

COMPLIANCE AUDIT

New Cumberland Fire Department Volunteer Firemen's Relief Association Cumberland County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

March 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Edward J. Erlsten, President
New Cumberland Fire Department
Volunteer Firemen's Relief Association
Cumberland County

We have conducted a compliance audit of the New Cumberland Fire Department Volunteer Firemen's Relief Association (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 finding 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.

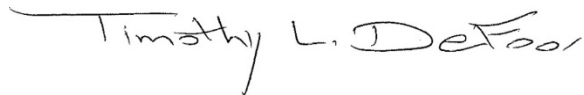
We were not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided copies of bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine 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 the finding contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Failure To Maintain 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.



Timothy L. DeFoor
Auditor General
January 11, 2023

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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>
New Cumberland Borough	Cumberland	\$39,227	\$39,436	\$35,085

Based on the relief association's records, its total cash and investments as of December 31, 2021, were \$254,299, as illustrated below:

Cash	\$ 4,650
Fair Value of Investments	<u>249,649</u>
Total Cash and Investments	<u>\$ 254,299</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$194,165, 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	\$	53,097
Relief benefits		400
Tokens of sympathy and goodwill		879
Total Benefit Services	\$	<u>54,376</u>

Fire Services:

Equipment purchased	\$	75,968
Equipment maintenance		47,626
Training expenses		7,412
Fire prevention materials		3,806
Total Fire Services	\$	<u>134,812</u>

Administrative Services:

Bond premiums	\$	1,656
Accounting fees		1,000
Other administrative expenses		2,135
Total Administrative Services	\$	<u>4,791</u>

Other Expenditures:

Payments of sales tax *	\$	<u>186</u>
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Total Expenditures	\$	<u><u>194,165</u></u>
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* During calendar year 2020, the relief association made a \$186 disbursement for the payment of sales tax on a purchase that was not authorized under the VFRA Act. We disclosed this issue to relief association officials on December 12, 2022, but we did not include a finding in this report due to the relatively low dollar amount. This unauthorized expenditure occurred prior to the relief association obtaining their valid sales tax exemption number.

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:

New Cumberland Fire Department

NEW CUMBERLAND FIRE DEPARTMENT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Maintain A Pennsylvania Sales Tax Exemption Number

By obtaining a state sales tax exemption number and subsequently providing it to all vendors from which the relief association purchases equipment.

NEW CUMBERLAND FIRE DEPARTMENT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the meeting minutes were maintained only for the annual board meetings held in calendar years 2019, 2020, and 2021. Furthermore, these meeting minutes did not address all financial-related transactions that occurred during the audit period.

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 IV, Section 5 states, in part:

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 meetings. [*Sic*]

The relief association's bylaws at Article V, Section 1 states:

The Association shall hold an annual meeting following the regular January meeting of the New Cumberland Fire Department for the purpose of electing Officers, Directors, receiving reports of Officers and committees, and for any other business that may arise.

In addition, the relief association's bylaws at Article V, Section 2 states, in part:

The Association may meet at such other times as the Board of Directors deems necessary, providing notice is given at the regular Fire Department Meeting or written notice is posted...

Cause: Relief association officials indicated that they were unsure where other meeting minutes, if any, were kept.

Effect: Without holding regular monthly meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

NEW CUMBERLAND FIRE DEPARTMENT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials consider holding regular monthly meetings and maintain a permanent record of all relief association meetings as required by the VFRA Act and the relief association's bylaws and amend the bylaws with any revisions accordingly. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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.

NEW CUMBERLAND FIRE DEPARTMENT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

New Cumberland Fire Department Volunteer Firemen's Relief Association Governing Body:

Mr. Edward J. Erlsten
President

Mr. Timothy Langletz
Vice President

Ms. Shannon Stone
Secretary

Ms. Joanne Schumacher
Treasurer

Mr. Jeffrey A. Gouldy
Director

Ms. Allison Barno
Director

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

Mr. Nathaniel J. Dysard
Secretary
New Cumberland Borough

NEW CUMBERLAND FIRE DEPARTMENT VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION
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.