

COMPLIANCE AUDIT

The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County Pennsylvania

For the Period
January 1, 2021, to December 31, 2022

April 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Wavy Kirk, President
The Needmore Volunteer Fireman's
Relief Association of Needmore,
Fulton County Pennsylvania

We have conducted a compliance audit of The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County Pennsylvania (relief association) for the period January 1, 2021, to December 31, 2022. 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.

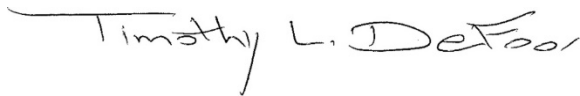
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2021, to December 31, 2022:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matter described in the finding below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Insufficient Documentation Of Fire Company Loan To The Relief Association

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
March 29, 2024

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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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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>2021</u>	<u>2022</u>
Belfast Township	Fulton	\$ 7,813	\$ 9,267
Bethel Township	Fulton	\$ 8,492	\$10,565
Brush Creek Township	Fulton	\$ 2,507	\$ 2,895
Licking Creek Township	Fulton	\$ 3,049	\$ 3,604
Thompson Township	Fulton	\$ 6,065	\$ 7,230
Union Township	Fulton	\$ 4,371	\$ 5,512

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$1,744, as illustrated below:

Cash	\$ 408
Fair Value of Investments	<u>1,336</u>
Total Cash and Investments	<u>\$ 1,744</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2022, were \$73,569, 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>\$ 9,447</u>
Administrative Services:	
Other administrative expenses	<u>\$ 400</u>
Other Expenditures:	
Payments on vehicle loans	<u>\$ 63,722</u>
Total Expenditures	<u>\$ 73,569</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:

Needmore Volunteer Fire Company

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Failure To Secure Ownership In Jointly Purchased Equipment

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased equipment.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Insufficient Documentation Of Fire Company Loan To The Relief Association

Condition: The relief association entered into agreements with the affiliated fire company beginning in 2018 and continuing through 2023. All the agreements state the fire company agreed to pay some relief association bills until which time the relief association has the funds to reimburse the fire company. Per the fire company's calculations, as of December 31, 2022, the relief association borrowed \$61,603 from the fire company. However, the loan transactions were insufficiently documented as evidenced by the following:

- There is insufficient documentation supporting the expenditures that comprise the balance owed by the relief association.
- Due to this insufficient documentation, it is not possible to determine whether the expenditures that comprise the balance owed by the relief association are authorized.
- The loan did not specify a payment schedule and interest rate.
- There is no evidence that the relief association is evaluating other methods to ensure it has the funds to continue operating.
- There is no evidence that the relief association is assessing its ability to pay its increasing liability to the affiliated fire company.

Criteria: Adequate accounting and internal control procedures would dictate the loan transaction be fully documented through a formal written agreement that specifies the payment schedule and interest rate.

Cause: The relief association officials stated the fire company held the statements and invoices in the fire company files since they were the ones originally paying them and the relief association officials did not provide a response for the remaining issues.

Effect: As a result of the loan being insufficiently documented, relief association officials were unable to effectively monitor the relief association's financial position. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials obtain a formal written loan agreement that specifies the payment schedule and interest rate. If such documentation cannot be acquired, we recommend that the loan be immediately liquidated. In addition, we recommend the relief association provide adequate supporting documentation for all expenditures that comprise the amount owed by the relief association and any amount that is paid by the relief association to the affiliated fire company in relation to this loan. Further, we recommend that the relief association officials ensure all expenditures to be paid by the relief association in relation to this loan are authorized relief association expenditures. Finally, we recommend the relief association evaluate other methods to ensure it has the funds to continue operating, and that the relief association assess its ability to pay this increasing liability to the fire company. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Needmore Volunteer Fireman's Relief Association of Needmore, Fulton County
Pennsylvania Governing Body:

Ms. Wavy Kirk
President

Mr. Kenneth Sigel
Vice President

Ms. Andrea Sprow
Secretary

Ms. Donna Carbaugh
Treasurer

THE NEEDMORE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF NEEDMORE,
FULTON COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Ms. Paula Shives

Secretary
Belfast Township

Ms. LuAnne Keebaugh

Secretary
Bethel Township

Ms. Tina L. Crawford

Secretary
Brush Creek Township

Ms. LuAnne Keebaugh

Secretary
Licking Creek Township

Mr. D. Gene Mellott

Secretary
Thompson Township

Ms. Justine E. Murray

Secretary
Union Township

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.