

# COMPLIANCE AUDIT

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## Goodville Fireman's Relief Association Beaver County, Pennsylvania For the Period January 1, 2010 to April 3, 2014

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October 2014



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Carl Kohl, President  
GOODVILLE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Lancaster County

We have conducted a compliance audit of the former Goodville Volunteer Firefighters' 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, 2010 to April 3, 2014.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Goodville Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Goodville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Goodville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of April 3, 2014, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit for the period January 1, 2010 to April 3, 2014, found the former Goodville Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report. In addition, the results of our audit found, the former Goodville Volunteer Firefighters' Relief Association did not in all significant respects, receive state aid and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report.

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

Finding No. 2 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

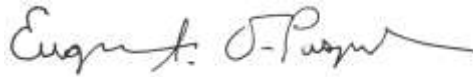
Finding No. 3 – Improper Merger

The results of our tests also indicated the former Goodville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of April 3, 2014, the former Goodville Volunteer Firefighters' Relief Association dissolved its organization.

Furthermore, a scope limitation on our audit exists, as detailed in the Observation section of this report.

The contents of this report were discussed with the management of the former Goodville Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report. As a result of dissolution, the former Goodville Volunteer Firefighters' Relief Association transferred all of its monetary assets and equipment to the Weaverland Valley Volunteer Firefighters' Relief Association.

August 15, 2014

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

EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Finding.....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation - Failure To Maintain A Complete And Accurate Equipment Roster.....	4
Finding No. 2 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle .....	5
Finding No. 3 – Improper Merger.....	7
Observation:	
Observation - Scope Limitation .....	10
Accompanying Expenditure Information .....	11
Report Distribution List .....	12

## 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 former Goodville Fireman's Relief Association, herein referred to as the Goodville Volunteer Firefighters' Relief Association, was 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts 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 the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The former Goodville Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
East Earl Township	Lancaster	\$ 24,415	\$ 11,985	\$ 6,818	*

\* Beginning in 2013, East Earl Township ceased allocations to the former Goodville Volunteer Firefighters’ Relief Association and began allocating its state aid to the Weaverland Valley Volunteer Firefighters’ Relief Association.

Additionally, as of April 3, 2014, the former Goodville Volunteer Firefighters’ Relief Association dissolved its organization and transferred all of its monetary assets and equipment to the Weaverland Valley Volunteer Firefighters’ Relief Association. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on page 10).

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The Goodville Volunteer Firefighters’ Relief Association was affiliated with the following fire service organization:

Goodville Fire Company

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Goodville Volunteer Firefighters' Relief Association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned with the relief association's failure to correct this previously reported audit finding. Since the former Goodville Volunteer Firefighters' Relief Association dissolved its organization and consequently transferred its assets to the Weaverland Valley Volunteer Firefighters' Relief Association, the Weaverland Valley Volunteer Firefighters' Relief Association's management should strive to implement the recommendations and corrective actions noted in this audit report.



GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: As cited in our prior audit report, the relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$14,502 of equipment during the current audit period; however, there was no equipment roster created or maintained for these purchases. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, to account for the relief association's owned equipment.

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 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; and
- Evidence of the performance and results of an annual physical inventory.

Cause: Even though notified of this condition during our prior audit, relief association officials again, failed to establish adequate internal control procedures over equipment requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued 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.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

**Recommendation:** Due to the dissolution of the former Goodville Volunteer Firefighters' Relief Association, we are providing officials of the Weaverland Valley Volunteer Firefighters' Relief Association with copies of this report so they are aware of conditions that were detected during the audit. We recommend that Weaverland Valley Volunteer Firefighters' Relief Association officials ensure that all of the former Goodville Volunteer Firefighters' Relief Association owned equipment transferred to Weaverland Valley Volunteer Firefighters' Relief Association, is adequately recorded on the Weaverland Valley Volunteer Firefighters' Relief Association's equipment roster. We also recommend the Weaverland Valley Volunteer Firefighters' Relief Association officials maintain a cumulative equipment roster of all relief association owned equipment and perform an annual physical inventory of all operable equipment and maintain adequate documentation to support the performance of the physical inventory. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

**Management's Response:** Former relief association management agreed with the finding as presented at the audit exit conference and indicated they will provide an equipment listing as recommended.

**Auditor's Conclusion:** We are concerned by the former relief association's failure to correct this previously reported audit finding; however, based on the management response, compliance will be subject to verification when the documentation is provided. We also encourage timely implementation of the recommendation noted in this audit report by the Weaverland Valley Volunteer Firefighters' Relief Association's management.

**Finding No. 2 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle**

**Condition:** In January 2007, the relief association entered into a \$60,000 agreement with the Goodville Fire Company for the purpose of jointly purchasing a KME pumper truck. The agreement called for ten (10) annual payments of \$6,000 per year. During the course of the agreement, the relief made a total of \$36,000 in payments to the Goodville Fire Company. However, the relief association did not adequately secure its ownership interest in this jointly purchased vehicle as the vehicle was titled solely in the name of Goodville Fire Company and the agreement did not document the total cost of the vehicle or the proportional ownership of the relief association.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

In addition, in January 2007, the relief association entered into another agreement with the Goodville Fire Company amounting to \$70,000, bearing an interest rate of 4.3 percent payable over a ten (10) year period and calling for annual payments of \$10,000 per year. During the course of this agreement, the relief association made a total of \$50,000 in payments to the Goodville Fire Company. However, the relief association again, failed to secure ownership in the agreement; and furthermore, the agreement did not disclose the nature of the agreement. Therefore, in addition to not ensuring the relief association's proportional ownership interest, the expenditure is also considered to be undocumented as the agreement failed to indicate the type of equipment/vehicle or total cost associated with this joint purchase venture.

