

# COMPLIANCE AUDIT

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## Penn Township Firemen's Relief Association of Penn Township, York County, Pennsylvania

For the Period  
January 1, 2016 to December 31, 2018

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August 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Jerry D. Misner, Jr., President  
Penn Township Firemen's Relief Association  
of Penn Township, York County,  
Pennsylvania  
York County

We have conducted a compliance audit of the Penn Township Firemen's Relief Association of Penn Township, York County, Pennsylvania (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2016 to December 31, 2018.

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 required to be and was not 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 an independent confirmation of a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided copies of investment statements that indicated that, as of December 31, 2018, the relief association had an investment balance with a fair value of \$120,165, we were not able to verify a portion of this 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, 2016 to December 31, 2018:

- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this 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.

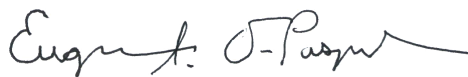
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Duplicate Payment

Finding No. 2 – Undocumented Expenditures

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

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.

July 22, 2019

  
EUGENE A. DEPASQUALE  
Auditor General

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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, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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.

**BACKGROUND – (Continued)**

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

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Penn Township	York	\$30,145	\$18,597	\$36,139

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:

**Penn Township Volunteer Emergency Services**

During the conduct of our audit of the relief association, relief association officials indicated that the relief association is considering a merger with another volunteer firefighter’s relief association as a result of financial and manpower constraints. Prudent business practice dictates that relief associations contemplating dissolution should consider retaining legal counsel to provide assurance that the dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owed to active and former association members are maintained and protected. In addition, if this is the case, the remaining relief association members should conduct a meeting to approve the dissolution of the association and the disposition of its assets. In most circumstances, all relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to the new relief association affiliated with the volunteer fire company that is reestablished as a result of the merger. In addition, relief association officials should contact this department in preparation of a final audit of the relief association and perform the following:

- Provide full documentation of the monetary assets and equipment being transferred. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.
- Upon transfer of the equipment, obtain a signed receipt from the relief association receiving the equipment to verify items of equipment transferred. Those items of equipment then become assets of the recipient relief association and should be added to that relief association’s equipment roster.

We will verify the receipt of the equipment and monetary assets transferred through an audit of the recipient association. However, as of the date of this report, while the relief association has provided documentation showing that it has made a formal commitment to dissolve and merge with another relief association, the entities involved are still awaiting legal guidance/approval to begin the dissolution.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unsecured Loan

By liquidating the fire company loan.

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of Act 118.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with one of the three prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Duplicate Payment

Although the relief association received reimbursement of \$806 from the affiliated fire company for the duplicate payment that was made in the prior audit period, the relief association has again expended funds in the current audit period twice for the same items as further disclosed in Finding No. 1 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Duplicate Payment**

Condition: On October 16, 2018, the relief association expended \$1,605 for a data plan and four (4) computers for relief association apparatus. On October 30, 2018, the relief association erroneously made a duplicate payment for the same data plan and four (4) computers. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment. The vendor has applied this credit (on the next billing statement) to the relief association's account and future monthly cellular/internet service fees are to be deducted from the credit balance.

A similar condition was noted in our prior audit report.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent the duplicate payment of invoices and to ensure duplicate payments are recouped.

Cause: Even though notified of this condition during our prior audit, the relief association failed to implement proper internal controls to prevent, or detect and correct, duplicate payments.

Effect: As a result of not having adequate accounting and procedures in place, a duplicate payment was made and the relief association was unable to use the funds used for the duplicate payment for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association officials should establish accounting and internal control procedures to monitor future relief association 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: 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. Compliance for the continued credit balance being utilized to pay current charges will be subject to verification through our next audit.



PENN TOWNSHIP FIREMEN’S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
02/16/16	1944	Training class	\$ 60
09/19/17	2012	Training class(es)	679
Total			<u>\$ 739</u>

Criteria: Section 7418(a) of Act 118 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.

Without adequate supporting documentation, such as invoices and/or itemized receipts, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. 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.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$739 for the undocumented expenditures. 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.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2018

Cash	\$ 232,300
Fair Value of Investments	<u>120,165</u>
Total Cash and Investments	<u>\$ 352,465</u>

PENN TOWNSHIP FIREMEN’S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 37,239
Relief benefits	1,381
Total Benefit Services	\$ 38,620
Fire Services:	
Equipment purchased	\$ 91,811
Equipment maintenance	5,855
Training expenses	14,152
Total Fire Services	\$ 111,818
Administrative Services:	
Other administrative expenses *	22,961
Bond premiums	1,866
Total Administrative Services	\$ 24,827
Other Expenditures:	
Undocumented expenditures	\$ 739
Unauthorized expenditures **	1,802
Total Other Expenditures	\$ 2,541
Total Expenditures	\$ 117,806

\* The relief association paid \$12,810 in fees to an accounting firm for yearly audit and financial services. The relief association also paid \$6,560 for alerting software renewals and services.

\*\* The relief association made two insignificant disbursements in the amount of \$7 (in 2016) and \$190 (in 2017) which were not authorized by Act 118. We disclosed this issue to relief association officials on July 10, 2019. In addition, a duplicate payment of \$1,605 was made to a cellular/internet service provider for equipment and services. The duplicate payment is to be used as a credit for future service provider bills.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Penn Township Firemen's Relief Association of Penn Township, York County, Pennsylvania  
Governing Body:

**Mr. Jerry D. Misner, Jr.**  
President

**Mr. Scott Sager**  
Vice President

**Ms. Jessica Misner**  
Secretary

**Mr. James Gonzalez**  
Treasurer

**Mr. Andy Alwine**  
Assistant Secretary

**Ms. Ursula Yost**  
Assistant Treasurer

**Mr. Ray Kinsey**  
Trustee

PENN TOWNSHIP FIREMEN’S RELIEF ASSOCIATION OF PENN TOWNSHIP, YORK  
COUNTY, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

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

**Ms. Donna M. Sweeney**  
Secretary  
Penn 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).