

COMPLIANCE AUDIT

The Fireman's Relief Association Of The Jefferson Volunteer Fire Company, York County Pennsylvania

For the Period
January 1, 2019, to December 31, 2022

July 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. Richard Seitz, President
The Fireman's Relief Association Of The
Jefferson Volunteer Fire Company,
York County Pennsylvania

We have conducted a compliance audit of The Fireman's Relief Association Of The Jefferson Volunteer Fire Company, York County Pennsylvania (relief association) for the period January 1, 2019, to December 31, 2022. 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.

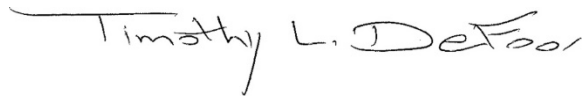
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not, 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 objective. 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 December 31, 2022, 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 finding listed below and discussed later in this report.

Finding – Untimely Receipts And Deposits Of State Aid

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

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
July 6, 2023

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Untimely Receipts And Deposits Of State Aid	4
Report Distribution List	6

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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Codorus Township	York	\$ 8,655	\$ 8,677	\$ 7,483	\$ 9,329
Jefferson Borough	York	\$ 3,628	\$ 3,658	\$ 3,237*	\$ 3,718*
Manheim Township	York	\$11,806	\$11,800*	\$10,103	\$12,678

* The 2020 state aid allocation received from Manheim Township was not deposited by the relief association until January 6, 2021. In addition, the 2021 and 2022 state aid allocations received from Jefferson Borough were not deposited by the relief association until February 10, 2022, and February 6, 2023, respectively, as disclosed in the finding in this report.

Based on the relief association’s records, its total cash, and investments as of December 31, 2022, were \$123,037, as illustrated below:

Cash	\$ 40,340
Fair Value of Investments	<u>82,697</u>
Total Cash and Investments	<u>\$ 123,037</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$105,919, 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	<u>\$ 32,674</u>
Fire Services:	
Equipment purchased	\$ 32,270
Equipment maintenance	19,062
Training expenses	<u>8,302</u>
Total Fire Services	<u>\$ 59,634</u>
Administrative Services:	
Bond premiums	\$ 820
Other administrative expenses *	<u>4,791</u>
Total Administrative Services	<u>\$ 5,611</u>
Total Investments Purchased	<u>\$ 8,000</u>
Total Expenditures	<u><u>\$ 105,919</u></u>

* A portion of the other administrative expenses represent support contracts for firehouse software in the amount of \$2,761.

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:

Jefferson Volunteer Fire Company

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

THE FIREMAN'S RELIEF ASSOCIATION OF THE JEFFERSON VOLUNTEER
FIRE COMPANY, YORK COUNTY PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Untimely Receipts And Deposits Of State Aid

Condition: The relief association did not deposit the 2021 and 2022 state aid allocations it received from Jefferson Borough, in the amounts of \$3,237 and \$3,718, respectively, until February 10, 2022, and February 6, 2023, respectively. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 21, 2021, and September 21, 2022; however, the municipal official failed to forward the state aid allocations to the relief association until February 7, 2022, and January 19, 2023, respectively, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not document an attempt to ensure the funds were received and deposited timely. Upon receipt of the state aid allocations, the relief association deposited the funds into a relief association account on February 10, 2022, and February 6, 2023.

Additionally, the relief association did not deposit the 2020 state aid allocation it received from Manheim Township, in the amount of \$11,800, until January 6, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 22, 2020. According to the Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B that was submitted online by the municipal official, the date the municipal check was sent to the relief association was November 11, 2020; however, the relief association officials stated that they did not receive the allocation check until December 28, 2020 and provided a December 16, 2020 postmarked envelope. Upon receipt of the state aid allocation, the relief association deposited the funds into a relief association account on January 6, 2021.

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 the relief association officials should be questioning the municipality about their state aid if only one relief association is in the fire service area and upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure state aid funds are obtained and deposited in a timely manner.

THE FIREMAN'S RELIEF ASSOCIATION OF THE JEFFERSON VOLUNTEER
FIRE COMPANY, YORK COUNTY PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: Although the relief association officials stated that there was a change in some municipal employees during the audit period, the relief association officials did not provide a reason why attempts were not documented to ensure the funds were received and deposited timely.

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

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and 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: 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.

THE FIREMAN'S RELIEF ASSOCIATION OF THE JEFFERSON VOLUNTEER
FIRE COMPANY, YORK COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Fireman's Relief Association Of The Jefferson Volunteer Fire Company, York County
Pennsylvania Governing Body:

Mr. Richard Seitz
President

Mr. Pat Seitz
Vice President

Mr. Kevin Krout
Secretary

Mr. Troy Snyder
Treasurer

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

Ms. April K. Rehbein
Secretary
Codorus Township

Ms. Connie Wentz
Secretary
Jefferson Borough

Ms. Michelle Hershey
Secretary
Manheim Township

THE FIREMAN'S RELIEF ASSOCIATION OF THE JEFFERSON VOLUNTEER
FIRE COMPANY, YORK COUNTY PENNSYLVANIA
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.