

COMPLIANCE AUDIT

York Volunteer Firemen's Relief Association of the City of York, Pennsylvania

York County

For the Period

January 1, 2015 to December 31, 2017

September 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. David C. Sheasley, President
York Volunteer Firemen's Relief
Association of the City of
York, Pennsylvania
York County

We have conducted a compliance audit of the York Volunteer Firemen's Relief Association of the City of York, 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, 2015 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 conducted, nor was it required to be, 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, because of the significance of the matters described in the findings 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, for the period January 1, 2015 to December 31, 2017. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Finding No. 3 – Inappropriate Ownership Of Rescue Vehicle

Finding No. 4 – Undocumented Expenditures

Finding No. 5 – Inadequate Relief Association Bylaws

Finding No. 6 – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment Roster

The seven findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number and significance of the findings. We strongly encourage timely implementation of the recommendations noted in this audit report.

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.

August 20, 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>2015</u>	<u>2016</u>	<u>2017</u>
York City	York	\$76,096*	\$75,678	\$68,616

* The 2015 state aid allocation received from York City was not deposited by the relief association until January 19, 2016 as disclosed in Finding No. 2 in this report.

The volunteer firefighters’ relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

- Eagle Fire Company #7
- Goodwill Fire Company #5
- Laurel Fire Company #1
- Lincoln Engine Company #9
- Rescue Fire Company #4
- Rex Fire Company #8
- Royal Fire Company #6
- Union Fire Company #3
- Vigilant Fire Company #2

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
01/17/15	*	Accident & Health insurance for career (paid) firefighters	\$ 11,341
05/20/15	2028	Training expenses for career (paid) firefighter	529
05/21/15	*	Accident & Health insurance for career (paid) firefighters	25,455
07/06/15	*	Thermal imaging cameras for career (paid) firefighters	49,813
04/21/16	2108	Payment for career (paid) firefighter for reimbursement for missed overtime while conducting training	400
05/18/16	2113	IRS per diem rate exceeded for training	27
05/21/16	*	Air packs for career (paid) firefighters	249,907
11/16/17	2235	Training class for career (paid) firefighters	750
Total			<u>\$ 338,222</u>

* From investment account.

Criteria: Section 7416(f) of Act 118 states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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Finding No. 1 – (Continued)

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.
- (7) To acquire and to maintain membership in any Statewide association or corporation which extends advice and assistance to firefighters' relief associations and to pay to a duly elected delegate the reasonable expenses of travel and maintenance for attending a meeting of the Statewide association or corporation.
- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining volunteer firefighters who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation.
- (9) To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of a fire company to the extent that the bills are not covered by insurance provided by the relief association.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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Finding No. 1 – (Continued)

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (12) To secure insurance against the legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Costs associated with the purchase of insurance, safety equipment and training (and related costs) for career (paid) firefighters do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. The basis for determining the amount of the unauthorized expenditures for equipment is noted below and further illustrated in the table provided.

The equipment unauthorized percentage amount in dollars was calculated by using the 48 career (paid) firefighters obtained from the 2017 AG 385 Form, divided by 53 (total number of firefighters), which includes just 5 active volunteer firefighters who participate in actual firefighting fire service activities according to information provided to us by relief association officials; therefore, the percentage utilized in our equipment purchase calculations was 90.57%. Note: The relief association listed a total of 28 active volunteer firefighters during the audit period in documentation provided to us, which included ten with *Support* duties, six with *Fire Police* duties, seven with *Administrative* duties, and five with actual *Firefighting/Suppression* duties.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Item Purchased During Audit Period	Total Item Purchase Amount During Audit Period	Percentage of Purchase Amount Applied to Career Paid Firefighters	Resulting Unauthorized Percentage Amount In Dollars
Airpacks (60)	\$ 275,927	90.57%	\$ 249,907
Thermal Imaging Cameras (5)	\$ 55,000	90.57%	\$ 49,813
TOTAL	\$ 330,927		\$ 299,720

Furthermore, the relief association's future state aid allocations may be withheld until they comply with the finding recommendation.

