



**ACTIVE FIREMEN'S RELIEF ASSOCIATION OF THE
SOUTHERN MANHEIM TOWNSHIP FIRE COMPANY**

LANCASTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008 TO FEBRUARY 28, 2011

JULY 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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Commonwealth of Pennsylvania
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Harrisburg, PA 17120-0018
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Anthony Shoffstall, President
FORMER SOUTHERN MANHEIM TOWNSHIP
VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lancaster County

We have conducted a compliance audit of the former Southern Manheim Township 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, 2008 to February 28, 2011.

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 findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received 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 Southern Manheim Township Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complied 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 Southern Manheim Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Southern Manheim Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of February 28, 2011, 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, 2008 to February 28, 2011, found the Southern Manheim Township Volunteer Firefighters' Relief Association took appropriate corrective action to address one of the three findings contained in our prior audit report. However, the Southern Manheim Township Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Southern Manheim Township Volunteer Firefighters' Relief Association, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Southern Manheim Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of February 28, 2011, the Southern Manheim Township Volunteer Firefighters' Relief Association dissolved its organization.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 3 – Unauthorized Expenditures

The contents of this report were discussed with the management of the former Southern Manheim Township Volunteer Firefighters' Relief Association on April 15, 2011. As a result of the transfer of the former Southern Manheim Township Volunteer Firefighters' Relief Association's monetary assets and equipment to Manheim Township Volunteer Firefighters' Relief Association, and Manheim Township's decision in 2009 to cease allocating state aid to the former Southern Manheim Township Volunteer Firefighters' Relief Association and begin allocating state aid to the Manheim Township Volunteer Firefighters' Relief Association in 2010, the Manheim Township relief association management should review this report to determine whether the deficiencies noted exist in its organization, and if so, implement the corrective actions needed.

April 15, 2011, except for
Finding Nos. 1 and 3, for which
the dates are July 9, 2012.



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 former Active Firemen's Relief Association of the Southern Manheim Township Fire Company, herein referred to as Southern Manheim Township 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 Southern Manheim Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Manheim Township	Lancaster	\$102,191	*	*

* In 2009, Manheim Township ceased allocations of state aid to the Southern Manheim Township Volunteer Firefighters' Relief Association and allocated state aid to the Neffsville Volunteer Firefighters' Relief Association and, in 2010, allocated state aid to the Manheim Township Volunteer Firefighters' Relief Association.

Effective February 28, 2011, the Southern Manheim Township Volunteer Firefighters' Relief Association dissolved its organization and transferred all of its monetary assets and equipment to the Manheim Township Volunteer Firefighters' Relief Association.

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The Southern Manheim Township Volunteer Firefighters' Relief Association was affiliated with the Southern Manheim Township Fire Company.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former Southern Manheim Township Volunteer Firefighters' Relief Association complied with the following prior audit finding and recommendation:

- Duplicate Payment

By receiving reimbursement, on August 7, 2008, in the amount of \$3,525, from the former Southern Manheim Township Fire Company for the duplicate payment made during the prior audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former Southern Manheim Township Volunteer Firefighters' Relief Association did not comply with two of the three prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures
- Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

We are concerned with the former Southern Manheim Township Volunteer Firefighters' Relief Association's failure to correct the previously reported audit findings before it ceased operations on February 28, 2011. Since the former Southern Manheim Township Volunteer Firefighters' Relief Association's monetary assets and equipment were transferred to Manheim Township Volunteer Firefighters' Relief Association, the Manheim Township relief association management should determine whether the deficiencies noted in this audit report exist in its organization, and if so, take appropriate corrective action.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS’
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Condition: As cited in our prior two audit reports, the relief association was unable to provide adequate supporting documentation for all of its expenditures. During the current audit period adequate supporting documentation was not provided for the following:

<u>Date</u>	<u>Check No.</u>	<u>Amount</u>
04/18/09	1639	\$ 431
01/26/10	1721	<u>280</u>
Total		<u>\$ 711</u>

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.

Without adequate supporting documentation, such as invoices, 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 verify the propriety of all financial transactions.

Cause: Even though notified of this condition during our prior two audits, relief association officials, again, neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). 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.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 1 – (Continued)

However, as a result of our audit, and subsequent to the audit period, on July 9, 2012, the Manheim Township Volunteer Firefighters' Relief Association received reimbursement, in the amount of \$711, from the Southern Manheim Township Fire Company for the undocumented expenditures.

Management's Response: Relief association management agreed with the finding, as presented at the audit exit conference that was held on April 15, 2011.

