

# COMPLIANCE AUDIT

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## New Lancaster Valley Volunteer Firefighter's Relief Association Mifflin County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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January 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Donald Powell, President  
New Lancaster Valley Volunteer  
Firefighter's Relief Association  
Mifflin County

We have conducted a compliance audit of the New Lancaster Valley Volunteer Firefighter's Relief Association (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, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 2020.

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.

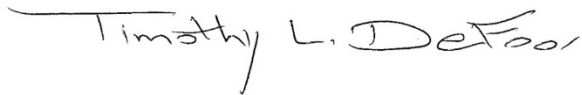
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2018 to December 31, 2020, 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 – Failure To Maintain Minutes Of Meetings

Finding No. 2 – Failure to Deposit Restitution Payments

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.

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 10, 2021

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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.

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, VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by 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.

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<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)**

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Armagh Township	Mifflin	\$6,117	\$6,698	\$6,861

Based on the relief association’s records, its total cash as of December 31, 2020 was \$6,547, as illustrated below:

Cash	<u><u>\$ 6,547</u></u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$19,120, 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	\$ 5,266
Tokens of sympathy and goodwill	58
Total Benefit Services	<u>\$ 5,324</u>
Fire Services:	
Equipment purchased	\$ 11,152
Equipment maintenance	1,875
Fire prevention materials	221
Total Fire Services	<u>\$ 13,248</u>
Administrative Services:	
Other administrative expenses	\$ 248
Bond premiums	300
Total Administrative Services	<u>\$ 548</u>
Total Expenditures	<u><u>\$ 19,120</u></u>

<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:

New Lancaster Valley Volunteer Fire Company

NEW LANCASTER VALLEY VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – 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, minutes were not maintained for the first six months of 2018 as well as for the entire year of 2019. While the treasurer's reports were maintained for the entire audit period, it was impossible to determine if the relief association's membership was aware of, and approved, the financial transactions which occurred during these two timeframes. Furthermore, based on the meeting minutes provided for examination, the Relief Association's Secretary failed to sign and date each set of meeting minutes.

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.

In addition, the relief association's bylaws at Article III, Section 3 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 meetings.

Cause: Relief association officials indicated that the secretary did not maintain minutes for some of the relief association's meetings; however, no reason was provided.

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

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by the VFRA Act. The minutes should include an adequate record of all financial-related business conducted by the relief association. Also, the relief association should establish internal control procedures to ensure each set of minutes is signed and dated by the Relief Association's Secretary. 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 LANCASTER VALLEY VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Deposit Restitution Proceeds**

Condition: On January 5, 2005, the Court of Common Pleas of Mifflin County ordered a defendant to make restitution in the amount of \$6,136. The relief association has been collecting and depositing the restitution payments. We received documentation from the Court of Common Pleas of Mifflin County confirming the restitution was satisfied in 2021; however, it was determined during the final reconciliation of the restitution payments that the relief association failed to deposit \$1,050 in restitution payments owed to the relief association.

Criteria: Prudent business practice dictates that the relief association should closely monitor all court ordered judgments to make sure all proceeds are received and timely deposited into a relief association account.

Cause: The relief association officials stated \$300 was returned to the State Treasury while the remaining funds may have been deposited into an account for the affiliated fire company.

Effect: The failure to deposit all restitution payments due to the relief association in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the restitution payments not being deposited into the relief association's account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$1,050 for the remaining restitution payments due the relief association. We also recommend that the relief association officials establish accounting and internal control procedures to ensure that all proceeds are timely deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not agree with the finding as presented and stated that the majority of the cited unaccounted restitution payments were previously deposited into a relief association account.

Auditor's Conclusion: Based on the criteria and because the relief association did not provide evidence to support their claim, the issue remains as stated and we continue to recommend that the relief association be reimbursed \$1,050 for the remaining restitution payments. Compliance will be subject to verification through our next audit.

NEW LANCASTER VALLEY VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

New Lancaster Valley Volunteer Firefighter's Relief Association Governing Body:

**Mr. Donald Powell**  
President

**Ms. Deborah Penn**  
Treasurer

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

**Ms. Jodie Barger**  
Secretary  
Armagh Township

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).