

COMPLIANCE AUDIT

The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County Pennsylvania

For the Period
January 1, 2018 to December 31, 2020

May 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Kenneth Sigel, Jr., President
The Needmore Volunteer Fireman's Relief
Association of Needmore, Fulton County
Pennsylvania

We have conducted a compliance audit of The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County Pennsylvania (relief association) for the period January 1, 2018 to December 31, 2020. 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.

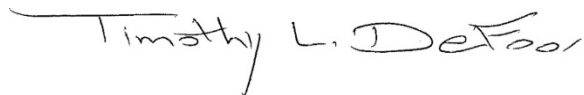
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020:

- The relief association took appropriate corrective action to address three of the four 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.
- Because of the significance of the matter described in Finding No. 2 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

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

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

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
April 13, 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Belfast Township	Fulton	\$7,889	\$8,541	\$8,615
Bethel Township	Fulton	\$8,609	\$9,270	\$9,346
Brush Creek Township	Fulton	\$2,638	\$2,816	\$2,810
Licking Creek Township	Fulton	\$3,051	\$3,377	\$3,412
Thompson Township	Fulton	\$6,168	\$6,731	\$6,785
Union Township	Fulton	\$4,167	\$4,707	\$4,754

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$4,123, as illustrated below:

Cash	\$ 2,606
Fair Value of Investments	<u>1,517</u>
Total Cash and Investments	<u><u>\$ 4,123</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$189,101, 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>\$ 17,560</u>
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Fire Services:

Equipment purchased	\$ 47,000
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Equipment maintenance	<u>2,536</u>
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Total Fire Services	<u>\$ 49,536</u>
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Administrative Services:

Other administrative expenses*	\$ 11,582
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Bond premiums	<u>100</u>
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Total Administrative Services	<u>\$ 11,682</u>
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Other Expenditures:

Payments on loan	<u>\$ 110,323</u>
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Total Expenditures	<u><u>\$ 189,101</u></u>
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* A portion of the other administrative expenses represents accounting services and 990 EZ tax preparation in the amount of \$7,540 during the three-year audit period and a sales commission due for apparatus sold in 2017 in the amount of \$4,000.

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:

Needmore Volunteer Fire Company

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

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inappropriate Ownership Of Rescue Vehicle

By ensuring the title of the rescue vehicle was jointly registered to both the affiliated fire company and the relief association and by executing a written formal agreement with the affiliated fire company that adequately secures its 100% ownership interest in the relief association purchased vehicle.

- Failure To Segregate Relief Association Officers' Duties

By ensuring that there is segregation of duties between the offices of the secretary and treasurer.

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the four prior audit findings. 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 relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

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

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association.

Specifically, the following are concerns with the roster:

- \$47,000 of equipment during the current audit period was not properly accounted for (lacks serial number, complete purchase date, cost, name of supplier, (current) location of the equipment, and physical inventory checklist, i.e., annual inventory verification).
- During the prior audit, 2 scene lights (\$1,082) remained that were not recorded on the roster and an emergency apparatus (\$15,000) was also not properly recorded (lacks serial number, date purchased, cost, name of supplier, (current) location of the equipment, and physical inventory checklist (i.e. annual inventory verification).
- The roster also includes equipment which was not purchased by the relief association.
- There was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

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

Criteria: Prudent business practice dictates that the relief association should establish 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

THE NEEDMORE VOLUNTEER FIREMAN’S RELIEF ASSOCIATION OF NEEDMORE,
 FULTON COUNTY PENNSYLVANIA
 FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: The relief association officials did not provide a reason for why this occurred despite the relief association being notified of this condition during our prior audits.

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.

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association 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: 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 Equipment

Condition: In 2020, the relief association expended \$7,000, while the affiliated fire company paid the balance of \$6,005, towards high band radios without properly securing its ownership interest, as detailed below:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
08/06/2020	1272	Radio vendor	\$ 4,000
11/16/2020	1277	Radio vendor	3,000
		Total	\$ 7,000

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in jointly purchased equipment by executing a formal written agreement that enumerates the relief association's proportional share of the cost. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

Cause: The relief association executed an agreement, but the agreement was insufficient in that it did not: enumerate the relief association's association proportional ownership interest, stipulate sales proceeds would revert to the relief association in the event the equipment was ever sold, or contain the appropriate signatures of officials to properly execute the agreement.

Effect: The failure to adequately secure the proportional share of ownership interest in the radios for which relief association purchased places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the radios as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the radios are ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$7,000. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 2 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
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

The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County
Pennsylvania Governing Body:

Mr. Kenneth Sigel, Jr.
President

Mr. Bradley Carbaugh
Vice President

Ms. Andrea Sprow
Secretary

Ms. Donna Carbaugh
Treasurer

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Ms. Paula Shives

Secretary
Belfast Township

Ms. LuAnne Keebaugh

Secretary
Bethel Township

Ms. Tina L. Crawford

Secretary
Brush Creek Township

Ms. LuAnne Keebaugh

Secretary
Licking Creek Township

Mr. D. Gene Mellott

Secretary
Thompson Township

Ms. Justine E. Murray

Secretary
Union 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.