

COMPLIANCE AUDIT

Franklinton Firefighters' Relief Association York County, Pennsylvania For the Period January 1, 2017 to December 23, 2020

April 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Michael Whitzel, President
Franklintown Firefighters'
Relief Association
York County

We have conducted a compliance audit of the former Franklintown Firefighters' Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2017 to December 23, 2020.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain copies of canceled or imaged checks from the former relief association. While the former relief association provided bank statements, the former relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two former relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2017 to December 23, 2020:

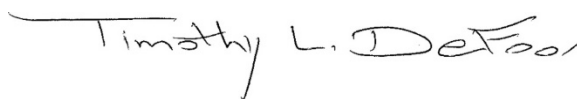
- The former relief association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the former relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- The former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Inadequate Minutes Of Meetings

Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment
Roster

In addition, as of December 23, 2020, the former relief association completed the process of dissolution and merged with the Dillsburg Firefighter's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Dillsburg Firefighter's Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General

March 19, 2021

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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 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 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 former relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Carroll Township	York	\$11,214	\$10,217	\$10,985	\$11,076
Franklin Township	York	\$21,616	\$19,689	*	*
Franklintown Borough	York	\$ 2,401	\$ 2,184	\$ 2,381	\$ 2,401
Washington Township	York	\$ 6,288	\$ 5,726	\$ 6,277	\$ 6,304

* During the current audit period, the former relief association did not receive an allocation of state aid from Franklin Township in 2019 and 2020. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

As of December 23, 2020, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the former relief association’s records, its total cash as of December 23, 2020 was zero, as illustrated below:

Cash \$ 0

BACKGROUND – (Continued)

Based on the former relief association’s records, its total expenditures for the period January 1, 2017 to December 23, 2020 were \$267,854, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of the former relief association funds.¹ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:

Insurance premiums	\$ 31,721
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Fire Services:

Equipment purchased	\$ 741
Equipment maintenance	9,266
Training expenses	555
Total Fire Services	<u>\$ 10,562</u>

Administrative Services:

Other administrative expenses	\$ 24
Bond premiums	810
Total Administrative Services	<u>\$ 834</u>

Other Expenditures:

Transfer of monetary assets*	\$ 224,652
Unauthorized expenditure**	85
Total Other Expenditures	<u>\$ 224,737</u>

Total Expenditures	<u><u>\$ 267,854</u></u>
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* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 23, 2020, the former relief association completed the process of dissolution and merged with the Dillsburg Firefighter’s Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Dillsburg Firefighter’s Relief Association. Due to the dissolution of the former relief association, we are providing officials of Dillsburg Firefighter’s Relief Association copies of this report.

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

** During 2017, the relief association made an insignificant disbursement in the amount of \$85 which was not authorized by Act 118. We disclosed this issue to relief association officials on February 24, 2021.

The former volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The former relief association was affiliated with the following fire service organization:

Franklinton and Community Fire Company

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has complied with one of the two prior audit findings and recommendations, as follows:

- Relief Association Checking Account Inappropriately Registered Under Affiliated Fire Service Organization's Federal Tax Identification Number

By ensuring that all investments are registered under the relief association's federal tax identification number.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Inadequate Minutes Of Meetings

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Dillsburg Firefighter's Relief Association, Dillsburg Firefighter's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes
Of Meetings**

Condition: The former relief association failed to maintain detailed minutes of meetings as required by Act 118. Specifically, the former relief association's minutes did not address all of the financial-related transactions that occurred during the audit period. In addition, the former relief association's bylaws require that meetings be held quarterly; however, the former relief association only provided minutes for three meetings in 2017, four meetings in 2018, no meetings in 2019, and one meeting in 2020. Also, the former relief association's treasurer's report was not maintained with the meeting minutes and the meeting minutes were not signed by the recording officer.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(a) of Act 118 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.

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

Regular meetings of this association shall be held four times a year once a quarter.

Cause: The former relief association officials indicated that a budget was approved at the beginning of each year for expenditures that occurred during the year. In addition, former relief officials indicated that due to the merger of the relief associations, the Franklinton Relief Association had limited financial expenditures and meetings were not held when there was not any business to discuss.

Effect: Without detailed minutes of meetings, evidence that the former relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Dillsburg Firefighter's Relief Association, we are providing officials of the Dillsburg Firefighter's 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 relief association. We recommend that the Dillsburg Firefighter's Relief Association's officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: The former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Dillsburg Firefighter's Relief Association, Dillsburg Firefighter's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The former relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of the former relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the former relief association. The former relief association purchased \$741 of equipment during the current audit period which was not properly accounted for on the former 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 former relief association.

Criteria: Prudent business practice dictates that a 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

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The former relief association officials indicated that since only a minimal number of items were purchased in the audit period, a complete roster was not maintained, nor was a physical inventory completed.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the former 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: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Dillsburg Firefighter's Relief Association, we are providing officials of the Dillsburg Firefighter's 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 relief association. We recommend that the Dillsburg Firefighter's Relief Association's 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: Former relief association management agreed with the finding as presented at the audit exit.

Auditor's Conclusion: Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Dillsburg Firefighter's Relief Association, Dillsburg Firefighter's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Franklinton Firefighters' Relief Association Governing Body:

Mr. Michael Whitzel
President

Mr. Chad M. Lindsay
Vice President

Mr. Robert E. Pomeroy
Secretary

Ms. LeeAnne N. Stump
Treasurer

Mr. Wilbur Stough
Trustee

Dillsburg Firefighter's Relief Association Governing Body:

Mr. Hector Morales
President

Mr. Donald Hefflefinger, Jr.
Secretary

Mr. Scott McClintock
Treasurer

Mr. Mark Ryder
Director

Mr. Mark Snyder
Director

FRANKLINTOWN FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Faye L. Romberger
Secretary
Carroll Township

Ms. Kerri Smith
Secretary
Franklin Township

Ms. Kelly Kunkle
Secretary
Franklintown Borough

Ms. Diane J. Deardorff
Secretary
Washington Township

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.