

COMPLIANCE AUDIT

Northern York County Firefighter's Relief Association York County, Pennsylvania For the Period January 1, 2018, to December 31, 2021

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. Todd Cook, President
Northern York County Firefighter's
Relief Association
York County

We have conducted a compliance audit of the Northern York County Firefighter's Relief Association (relief association) for the period January 1, 2018, 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.

Based on our audit procedures, we conclude that, for the period January 1, 2018, 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 findings listed below and discussed later in this report.

Finding No. 1 – Inadequate Minutes Of Meetings

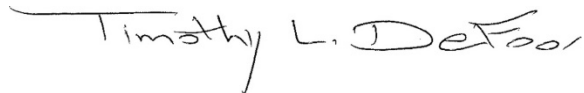
Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 3 – Improper Equipment Donation Transaction

Finding No. 4 – Undocumented Expenditure

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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
October 18, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	5
Findings and Recommendations:	
Finding No. 1 – Inadequate Minutes Of Meetings	6
Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment Roster.....	7
Finding No. 3 – Improper Equipment Donation Transaction	9
Finding No. 4 – Undocumented Expenditure.....	10
Observation:	
Observation – FDIC Coverage Limits Exceeded	12
Report Distribution List	13

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>	<u>2021</u>
Carroll Township	York	\$16,718	\$17,975	\$18,125	\$26,623
Dillsburg Borough	York	\$12,655	\$13,449	\$13,543	\$11,904
Franklin Township	York	\$ 6,563	\$ 7,031	\$28,354	\$24,872
Washington Township	York	*	*	*	\$ 5,333

* During the current audit period, the relief association did not receive an allocation of state aid from Washington Township in 2018, 2019 and 2020. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

Based on the relief association’s records, its total cash and investments as of December 31, 2021, were \$398,848, as illustrated below:

Cash	\$ 360,424
Fair Value of Investments	<u>38,424</u>
Total Cash and Investments	<u><u>\$ 398,848</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018, to December 31, 2021, were \$211,139, 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>\$ 62,312</u>
Fire Services:	
Equipment purchased	\$ 83,511
Equipment maintenance	17,803
Training expenses	8,404
Total Fire Services	<u>\$ 109,718</u>
Administrative Services:	
Bond premiums	\$ 1,642
Other administrative expenses	4,317
Total Administrative Services	<u>\$ 5,959</u>
Total Investments Purchased	<u>\$ 13,543</u>
Other Expenditures:	
Miscellaneous – uncategorized	\$ 19,141
Undocumented expenditure	316
Unauthorized expenditure *	150
Total Other Expenditures	<u>\$ 19,607</u>
Total Expenditures	<u><u>\$ 211,139</u></u>

* During calendar year 2018, the relief association made a \$150 disbursement that was not authorized under the VFRA Act. We disclosed this issue to relief association officials on September 29, 2022, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Northern York County Fire, Rescue, and EMS Department

NORTHERN YORK COUNTY FIREFIGHTER'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:

- Untimely Deposit Of State Aid

By timely depositing all income received.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – 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 did not provide minutes of meetings for the years 2018 or 2019 and provided minutes of only one meeting for the year 2020. Minutes from six meetings were provided for the year 2021, however they did not contain all financial-related transactions that occurred (Refer to Finding No. 3 for additional information). Also, the relief association's bylaws state that relief association meetings are to be held every other month throughout the year starting with January, on the fourth Tuesday of each designated month. The minutes provided for 2021 were not in accordance with this schedule; instead, the minutes provided included the months of January, February, July, October, and two sets of minutes from the month of November.

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:

The Association shall meet every other month throughout the year starting with January. Meetings shall be held on the fourth Tuesday of each designated month immediately following the regular business meeting of the Department...

In addition, the relief association's bylaws at Article III, 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...The Secretary is responsible for providing Department of the Auditor General copies of the association's minutes of meetings...as requested.

Finally, the relief association's bylaws at Article V, Section 1 states, in part:

All expenditures shall be by majority vote and duly recorded in the association minutes.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: Relief association officials indicated that there was a breakdown in frequency of relief association meetings due to the consolidation of Dillsburg and Franklintown Fire Companies and Relief Associations, and due to a sudden turnover of Board of Director members. Furthermore, regarding the schedule of meetings, the VFRA indicated the bylaws of the fire company and the relief association were in conflict, and thus meetings were held on an “as needed” basis until new officers were seated.

