

COMPLIANCE AUDIT

Reliance Fire Company Relief Association of West York Borough, Pennsylvania York County For the Period January 1, 2018 to December 31, 2021

June 2022



Commonwealth of Pennsylvania
Department of the Auditor General
Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Tammy Dunn, President
Reliance Fire Company Relief Association
of West York Borough, Pennsylvania
York County

We have conducted a compliance audit of the Reliance Fire Company Relief Association of West York Borough, Pennsylvania (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 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.

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$35,717 and an investment balance with a fair value of \$30,560, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2021:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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.

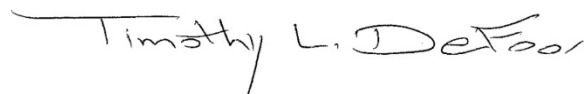
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Relief Association Investment Account Registered Under Unknown Federal Tax Identification Number

All three audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are concerned by the number of repeat 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
May 9, 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.

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> | <u>2021</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| West York Borough | York | \$14,047 | \$13,868 | \$8,023 | \$14,266 |

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)

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$66,277, as illustrated below:

| | |
|----------------------------|------------------|
| Cash | \$ 35,717 |
| Fair Value of Investments | <u>30,560</u> |
| Total Cash and Investments | <u>\$ 66,277</u> |

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$33,813, 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 | \$ 8,344 |
| Death benefits | <u>100</u> |
| Total Benefit Services | <u>\$ 8,444</u> |
| Fire Services: | |
| Equipment purchased | \$ 9,468 |
| Equipment maintenance | 8,507 |
| Training expenses | <u>1,000</u> |
| Total Fire Services | <u>\$ 18,975</u> |
| Administrative Services: | |
| Bond premiums | \$ 400 |
| Other administrative expenses | <u>244</u> |
| Total Administrative Services | <u>\$ 644</u> |
| Other Expenditures: | |
| Miscellaneous – deposit error corrected | <u>\$ 5,750</u> |
| Total Expenditures | <u>\$ 33,813</u> |

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:

Reliance Fire Company

RELIANCE FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
PENNSYLVANIA
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster
- Inadequate Minutes Of Meetings
- Relief Association Investment Account Registered Under Unknown Federal Tax Identification Number

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

RELIANCE FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
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 maintained a roster of equipment owned by the relief association that appeared to be complete and accurate in comparison to the equipment purchased during the audit period. However there was no evidence 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.

A similar condition was noted in our prior audit report.

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: The relief association officials stated that physical inventories of equipment are conducted, but the results are not written or recorded.

Effect: The continued failure to perform an annual physical inventory of equipment and to account for all inventory items owned by the relief association prevents adequate accountability for, and safeguarding of, relief association equipment.

RELiance FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials continue to 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 and include all required information to account for all inventory items owned 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: 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 – Noncompliance With Prior Audit Recommendation – 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, not all required minutes of meetings were provided; therefore we could not confirm whether the relief association’s minutes addressed all financial-related transactions that occurred during the audit period.

A similar condition was noted in our prior audit report.

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 I, Section I (Recording Secretary) states, in part:

The Secretary shall keep accurate minutes of all meetings of the Association. The minutes shall note all pertinent business discussed at meetings.

RELIANCE FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Furthermore, the relief association's bylaws at Article V, Section I states, in part:

All expenditures must be approved by a majority vote at an association meeting and recorded in the minutes.

Cause: Relief association officials indicated that some minutes of meetings were misplaced at some point in the process of changing Secretaries.

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

Recommendation: We again recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association and ensure that meeting minutes are transferred to appropriate relief association officials during changes in relief association officer positions. 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. 3 – Noncompliance With Prior Audit Recommendation – Relief Association Investment Account Registered Under Unknown Federal Tax Identification Number

Condition: As of December 31, 2021, the relief association held an investment account with a total cost value of \$32,860 (\$30,560 plus \$2,300 custodial cash) which was registered under an unknown federal tax identification number rather than the relief association's identification number. These investment funds represent approximately 50 percent of the relief association's monetary assets.

A similar condition was noted in our prior audit report.

RELIANCE FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Prudent business practice dictates that the relief association maintain ownership of all investments as a means of safeguarding its assets from unauthorized use or disposition.

Cause: The relief association officials stated that they could not get in contact with anyone at the investment firm to change the number.

Effect: As a result of the investments being registered under an unknown federal tax identification number, these relief association assets were not properly safeguarded.

Recommendation: We again recommend that the relief association officials immediately secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all investments are registered under the relief association's federal tax identification number. 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 and have sent emails and have received instructions on how to change the federal tax identification number.

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.

RELIANCE FIRE COMPANY RELIEF ASSOCIATION OF WEST YORK BOROUGH,
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

Reliance Fire Company Relief Association of West York Borough, Pennsylvania Governing
Body:

Ms. Tammy Dunn
President

Mr. John Love
Vice President

Ms. Nicole Schmerbeck
Secretary

Ms. Nancy Love
Treasurer

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

Mr. Shawn Mauck
Secretary
West York Borough

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.