necessary steps to record all investments purchased and sold, and identify the source and amount of investment income, so that all investment transactions are sufficiently documented. We also recommend the relief association obtain a fair value for the certificated investment in Pulse InfoFrame Inc. for the period ending December 31, 2021. 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, provided the following response:

It was determined by the 2021 GFD finance committee that we were not receiving adequate investment records from our existing investment advisor. After meeting this investment advisor and not receiving subsequent information that we requested, the 2021 GFD finance committee decided to evaluate new investment firms and select a new investment advisor. With the help of our new investment advisor, our finance committee determined it was in our best interest to sell the shares of Pulse InfoFrame at the original purchase price to our Fire Department's General Fund. We felt that our Relief Fund should not own any privately held stock options that do not provide adequate annual evaluations with respect to the relief fund reporting requirements. All transactions are completed financially and supporting documentation has been submitted to the VFRA auditor.

Auditor's Conclusion: We reviewed documentation verifying the December 9, 2022, and December 12, 2022, deposits of the funds for the sale of the shares of Pulse InfoFrame Inc. at the original purchase price to the affiliated fire company in the total amount of \$55,469 into a relief association account. Compliance for monitoring future investments made during the next audit period will be subject to verification through our next audit.

GETTYSBURG FIRE DEPARTMENT FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
11/13/2019	5395	Accounting fees for affiliated fire company	\$ 1,139
07/31/2021	5479	Accounting fees for affiliated fire company	<u>1,206</u>
Total			<u>\$ 2,345</u>

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters’ relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

Costs associated with accounting fees for the affiliated fire company do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials indicated that the accounting vendor performed the same services for the relief association and the affiliated fire company and failed to itemize the expenses per entity. In addition, the relief association officials inadvertently paid the entire amount due on both invoices.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$2,345 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of 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 affiliated fire company reimbursed the relief association \$2,345 for the unauthorized expenditures on September 29, 2022.

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$2,345 was received on September 29, 2022. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 3 – Failure To Conduct Annual Physical Equipment Inventories

Condition: As cited in the Status of Prior Findings section of this report, although the relief association did provide and maintain a complete and accurate equipment roster, the relief association officials failed to conduct annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association.

Criteria: Sound business practice dictates that annual inventories are conducted to ensure the accuracy of the relief association's equipment roster.

Cause: The relief association officials indicated that the relief association is moving to a new inventory program and the inventories were completed but not documented sufficiently for audit purposes.

Effect: The continued failure to perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association owned equipment.

Recommendation: We again recommend that the relief association officials ensure they perform an annual physical inventory of all operable equipment and that the completion of the inventories be sufficiently documented. 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.

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Gettysburg Fire Department Firemen's Relief Association Governing Body:

Mr. Dave Blocher
President

Mr. Robert Plank
Vice President

Ms. Dawn Six
Recording Secretary

Mr. Albert Knerr, Jr.
Treasurer

Mr. Mark Fruehan
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Ms. Lori Fuhrman
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Mr. Larry Weikert
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Mr. Scott McGonical
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Mr. Kenneth Kime, Jr.
Assistant Chief

Mr. Russell McCutcheon
Captain

Mr. William Kuntz
Lieutenant

GETTYSBURG FIRE DEPARTMENT FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Sara L. Stull
Secretary
Gettysburg Borough

Ms. Martha O'Bryant
Secretary
Highland Township

Ms. Shannon M. Hare
Secretary
Mount Joy Township

Ms. Jennifer S. Day
Secretary
Mount Pleasant Township

Ms. Robin Crushong
Secretary
Straban Township

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