Effect: Without holding all required meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. Further, the relief association cannot ensure that it conducted its business in accordance with the VFRA Act and with relief association bylaws.

Recommendation: We recommend that the relief association officials hold all required meetings maintain detailed minutes of meetings in accordance with the VFRA Act and with relief association bylaws, evidencing the discussion and approval 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.

Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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

Cause: Relief association officials indicated the consolidation of Dillsburg and Franklinton Fire Companies and Relief Associations caused equipment rosters to not be updated and caused inventories to be delayed.

Effect: The 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 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: Compliance will be subject to verification through our next audit.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Improper Equipment Donation Transaction

Condition: The relief association improperly donated a 2004 Ford vehicle with an unknown scrap value to a local towing and junk business. No attempt was made on the behalf of the relief association to determine the salvage value of the vehicle. Furthermore, relief association management was not able to provide a date of the transaction or provide minutes of meetings showing that the transaction was approved by the relief association membership (Refer to Finding No. 1 for additional information).

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.

In addition, Section 7416(f) of the VFRA Act states:

Funds of any volunteer firefighters' relief association may be spent:

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

Furthermore, the relief association is not authorized to act as a donating agent for relief association-owned equipment that retains an appreciable value that can benefit the relief association in meeting its purpose under the VFRA Act. However, a relief association may donate relief association-owned equipment that is no longer in service to another relief association, not another organization. Prudent business practice dictates that if such a donation of equipment occurs, an agreement documenting the transfer should be completed between the participating relief associations.

Cause: Relief association officials indicated the vehicle in question was approved for sale at a September 2018 meeting. However, at some point after the meeting, the vehicle broke down and the cost of repair exceeded the value of the vehicle. At an unknown time, the decision was made to relinquish the vehicle to a towing company, however the documentation related to this transaction was lost or misplaced, according to relief association officials.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: As a result of the improper equipment donation transaction, relief association funds were not available for use for authorized purposes under the VFRA Act.

Recommendation: We recommend that the relief association provide appropriate supporting documentation of the salvage value of the vehicle and be reimbursed the determined value of the improper equipment donation. We further recommend that the relief association officials discontinue the practice of donating relief association-owned equipment to any organization other than to another relief association. We also recommend that the relief association officials maintain supporting documentation, such as a donation agreement, for all future donations. 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.

Finding No. 4 – Undocumented Expenditure

Condition: The relief association was unable to provide adequate supporting documentation for an expenditure amounting to \$316 on July 18, 2018. The payment was to the affiliated fire company as a reimbursement for expenditures incurred at a restaurant during a fire training event. While receipts were provided, they were not itemized; therefore, we could not determine whether the expenditures were authorized in accordance with Section 7416(f) of the VFRA Act.

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.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials indicated that incorrect receipts were submitted for this expenditure.

Effect: Lack of supporting documentation, such as itemized receipts, made it impossible to determine if the expenditure was made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as an invoice and/or itemized receipt, to ensure the propriety of the expenditure or that the relief association be reimbursed \$316 for the undocumented expenditure. We also recommend that the relief association officials maintain supporting documentation for all 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: Compliance will be subject to verification through our next audit.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
OBSERVATION

Observation – FDIC Coverage Limits Exceeded

As disclosed in a verbal observation during the prior audit, the relief association failed to ensure that all cash deposits were below the FDIC coverage limits per account ownership in one institution. As of December 2021, the relief association's ending cash and investment balances with the financial institution amounted to \$398,848.

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit

FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities, and securities. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

Section 7413 of the VFRA Act states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonably permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly bank reconciliations, the relief association should ensure the relief association's cash balance does not exceed FDIC limits set by banking regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for FDIC insurance and ensure the balance of those assets per banking institution does not exceed FDIC coverage limits.

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Northern York County Firefighter's Relief Association Governing Body:

Mr. Todd Cook
President

Mr. Robert Pomeroy
Vice President

Ms. Jennifer Mitchem
Secretary

Mr. Leonard M. Wiederhoeft
Treasurer

Mr. Hector Morales
Director

Ms. Carla Snyder
Director

Mr. Donny Dye
Director

NORTHERN YORK COUNTY FIREFIGHTER'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Faye Romberger
Secretary
Carroll Township

Ms. Debbi Beitzel
Secretary
Dillsburg Borough

Ms. Traci Kauffman
Secretary
Franklin Township

Ms. Diane J. Deardorff
Secretary
Washington Township

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