Recommendation: We recommend that the relief association be reimbursed \$338,222 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 to aid them in determining the propriety of 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 provided the following response:

Items 1 and 3 have been addressed with a copy of a statement from VFIS that states our insurance policies DO NOT cover any career personal. Items 4 and 7 we find the application of the formula referenced on page 5 is unrealistic. Equipment purchased by the Relief Association is available for the use of all firefighters. The Department of Fire/Rescue Services of the City of York is a combination fire department, using a mix of both career and volunteer personnel. A breathing apparatus or thermal imaging camera used at one incident by a volunteer firefighter may be the same one used by a career firefighter at another. As volunteer and career personnel work as a team, the SCBA and TIC used by a career firefighter may locate and aid a volunteer firefighter in distress.¹ The inverse of this may also apply.

¹ The relief association's use of SCBA refers to *Self-Contained Breathing Apparatus*, which we previously referred to as *Air Packs*. Also, the relief association's use of TIC refers to Thermal Imaging Cameras.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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Finding No. 1 – (Continued)

Within the scope of Act 118, Section 7413 (4), these items are safeguards for preserving life, health, and safety of volunteer firefighters to ensure their availability to participate in the fire service. Equipment purchased by the Relief Association is strategically placed on fire apparatus throughout the City for the use of volunteer personnel at any time at any incident.

Any volunteer member of any of the nine volunteer fire companies (which are all represented by the Relief Association) of the Department of Fire/Rescue Services are eligible to respond to any emergency incident at any given time. The findings of the audit regarding the number of career personnel versus the number of volunteer firefighters is not accurate. Rosters for career personnel and volunteer personnel during the 2015, 2016, and 2017 timeframe are attached for reference.

The Relief Association believes the rosters to be accurate and that the members on these rosters meet the criteria established by Section 7412 of Act 118 of 2010, Definitions, "Volunteer Firefighter".

Specific to the purchase of the SCBA, the City of York paid the Relief Association \$65,824.00 for the cost of items for career firefighters. This amount is determined by the number of on-duty career personnel and is documented in the staffing portion of the collective bargaining agreement between the firefighters' union and the City of York.

The remaining SCBA are strategically placed on apparatus throughout the City for the use of any/all volunteer firefighters responding to the incident. Also, we included two Credit Memos from the equipment vendor showing that the Relief received \$5,850 and \$4,050 as credits for returned cylinders.

Item #2 was explained with our first response that the fire chief was attending as a volunteer instructor not as a Career Firefighter. Item #5 was explained with our first response and our minutes were amended to reflect that the reimbursement was as an instructor just like others that day and not for missing overtime with the York City Fire Department.

Item #6 the \$27 amount has been paid back to the Relief. Item #8 was also explained on our first response that the Relief purchased a training Subscription and the City also purchased one as well. When training and burns are scheduled Volunteers and Career are invited to attend any session. We get the possibility of several training sessions for one membership.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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Finding No. 1 – (Continued)

Auditor's Conclusion: Act 118 of 2010 authorizes state aid expenditures for purposes of providing safeguards for life, health and safety for volunteer firefighters to ensure their availability to participate in the fire service. The above noted expenditures in Finding No. 1 were determined to be unauthorized and not in compliance with the aforementioned purpose based on audit documentation obtained and reviewed during the audit. Our conclusion was made after our evaluation of documentation examined during the conduct of the audit, which did not substantiate that the expenditures were made to solely benefit volunteer firefighters as Act 118 requires, but rather, it supported that expenditures were made for career paid firefighters. Specifically:

- For Items 1 and 3 (Accident and Health Insurance purchases for career firefighters) relief association officials did not provide sufficient evidence to demonstrate that the insurance purchases were made solely for volunteer firefighters. Instead, audit evidence reviewed showed the above noted purchases were made for career paid firefighters, which is not in compliance with Act 118.
- For Items 4 and 7 (Thermal Imaging Camera and Air packs for career paid firefighters), audit evidence reviewed showed that the above noted purchases were made for career paid firefighters, which is not in compliance with Act 118. As it relates to the number of career/paid firefighters versus the number of volunteer firefighters, the information and methodology in the Finding above is accurate based on all audit evidence reviewed, including Certification Form AG 385 of paid and volunteer firefighters, active firefighter membership numbers provided by relief officials, and information contained on related websites and reports showing career paid firefighters. We also included all eligible allowable discounts as part of the unauthorized expenditure calculation for the Finding (the credit memos from the equipment vendor were determined unallowable discounts because the relief association already owned the equipment it traded in). In addition, membership rosters provided by relief association officials were inadequate and did not support that all members listed on the roster were volunteers (see Finding No. 6 for additional information).
- For Items 2 and 8, (Training expenses for a career paid firefighter), relief association officials did not provide sufficient evidence to show that the expenditures were made for a volunteer firefighter. Instead, audit evidence reviewed showed that the expenditures were made for a career paid firefighter, which is not in compliance with Act 118. To the extent the relief association asserts the capacity of firefighter, i.e., paid versus volunteer, for purposes of training expenses, sufficient documentation must be maintained to establish that the expenses are attributed solely to a volunteer firefighter.

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Finding No. 1 – (Continued)

- For Item 5 (Payment for career paid firefighter for reimbursement for missed overtime while conducting training), relief association officials did not provide sufficient evidence to show that the expenditure was made in accordance with Act 118. Audit evidence reviewed showed that the expenditure was made to reimburse a career paid firefighter for missed overtime pay. Although relief officials provided a written statement indicating that the expenditure was made to reimburse a career paid firefighter performing classroom training as an instructor on behalf of the relief association as a volunteer firefighter, there was no other documentation provided to support the statement or any additional information to support that the instructor was performing in a volunteer capacity.
- For Item 6 (IRS per diem rate exceeded for training), we reviewed documentation verifying that the reimbursement of \$27 was received for Check No. 2113 on June 20, 2019.

Therefore, the finding remains as stated. We continue to recommend that the relief association be reimbursed for the remaining \$338,195 (\$338,222 minus \$27 reimbursement received) in unauthorized expenditures. 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.

Finding No. 2 – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not deposit the 2015 state aid allocation it received from York City, in the amount of \$76,096, until January 19, 2016. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 23, 2015; however, municipal officials failed to forward the state aid allocation to the relief association until December 31, 2015, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). In addition, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

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.

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FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 failed to establish internal control procedures to ensure that all income due the relief association was received, recorded and deposited into a relief association account in a timely manner.

Effect: As a result of the untimely receipt and deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of funds 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 receipt and 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 stated the Relief Association recognizes its responsibility to account for allocations of state aid. The Relief Association proposed the following procedures to meet these obligations:

1. Request to meet with City officials on an annual basis to assure proper distribution of funds to the Relief Association.
2. Develop a checklist to monitor timeline for distribution and deposit of funds.
3. Assist the City as needed with completion of Form 706B.
4. Maintain records of same to provide appropriate documentation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 3 – Inappropriate Ownership Of Service Vehicle

Condition: On January 26, 2017, the relief association purchased a 1997 International service vehicle with various equipment and tools, for the sum of \$50,000 to carry personnel and safeguard equipment. The title to the vehicle however, was inappropriately issued in the name of the municipality not the relief association.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association and 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. As such, service vehicles purchased by the relief association are to be titled in the name of the relief association and all relief association owned equipment should be included on the relief association's equipment roster.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that the service vehicle purchased was titled in the name of the relief association and failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster.

Effect: As a result of the service vehicle being inappropriately titled in the name of the municipality, this relief association asset was not properly safeguarded. The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases as noted in Finding No. 7.

