

COMPLIANCE AUDIT

Relief Association Fund of Lafayette Fire Company Lancaster County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

January 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jason Beiler, President
Relief Association Fund of Lafayette
Fire Company
Lancaster County

We have conducted a compliance audit of the Relief Association Fund of Lafayette Fire Company (relief association) for the period January 1, 2019, 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 copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by the VFRA Act.

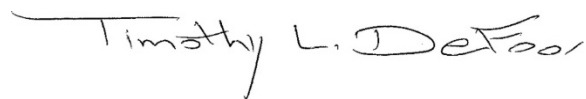
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019, to December 31, 2021:

- 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 –
Unauthorized Expenditures

Finding No. 2 – Failure To Secure Ownership Interest In Jointly Purchased
Vehicles

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 2, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
East Lampeter Township	Lancaster	\$32,724	\$32,444	\$28,700

Based on the relief association's records, its total cash as of December 31, 2021, was \$50,600, as illustrated below:

Cash	<u>\$ 50,600</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$117,084, 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	\$ 5,306
Relief benefits	130
Total Benefit Services	<u>\$ 5,436</u>

Fire Services:

Equipment purchased	\$ 73,700
Equipment maintenance	22,617
Training expenses	11,606
Total Fire Services	<u>\$ 107,923</u>

Administrative Services:

Bond premiums	\$ 1,319
Other administrative expenses	336
Total Administrative Services	<u>\$ 1,655</u>

Other Expenditures:

Unauthorized expenditures	<u>\$ 2,070</u>
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Total Expenditures	<u>\$ 117,084</u>
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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:

Lafayette Fire Company

RELIEF ASSOCIATION FUND OF LAFAYETTE FIRE COMPANY
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:

- Undocumented Expenditures

By receiving reimbursement and providing adequate documentation to evidence the propriety of the undocumented expenditures that were made in the prior audit period.

- Inappropriate Ownership Of Rescue Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the vehicle, which was inappropriately issued in the name of the fire company. A similar condition was identified during the current audit period (See Finding No. 3 for further details).

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The 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:

- Unauthorized Expenditures

Although the relief association received reimbursement of \$4,870 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by the VFRA Act 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 recommendations and corrective actions noted in this audit report.

RELIEF ASSOCIATION FUND OF LAFAYETTE FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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>
08/12/19	304	Legal Fees for affiliated fire company	\$ 1,070
03/26/20	326	Legal Fees for affiliated fire company	1,000
Total			<u>\$ 2,070</u>

A similar condition was noted in our two prior audit reports.

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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

Costs associated with legal 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: Although notified of a similar condition during the prior two audits, relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

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.

RELIEF ASSOCIATION FUND OF LAFAYETTE FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$2,070 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 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 Secure Ownership Interest In Jointly Purchased Vehicles

Condition: On May 6, 2020, the relief association expended \$70,000 for the purpose of jointly purchasing a 2021 Pierce Enforcer Pumper 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 the affiliated fire company and there was no formal agreement between the two parties.

In addition, subsequent to the audit period under review, on February 7, 2022, the relief association expended \$36,787 for the purpose of jointly purchasing a 2021 Ford Explorer, which was also solely titled in the name of the affiliated fire company. Although the relief association presented a formal agreement dated February 7, 2022, for this joint purchase, the agreement did not contain all required elements of a duly executed contract, specifically, the agreement was not authorized because it lacked the signatures of the required four individual officers of the consenting parties.

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.

RELIEF ASSOCIATION FUND OF LAFAYETTE FIRE COMPANY
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicles by executing formal written agreements 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 vehicles, in the event the vehicles are ever sold. The executed formal agreements should contain all required elements including authorization by at least four individual officers of the consenting parties.

Cause: The relief association officials were unaware of the number of signatures required for the agreements.

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

Recommendation: We recommend that the relief association officials execute formal written agreements with the fire company that enumerates the relief association's proportional ownership interest in the jointly purchased vehicles as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicles are ever sold. The agreements should be authorized by four individual officers of the consenting parties. If such action is not taken, we recommend that the relief association be reimbursed \$106,787. 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 officials provided to our Department on October 21, 2022, a joint purchase agreement dated September 29, 2022, for the vehicle purchased on May 6, 2020, and a joint purchase agreement with the required four individual officer's signatures for the vehicle purchased on February 7, 2022.

Auditor's Conclusion: We reviewed the formal written agreements verifying that they contained all required elements. Compliance for maintaining formal written agreements made during the next audit period will be subject to verification through our next audit.

RELIEF ASSOCIATION FUND OF LAFAYETTE FIRE COMPANY
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Relief Association Fund of Lafayette Fire Company Governing Body:

Mr. Jason Beiler
President

Mr. Thomas Lieberher
Vice President

Mr. Howard Hershey
Secretary

Mr. Richard Kurtz
Treasurer

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

Mr. Ralph M. Hutchison
Secretary
East Lampeter 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.