

COMPLIANCE AUDIT

The Pleasant Hill Volunteer Firemen's Relief Association of West Manheim Township York County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

February 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Tedrick Fryman, III, President
The Pleasant Hill Volunteer Firemen's Relief
Association of West Manheim Township
York County

We have conducted a compliance audit of The Pleasant Hill Volunteer Firemen's Relief Association of West Manheim Township (relief association) for the period January 1, 2019, 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.

Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2021:

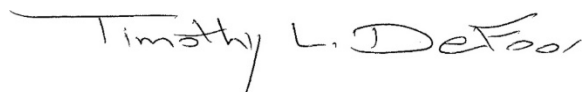
- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Findings section of this report.
- The relief association, in all significant respects, complied with applicable state 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 – Failure To Define Discretionary Benefits

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Equipment Inventories

Finding No. 3 – Untimely Deposit Of State Aid

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
December 16, 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.

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>2019</u>	<u>2020</u>	<u>2021</u>
Manheim Township	York	\$11,806	\$11,800*	\$10,103
West Manheim Township	York	\$50,215	\$50,613	\$44,234

* The 2020 state aid allocation received from Manheim Township was not deposited by the relief association until January 7, 2021, as disclosed in Finding No. 3 in this report.

Based on the relief association’s records, its total cash as of December 31, 2021, was \$96,954, as illustrated below:

Cash	<u>\$ 96,954</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$347,151, 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	\$ 4,483
Relief benefits	75
Total Benefit Services	<u>\$ 4,558</u>
Fire Services:	
Equipment purchased	\$ 280,110
Equipment maintenance	44,425
Training expenses	5,703
Total Fire Services	<u>\$ 330,238</u>
Administrative Services:	
Bond premiums	\$ 804
Other administrative expenses *	11,551
Total Administrative Services	<u>\$ 12,355</u>
Total Expenditures	<u><u>\$ 347,151</u></u>

* A majority of the other administrative expenses represent \$10,444 expended in calendar years 2019, 2020, and 2021 for phone/internet services and tax preparation fees.

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:

Pleasant Hill Volunteer Fire Company

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
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 Define Discretionary Benefits
- Failure To Conduct Annual Physical Equipment Inventories

While the relief association did update the bylaws to include a defined discretionary benefit on July 1, 2019, as recommended in the prior audit, it did not include specific terms as noted in Finding No. 1 of this report.

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.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Define Discretionary Benefits

Condition: The relief association did not adequately define and approve discretionary benefits to be offered to its members. Although these expenditures were authorized by the VFRA Act, the types, amounts, and criteria to be met before receiving the benefits were not described adequately in a formal policy approved by the relief association membership.

A similar condition was noted in our prior audit report.

Criteria: Section 7413 of the VFRA Act states that funds shall be available:

- (3) For payment, either by insurance or by operation of a beneficial fund, of a sum certain to designated beneficiaries of a participating member following the death of a member for any cause and to establish criteria which members must meet in order to qualify as participants in a death benefit fund. (Emphasis added.)
- (5) Financial assistance to volunteer firefighters who, after having actively participated in the fire service for a specified minimum term, are no longer physically able to continue participation and are in need of financial assistance. (Emphasis added.)

Furthermore, prudent business practice dictates that when a relief association offers death benefits, disability benefits, officer compensation, or any other type of discretionary benefit provided by the VFRA Act, it should establish a precedent for those benefits being offered. Such a precedent should be adequately documented in the bylaws, a formal relief association policy, or in the official meeting minutes. The formal approval is necessary to clarify the types and amounts of benefits offered to its membership as well as the criteria to be met in order to receive the benefits.

Cause: The relief association amended their bylaws to allow for discretionary benefits as was recommended in the prior audit finding, and relief association officials believed the amendments addressed the deficiency. However, the amendments made were not adequate to comply with the VFRA Act.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: The relief association's failure to adequately define discretionary benefits prevents the membership from being aware of the types and amounts of benefits offered to its membership. In addition, the failure to adequately define discretionary benefits being offered increases the risk of unauthorized expenditures and could also lead to benefits not being applied equally to all members of the relief association.

Recommendation: We again recommend that the relief association officials formally define and document the criteria of the discretionary benefits being offered to its membership. The formal approval of benefits and related criteria should be documented in the bylaws, a policy statement, or in the official meeting minutes, and should be maintained for an indefinite period of time so as to afford the membership of the relief association with a formal document defining the benefits offered and the criteria to be met before receiving the benefit. We also recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020). For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association officials stated the relief association will look into re-amending the bylaws to include criteria for such benefits. The association may consider removing the discretionary benefits section altogether to alleviate any future, continued issues related to this finding. The bylaws committee will review and update the bylaws to ensure that they meet the new requirements set forth in both 2010 and 2020.

Auditor's Conclusion: We are encouraged by the relief association's efforts 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 – Failure To Conduct Annual Physical Equipment Inventories

Condition: As cited in the finding in our prior audit, the relief association officials failed to conduct annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Sound business practice dictates that annual inventories are conducted to ensure the accuracy of the relief association's equipment roster.

Cause: Relief Association officials stated they do perform a yearly equipment inventory; however, relief association officials indicated the relief association failed to maintain a written record of the inventory and present that record to the relief association membership during a monthly meeting.

Effect: The continued failure to adequately perform/document the completion an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association owned equipment.

Recommendation: We again recommend that the relief association officials ensure they perform an annual physical inventory of all operable equipment and that the completion of the inventories 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 such as instituting management controls that will ensure 100% annual inventory is completed each year in order 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 – Untimely Deposit Of State Aid

Condition: The relief association did not deposit the 2020 state aid allocation it received from Manheim Township, in the amount of \$11,800, until January 7, 2021. The foreign fire insurance tax allocation was distributed to the municipal treasurer on November 9, 2020, who forwarded this state aid to the relief association on November 11, 2020, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Relief association officials indicated that due to the ambiguity in deadlines, the treasurer misunderstood that the funds must be deposited by the end of the calendar year. The relief association now fully understands the requirements.

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. 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.

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Pleasant Hill Volunteer Firemen's Relief Association of West Manheim Township
Governing Body:

Mr. Tedrick Fryman, III
President

Ms. Tammy Fields
Vice President

Ms. Samantha Johnson
Secretary

Ms. Ashley Miller
Treasurer

Ms. Alyssa Clouser
Assistant Secretary

Ms. Ashley Coggins
Assistant Treasurer

THE PLEASANT HILL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
WEST MANHEIM TOWNSHIP
REPORT DISTRIBUTION LIST

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

Ms. Michelle E. Hershey
Secretary
Manheim Township

Ms. Miriam Clapper
Secretary
West Manheim 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.