Recommendation: We recommend that the service vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$50,000. We also recommend that the relief association officials maintain a cumulative equipment roster of all equipment 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. On June 17, 2019, relief association officials sold the truck chassis for \$3,500 and the funds were deposited into the relief association's account on June 20, 2019. At the time of purchase, the intent was to purchase a new chassis and refurbish the body of the 1997 vehicle while utilizing the compressor and air cascade that came with the truck. The original quote to replace the old service truck with a brand new one was approximately \$600,000. The committee found the used service vehicle and decided that buying the used vehicle, refurbishing the body, and using a new 2019 Freightliner chassis was a better option due to cost savings of over \$250,000. The relief association provided the 2019 Freightliner title in the name of the relief association.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Auditor's Conclusion: We reviewed the supporting documentation verifying that the 2019 Freightliner title is in the name of the relief association. We continue to recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association, including the 2019 Freightliner truck. Compliance for maintaining any new titles in the name of the relief association and maintaining a cumulative equipment roster of all equipment owned by the relief association during the next audit period will be subject to verification through our next audit.

Finding No. 4 – Undocumented Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
06/08/15	2047	Credit card – training expenses	\$ 319
10/19/16	2148	Credit card – lodging	651
05/17/17	2194	Credit card – meals at a training seminar	163
Total			<u>\$ 1,133</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.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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.

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 \$1,133 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 provided the following response:

Check 2047 dated 6/8/15 was issued for cost of registration for a future training conference. Expenses of this nature are specifically permitted as referenced in Section 7416 (f) (10). Credit card statement attests to this expenditure.

Check 2148 dated 10/19/16 was issued for cost of lodging associated with representation at the conference of the Firefighters Association of the State of Pennsylvania. Expenses of this nature are referenced in Section 7416 (f) (7). A copy of the meeting agenda documents the date and location of the meeting.

Check 2194 dated 5/17/17 was issued to pay for meals associated with attendance at a training conference. Additional documentation was not available to support the nature of the meals. A check for reimbursement to the Relief Association was issued and deposited to the Relief Association's bank account.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$163 was received for Check No. 2194 and supporting documentation verifying the propriety of the \$651 expenditure made via Check No. 2148. However, the documentation received related to the expenditure made via Check No. 2047 is considered inadequate because a credit card statement does not provide sufficient detail and more detailed supporting documentation, such as an invoice and/or itemized receipts, was not provided. We recommend that the relief association officials provide adequate supporting documentation for the expenditure made via Check No. 2047 or that the relief association be reimbursed \$319 for the remaining undocumented expenditure. Full compliance will be subject to verification through our next audit.

Finding No. 5 – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the relief association do not clearly address all of the provisions required by Section 7415(c) of Act 118 and/or considered to be beneficial to the operation of relief associations. Specifically, the bylaws do not fully address the following:

- The main purpose for membership for volunteer firefighters.
- Eligibility for membership for volunteer firefighters.
- Classification of membership, such as, life members, active firefighters, social members, etc.
- Volunteer firefighter requirements to be met in order to qualify for a death benefit, such as, definition of a firefighter, length of service as a volunteer firefighter and relief association member, etc.

In addition, the relief association did not formally define discretionary benefits that were being offered to its members. During the current audit period, the relief association paid discretionary benefits to career (paid) firefighters, and there appears to be at least 76² career (paid) firefighters currently on the relief association's membership roster who are inappropriately qualified as entitled to receive a death benefit, which is a benefit intended for volunteer firefighters.

² We did not verify this number. However, this number likely includes retired career firefighters based on other corroborative information reviewed by our auditors and by comparing the membership roster to the International Association of Firefighters – Local 627 website, which provides retired and active union firefighters.

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Finding No. 5 – (Continued)

The relief association's purpose as stated in its bylaws does not conform to Act 118. Rather than being 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 relief association's bylaws state that its purpose is to provide a fund, as well as protective equipment, for the use and benefit of its members who may become disabled while in the fire service, or who may die or be killed, and for the designated beneficiary or estate. Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters' Relief Association and when such an organization can receive aid funds under that Act. While the relief association is affiliated with the York Fire Department, the career (paid) firefighters rather than volunteer firefighters make up a substantial portion of the relief association's membership. Further, the relief association membership rosters were outdated and inadequate. Therefore, we have concerns that the composition of the relief association's membership is not consistent with the protection and promotion of the volunteer firefighter service intent of Act 118.