Recommendation: No recommendation can be made to the management of the Southern Manheim Township Volunteer Firefighters' Relief Association due to its dissolution and the transfer of its assets to the Manheim Township Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Manheim Township Volunteer Firefighters' Relief Association so they are aware of the conditions that existed at the former Southern Manheim Township Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Manheim Township Volunteer Firefighters' Relief Association officials ensure that they maintain supporting documentation for all relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in our prior two audit reports, the relief association officials, again, failed to maintain a complete and accurate roster of equipment owned by the relief association. During the current audit period, the relief association purchased \$136,400 in equipment which was not fully accounted for on the relief association's equipment roster. While a listing of relief association owned equipment was provided for the current audit period, the listing was incomplete, and did not accurately identify equipment owned by the relief association. Specifically, the list of equipment that was provided did not contain dates of purchase, unit costs, names of suppliers, or final dispositions of sold or damaged items. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: Prudent business practice dictates 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 fixed assets. 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 two audits, relief association officials, again, neglected to establish adequate internal control procedures over fixed assets 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 prevented 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 fixed assets prevented adequate accountability for, and safeguarding of, relief association fixed assets.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – (Continued)

As a result of the incomplete and inaccurate equipment roster, we could not determine whether all equipment owned by the former Southern Manheim Township Volunteer Firefighters' Relief Association was transferred to the Manheim Township Volunteer Firefighters' Relief Association at the time of the dissolution of the former Southern Manheim Township Volunteer Firefighters' Relief Association. In addition, we could not determine whether the transfer of equipment was authorized by the former Southern Manheim Township Volunteer Firefighters' Relief Association membership.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference held on April 15, 2011.

Recommendation: No recommendation can be made to the management of the Southern Manheim Township Volunteer Firefighters' Relief Association due to its dissolution and the transfer of the remaining assets to the Manheim Township Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Manheim Township Volunteer Firefighters' Relief Association so they are aware of the conditions that existed at the former Southern Manheim Township Volunteer Firefighters' Relief Association during the course of our audit. We recommend that the Manheim Township Volunteer Firefighters' Relief Association officials ensure they maintain a cumulative equipment roster of all relief association owned equipment, including any equipment transferred from the former Southern Manheim Township Volunteer Firefighters' Relief Association. Furthermore, Manheim Township Volunteer Firefighters' Relief Association officials 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.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – Unauthorized Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
05/15/08	1557	Computer network equipment and service	\$ 4,188
08/12/08	1582	Computer network equipment and service	4,251
10/28/08	1602	Computer network equipment and service	1,020
05/09/09	1657	Computer network equipment and service	<u>2,483</u>
Total			<u>\$ 11,942</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1 and 11) 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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with providing computer network equipment and service do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials 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.

However, as a result of our audit, and subsequent to the audit period, on July 9, 2012, the Manheim Township VFRA received reimbursement in the amount of \$11,942, from the Southern Manheim Township Fire Company for the unauthorized expenditures.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the April 15, 2011 audit exit conference.

Recommendation: No recommendation can be made to the management of the Southern Manheim Township Volunteer Firefighters' Relief Association due to its dissolution and the transfer of its assets to the Manheim Township Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Manheim Township Volunteer Firefighters' Relief Association so they are aware of the conditions that existed at the former Southern Manheim Township Volunteer Firefighters' Relief Association during the course of our audit. We recommend that the Manheim Township Volunteer Firefighters' Relief Association officials ensure they are familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2008 TO FEBRUARY 28, 2011

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	\$ 20,583
Death benefits	2,000
Relief benefits	588
Total Benefit Services	<u>\$ 23,171</u>
Fire Services:	
Equipment purchased	\$ 136,400
Equipment maintenance	81,337
Training expenses	11,561
Fire prevention materials	981
Total Fire Services	<u>\$ 230,279</u>
Administrative Services:	
Miscellaneous administrative expenses	\$ 14,102
Total Administrative Services	<u>\$ 14,102</u>

FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2008 TO FEBRUARY 28, 2011 (Continued)

Other Expenditures:	
Transfer of monetary assets *	\$ 18,505
Undocumented expenditures	711
Total Other Expenditures	<u>\$ 19,216</u>

* Transfer of Monetary Assets

As of February 28, 2011, the Southern Manheim Township Volunteer Firefighters' Relief Association disbanded and transferred all of its monetary assets to the Manheim Township Volunteer Firefighters' Relief Association.

Due to the dissolution of the former Southern Manheim Township Volunteer Firefighters' Relief Association, we are providing officials of the Manheim Township Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Southern Manheim Township Volunteer Firefighters' Relief Association.



FORMER SOUTHERN MANHEIM TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Former Southern Manheim Township Volunteer Firefighters' Relief Association Governing
Body:

Mr. Anthony Shoffstall, Former President

Mr. Darryl Eckman, Former Vice President

Ms. Shannon Tshudy, Former Secretary

Ms. Karen Axe, Former Treasurer

Manheim Township Volunteer Firefighters' Relief Association Governing Body:

Mr. William Gross, President

Mr. Don Mellott, Secretary

Mr. Steve Leayman, Treasurer

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

Mr. Michael D. Rimer, Secretary
Manheim Township

This report is a matter of public record and is available online at 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.