

# COMPLIANCE AUDIT

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## West Willow Volunteer Firefighter's Relief Association Lancaster County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

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July 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. J. Martin Harnish, President  
West Willow Volunteer Firefighter's  
Relief Association  
Lancaster County

We have conducted a compliance audit of the West Willow Volunteer Firefighter's Relief Association (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, 2017.

The objective of the audit was 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 objective 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 objective. 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, 2016 to December 31, 2017, 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.

However, refer to the Background section of this report regarding a significant event affecting the relief association that occurred during and subsequent to the audit period.

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

June 26, 2018

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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>
Pequea Township	Lancaster	\$15,916	\$15,220

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:

West Willow Fire Company

However, during the audit period, on October 17, 2017, the affiliated fire department’s board made the decision to close the fire department as one of the township’s officially recognized entities for providing fire services within Pequea Township. In response, Pequea Township enacted Ordinance 206-2017 which contracted with the New Danville Fire Company for providing future fire services to the township as of November 9, 2017. Consequently, as of October 17, 2017, the relief association was no longer affiliated with a volunteer fire company for the purpose of providing fire service to the township. Act 118 prescribes specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act.

Act 118 at 35 Pa.C.S. § 7412 states in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter...[Emphasis added.]

Act 118 at 35 Pa.C.S. § 7412 further states in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or [Emphasis added.]
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. [Emphasis added]

## BACKGROUND – (Continued)

As of October 17, 2017, the relief association no longer met the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may have been adversely impacted. On May 7, 2018, Pequea Township passed Ordinance No. 210-2018 to reinstate the West Willow Fire Company.

As of October 17, 2017, the relief association should have maintained meeting minutes documenting its business operations and considerations and actions taken for merging or affiliating with another fire service provider within the municipality. By not doing so, the relief association operated outside the constraints of Act 118 prior to the affiliated fire company being reinstated on May 7, 2018. During the period of October 17, 2017 through May 6, 2018, while the affiliated fire company was closed, the relief association did not adhere to numerous provisions in the association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulations:

- Membership in the relief association is contingent upon membership in the affiliated fire company.
- Monthly meetings were not held during the period the affiliated fire company was closed.
- Officers of the affiliated fire company are the members eligible for election as the relief association officers. Officers of the affiliated fire company resigned during the time period noted above.
- Expenditures were not approved by a majority of relief association members at meetings. Two invoices were paid during the specified time period while the affiliated fire company was closed.

The relief association's bylaws at Article I, Section 2 states, in part:

The membership of this association shall consist of any person who is a member, in good standing, of the West Willow Fire Company.

Also, the relief association's bylaws at Article II, Section 1 states, in part:

Regular meetings of this association shall be held on the second Tuesday of each month immediately following the regular meeting of the West Willow Fire Company.

In addition, the relief association's bylaws at Article III, Section 2, states:

Officers shall be elected for a one-year term by a majority vote of the membership. Nomination for all officers shall be made at the association's regular November meeting and the election shall be held at the regular December meeting. Officers shall be installed at the regular January meeting. Officers standing for election shall be the officers duly elected to serve the West Willow Fire Company. [Emphasis added.]

## BACKGROUND – (Continued)

Furthermore, the relief association's bylaws at Article V, Section 1, states:

Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the association by-laws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes. [Emphasis added.]

Finally, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization. We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization.

In the future, the relief association should consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take any steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the relief association with this determination.

Furthermore, prudent business practice dictates that relief associations contemplating future dissolutions and/or mergers should consider retaining legal counsel to provide assurance that any form of 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. If this is the case, it would also be prudent that the remaining relief association members conduct a meeting to approve any dissolution of the association and the disposition of its assets. 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, a signed receipt from the relief association receiving the equipment should be obtained to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

This department 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, the relief association has not provided this department notification that it has made a formal commitment to dissolve and/or merge with another relief association. Instead, as noted earlier, on May 7, 2018, Pequea Township passed Ordinance No. 210-2018 to reinstate the West Willow Fire Company, and as of that date, the West Willow Volunteer Firefighter's Relief Association again became the fire company's affiliated relief association.



WEST WILLOW VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2017

Cash	<u>\$ 16,513</u>
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WEST WILLOW VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	<u>\$        2,938</u>
Fire Services:	
Equipment maintenance	\$          26
Training expenses	<u>4,385</u>
Total Fire Services	<u>\$        4,411</u>
Administrative Services:	
Other administrative expenses	\$          99
Bond premiums	<u>164</u>
Total Administrative Services	<u>\$          263</u>
Other Expenditures:	
Loan payment	<u>\$      10,000</u>
Total Expenditures	<u><u>\$      17,612</u></u>

WEST WILLOW VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

West Willow Volunteer Firefighter's Relief Association Governing Body:

**Mr. J. Martin Harnish**  
President

**Mr. Barry Acker**  
Vice President

**Mr. Benjamin L. Lefever, III**  
Secretary

**Mr. Thomas Williams**  
Treasurer

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

**Ms. Lori Ann Leitch**  
Secretary  
Pequea 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).