

# COMPLIANCE AUDIT

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## Mechanicsburg Firefighters Relief Association of the State of Pennsylvania Cumberland County For the Period January 1, 2019, to December 31, 2021

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December 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Ronald Trace, President  
Mechanicsburg Firefighters Relief  
Association of the State of Pennsylvania  
Cumberland County

We have conducted a compliance audit of the Mechanicsburg Firefighters Relief Association of the State of Pennsylvania (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 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.

We were not able to obtain independent confirmations of the cash balance and a portion of the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$218,561 and an investment balance with a fair value of \$35,960, we were not able to verify the cash balance and a portion of the investment balance.

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, 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 – Inadequate Minutes Of Meetings

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  
December 14, 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 Code<sup>1</sup>, and the Volunteer Firefighters’ Relief Association Act<sup>2</sup> (“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 Law<sup>3</sup> (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.

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>
Mechanicsburg Borough	Cumberland	\$49,740	\$49,931	\$44,534

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

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

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

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2021, were \$254,521, as illustrated below:

Cash	\$ 218,561
Fair Value of Investments	<u>35,960</u>
Total Cash and Investments	<u>\$ 254,521</u>

Based on the relief association's records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$259,334, 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.<sup>4</sup> **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	\$ 50,652
Relief benefits	<u>1,372</u>
Total Benefit Services	<u>\$ 52,024</u>

#### Fire Services:

Equipment purchased	\$ 143,559
Equipment maintenance	32,127
Training expenses	<u>3,570</u>
Total Fire Services	<u>\$ 179,256</u>

#### Administrative Services:

Bond premiums	\$ 1,251
Officer compensation	600
Other administrative expenses *	<u>6,203</u>
Total Administrative Services	<u>\$ 8,054</u>

Total Investments Purchased	<u>\$ 20,000</u>
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Total Expenditures	<u>\$ 259,334</u>
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\* A majority of the other administrative expenses represent \$5,458 expended in calendar years 2019 and 2020 for software and rentals.

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<sup>4</sup> 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:

Mechanicsburg Volunteer Fire Department of the Borough of Mechanicsburg

MECHANICSBURG FIREFIGHTERS RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Inadequate Minutes Of Meetings**

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws. Specifically, the relief association’s minutes did not address all financial-related transactions that occurred during the audit period. In addition, the VFRA did not hold quarterly meetings during the audit period as required by the relief association’s bylaws. Further, our auditors found that the relief association bylaws make reference to Act 84 and had not been updated to reflect the current VFRA Act.

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.

The relief association’s bylaws at Article II, Section 1 states, in part:

A minimum of one meeting per quarter shall be held at a date and time as agreed up [*sic*] by the Directors.

The relief association’s bylaws at Article III, Section 2 states, in part:

Secretary: 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 the meetings.

In addition, the relief association’s bylaws at Article V, Section 1 states, in part:

All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Cause: Relief association officials indicated that some financial transactions that were not documented in the minutes occurred during the COVID-19 shutdown. They further stated that after the COVID-19 shutdown, they had trouble drawing a quorum at meetings as there were no provisions in the bylaws for other than in-person meetings. Relief officials did not provide a reason for why the bylaws had not been updated to reflect the current VFRA act, but officials noted that the bylaws are being reviewed and revised.



MECHANICSBURG FIREFIGHTERS RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: Without holding required meeting and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. Since the relief association bylaws were not updated, the relief association may not be operating under the current requirements of the VFRA act.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. We also recommend the relief association either hold meetings as stipulated in its bylaws or amend its bylaws to reflect the correct meeting schedule. Additionally, we recommend that the relief association officials remove the language referring to Act 84 in its bylaws by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020). 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.

MECHANICSBURG FIREFIGHTERS RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Mechanicsburg Firefighters Relief Association of the State of Pennsylvania Governing Body:

**Mr. Ronald Trace**  
President

**Mr. Tom Bender**  
Vice President

**Ms. Lesia Metallo**  
Secretary

**Ms. Elizabeth Neff**  
Treasurer

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

**Mr. Roger Ciecierski**  
Secretary  
Mechanicsburg Borough

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).