For example, the relief association's bylaws at Article IV, Section 2 states:

A person can become a member of this Association between the ages of 18 years and 55 years. To be eligible for membership, the applicant must be in good health, an ACTIVE member of a fire company affiliated with a fire company operated by the York Fire Department, must have been an active member of said company for at least 12 months, and reside within approximately a 15-mile radius of the City of York, Pennsylvania. (Emphasis added.)

Furthermore, the relief association's bylaws at Article V, Section 6 states, in part:

Upon the death of a member in good standing of this Association, the Association shall pay \$12,000.00 (twelve thousand dollars) to the beneficiary designated by such member in writing and on a form prescribed by the Association.

The relief association's stated purpose and the two other examples also taken from the relief association's bylaws, as noted above, shows that the relief association's bylaws are inadequate and in contrast to the voluntarism tenets of Act 118 concerning membership and general operational compliance requirements.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Criteria: Section 7413 of Act 118 Statement of purpose states, in part, that:

The purpose of this subchapter is to encourage individuals to take part in the fire service as **volunteer firefighters** by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure, as far as circumstances will reasonably permit, that funds shall be available for the protection of **volunteer firefighters** and their heirs.... (Emphasis added)

Section 7415(c) of Act 118 states that the relief association's bylaws should include the following provisions:

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there be different classes, and conditions under which membership may be terminated.
- (10) Contain such other provisions as deemed appropriate or necessary by membership to the orderly conduct of affairs of the association.

In addition, Section 7413 of Act 118 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.)

Section 7412 of Act 118 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, but only if adequate provisions have been first made to serve the primary purpose. (Emphasis added.)

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Section 7412 of Act 118 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
- (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.)

A person does not lose status as a volunteer firefighter solely because he or she may also be a paid firefighter, so long as the person is acting within the scope of his or her responsibilities as a member of a volunteer fire company at the pertinent time and not within the scope of his or her responsibilities as a paid firefighter. (Emphasis added)

Cause: Relief association officials indicated that they were unaware of the specific bylaw stipulations established by Act 118.

Effect: It appears that current members of the relief association do not meet the statutory definition of a volunteer firefighter and therefore, the relief association's eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future.

The relief association also made certain disbursements of foreign fire tax state aid funds for items that are authorized for disbursement under Act 118 during the audit period; however, it appears that the disbursements for discretionary benefits, totaling \$36,012, were made on behalf of career (paid) firefighters instead of volunteer firefighters, which is inconsistent with the Act. When such state aid disbursements are made, it jeopardizes the availability of funds for investment purposes, other authorized and/or necessary purchases for ongoing relief association operations, and for properly qualified relief association members.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. We also recommend that the relief association officials consult with their solicitor to evaluate its state of compliance with the Act 118 requirements stated above and take the steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the relief association with this determination. Going forward, relief association officials should ensure that all disbursements made with foreign fire tax state aid funds are only utilized for volunteer members/firefighters. Failure to correct the deficiencies may result in a future withholding of state aid. 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, established a committee to review the association bylaws, and stated the following at its meeting on June 19, 2019:

The committee will specifically address the following:

1. Articles regarding membership and purpose of membership for the Association.
2. Eligibility for membership for volunteer firefighters.
3. Categories of membership and classification of members if desired.
4. Requirements for members to be eligible to qualify for death benefits.
5. Define discretionary benefits offered to members.
6. Evaluate the purpose of the Association to maintain compliance with the provisions of Act 118.
7. Review the general criteria for membership.
8. Comply with the specific bylaw stipulations as described in Act 118.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 6 – Failure To Maintain A Complete And Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. The membership roster that was provided was not current (i.e., it was dated November 21, 2017) and the roster inappropriately included retired career (paid) and active career (paid) firefighters along with volunteer firefighters.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership and ensure that the roster does not include retired career (paid) or active career (paid) firefighters from the relief association's affiliated fire company. A comprehensive roster of all relief association volunteer members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications (i.e., fire police, social, active, retired, career (paid), etc.)