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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), [FN1] 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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased equipment/vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment/vehicle, in the event the equipment/vehicle is ever sold.

Cause: Relief association officials failed to adequately secure its proportional ownership interest in these joint ventures with the fire company.

Effect: The failure to adequately secure the proportional share of ownership interest in these joint ventures with the fire company places the relief association's ownership interest at greater risk.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: Due to the dissolution of the Goodville Volunteer Firefighters' Relief Association, we are providing officials of the Weaverland Valley Volunteer Firefighters' Relief Association with copies of this report so they are aware of conditions that were detected during the audit. We recommend that the Weaverland Volunteer Firefighters' Relief Association execute formal written agreements with the fire company that enumerates the relief association's proportional ownership interest in each of the joint purchase agreements, as well as, stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment/vehicles from these agreements are ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$86,000. For further guidance, please refer to the Auditor General's publication MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference and indicated that formal agreements will be provided as recommended.

Auditor's Conclusion: Based on the management response, compliance will be subject to verification when the documentation is provided. We also encourage timely implementation of the recommendation noted in this audit report by the Weaverland Valley Volunteer Firefighters' Relief Association's management.

**Finding No. 3 – Improper Merger**

Condition: The relief association did not properly document the dissolution of the organization and subsequent merger with Terre Hill Volunteer Firefighters' Relief Association to form Weaverland Valley Volunteer Firefighters' Relief Association. Specifically, the relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former Goodville Volunteer Firefighters' Relief Association.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Furthermore, prudent business practice dictates that the relief association should properly document the membership's approval of the merger in the minutes of meetings held by the relief association regarding the merger. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to Weaverland Valley Volunteer Firefighters' Relief Association, along with a signed receipt of the recipient.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the newly formed relief association.

Effect: Without detailed documentation, evidence that the relief association's merger with Terre Hill Volunteer Firefighters' Relief Association was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former Goodville Volunteer Firefighters' Relief Association and subsequent transfer of its remaining assets to the Weaverland Valley Volunteer Firefighters' Relief Association, we are providing officials of the Weaverland Valley Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former Goodville Volunteer Firefighters' Relief Association. We recommend that Weaverland Valley Volunteer Firefighters' Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. We also recommend that Weaverland Valley Volunteer Firefighters' Relief Association officials again, refer to the recommendations disclosed in Finding No. 1 related to maintaining cumulative equipment rosters and performing annual physical inventories of relief association owned equipment. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference and indicated they will send documentation related to the merger agreement.

Auditor's Conclusion: Based on the management response, compliance will be subject to verification when the documentation is provided. We also encourage timely implementation of the recommendation noted in this audit report by the Weaverland Valley Volunteer Firefighters' Relief Association's management.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
OBSERVATION

**Observation – Scope Limitation**

The former Goodville Volunteer Firefighters' Relief Association (VFRA) does not maintain canceled or imaged checks. While the VFRA provided bank statements, the VFRA failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we could not determine whether two VFRA officers authorized and signed the checks.

Act 118 at 35 Pa.C.S. § 7415(c)(3) requires that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

Act 118 at 35 Pa.C.S. § 7418(a) provides that the Department of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association . . . 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.

Generally Accepted Government Auditing Standards (GAGAS) Section No. 6.56 states, "Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions." GAGAS Section No. 6.61(f) states, "Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity."

Our inability to review canceled checks or imaged checks constitutes a scope limitation on our audit.

GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2010 TO APRIL 3, 2014

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording 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.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 2,903
Fire Services:	
Equipment purchased and maintained	\$ 25,590
Training expenses	3,668
Total Fire Services	\$ 29,258
Other Expenditures:	
Principal payments on loan	\$ 8,228
Interest payments on loan	1,772
Transfer of Assets *	7,330
Total Other Expenditures	\$ 17,330

\* Transfer of Monetary Assets

As of April 3, 2014, the Goodville Volunteer Firefighters' Relief Association disbanded; consequently, all remaining monetary assets were transferred to the Weaverland Valley Volunteer Firefighters' Relief Association. Due to the dissolution of the Goodville Volunteer Firefighters' Relief Association, we are providing officials of the Weaverland Valley Volunteer Firefighters' Relief Association copies of this report.



GOODVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Goodville Volunteer Firefighters' Relief Association Governing Body:

Mr. Carl Kohl	President
Mr. Menno Martin	Vice President
Mr. Harvey M. Fox	Secretary
Mr. Matthew Shirk	Treasurer
Mr. Mervin Martin	Assistant Treasurer

Weaverland Valley Volunteer Firefighters' Relief Association Governing Body:

Mr. Carl Kohl	President
Mr. Shannon Eberly	Vice President
Mr. Calvin Martin	Secretary
Mr. Joshua Hollinger	Treasurer

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

Ms. Connie Gross East Earl Township	Secretary
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).