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of volunteer relief association members.

Effect: The failure to maintain a comprehensive volunteer membership roster resulted in the payment of benefits to career (paid) firefighters, which reduced funds that potentially could have been made available for volunteer members of the relief association to receive authorized benefits.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's volunteer membership. For additional 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, as a result of our audit, provided the following response:

A current roster is provided. The membership roster is believed to be accurate. The membership may include past or present career firefighters who are currently members of their respective volunteer fire company. Such members are affiliated with the Relief Association based upon their status with their volunteer fire company, independent of their employment with the City of York as a career firefighter.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
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FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

These members maintain separate and distinct duties as volunteers regardless of their employment. All members of the Relief Association meet the criteria established by Section 7412 of Act 118 of 2010, Definitions, "Volunteer Firefighter".

The Relief Association will review its membership roster and records to comply with the Management Guidelines for Volunteer Firefighters' Relief Associations, 2015 Edition, as published by the Auditor General.

Auditor's Conclusion: We reviewed the membership roster provided and verified that no membership classifications were included; therefore, we were unable to determine which individuals were volunteers. Accordingly, the current roster as provided by the relief association is insufficient. Full compliance will be subject to verification through our next audit.

Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify any equipment owned by the relief association since 2014. The relief association purchased \$468,828 of equipment during the current audit period, but the equipment for all of those purchases was not properly accounted for on the relief association's equipment roster. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

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

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend that the relief association officials 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. 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, as a result of our audit, relief association officials provided an amended inventory for 2015-2017. Relief association management stated that equipment purchases for this period have been added as necessary.

Auditor's Conclusion: We reviewed the equipment roster provided and verified that dates of purchase, unit cost, names of suppliers and current locations of equipment were missing. Full compliance will be subject to verification through our next audit.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. Such action may not be considered, however, 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 327 Finance Building, Harrisburg, PA 17120.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 178,255
Fair Value of Investments	<u>4,103,150</u>
Total Cash and Investments	<u>\$ 4,281,405</u>

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 26,244
Death benefits	517,044
Relief benefits	162
Tokens of sympathy and goodwill	619
Total Benefit Services	<u>\$ 544,069</u>
Fire Services:	
Equipment purchased	\$ 169,108
Equipment maintenance	1,714
Training expenses	9,216
Total Fire Services	<u>\$ 180,038</u>
Administrative Services:	
Officer compensation	\$ 81,134
Other administrative expenses*	41,215
Bond premiums	2,034
Total Administrative Services	<u>\$ 124,383</u>
Total Investments Purchased	<u>\$ 286,390</u>
Other Expenditures:	
Undocumented expenditures	\$ 1,133
Unauthorized expenditures	338,222
Total Other Expenditures	<u>\$ 339,355</u>
Total Expenditures	<u><u>\$ 1,474,235</u></u>

*A portion of the other administrative expenses includes payroll taxes paid to the U.S. Treasury and the PA Department of Revenue on salaries paid to officers of the relief association in the amount of \$20,601. In addition, during the audit period, the relief association paid \$10,200 for an attorney on retainer and \$4,200 for an accountant to perform payroll and tax return duties.

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

York Volunteer Firemen's Relief Association of the City of York, Pennsylvania Governing
Body:

Mr. David C. Sheasley
President

Mr. Marlin H. Grove
1st Vice President

Mr. David L. Bowman
Recording Secretary

Mr. Robert N. Bowman
Treasurer

Mr. James Welty
2nd Vice President

Ms. Sharon A. Bleacher
Assistant Recording Secretary

Mr. Dean A. Lightner
Assistant Treasurer

Mr. Frederick A. Kottmyer, III
Assistant Financial Secretary

Mr. Frederick A. Kottmyer, Jr.
Trustee

Mr. Osborne W. Bowman
Trustee

Ms. Lisa Welty
Trustee

YORK VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE
CITY OF YORK, 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. Aliceanne Frost
Controller
York City

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.