

# COMPLIANCE AUDIT

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## Penn Township Firemen's Relief Association York County, Pennsylvania For the Period January 1, 2019 to June 16, 2020

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September 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Jerry D. Misner, Jr., President  
Penn Township Firemen's  
Relief Association  
York County

We have conducted a compliance audit of the former Penn Township Firemen's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2019 to June 16, 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.

Based on our audit procedures, we conclude that, for the period January 1, 2019 to June 16, 2020:

- The former relief association took appropriate corrective action to address the findings contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Improper Merger

In addition, as of June 16, 2020, the former relief association completed the process of dissolution and merged with The Firemen’s Relief Association of the Borough of Hanover, York County, Pennsylvania. Consequently, all remaining monetary assets and the majority of the equipment was transferred to The Firemen’s Relief Association of the Borough of Hanover, York County, Pennsylvania. To reflect this merger, this entity is in the process of changing its name to the Hanover Area Volunteer Fire and Rescue Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has 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.

September 9, 2020



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 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.

The former relief association was allocated state aid from the following municipality:

| <u>Municipality</u> | <u>County</u> | <u>2019</u> |
|---------------------|---------------|-------------|
| Penn Township       | York          | \$60,754    |

As of June 16, 2020, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

## BACKGROUND – (Continued)

Based on the relief association’s records, its total cash and investments as of June 16, 2020 were zero, as illustrated below:

|                      |                    |
|----------------------|--------------------|
| Cash and Investments | <u><u>\$ 0</u></u> |
|----------------------|--------------------|

Based on the relief association’s records, its total expenditures for the period January 1, 2019 to June 16, 2020 were \$417,516, 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 relief association funds.<sup>1</sup> **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            | \$ 16,389                |
| Relief benefits               | <u>56</u>                |
| Total Benefit Services        | <u>\$ 16,445</u>         |
| Fire Services:                |                          |
| Equipment purchased           | \$ 9,163                 |
| Equipment maintenance         | 3,251                    |
| Training expenses             | <u>3,162</u>             |
| Total Fire Services           | <u>\$ 15,576</u>         |
| Administrative Services:      |                          |
| Other administrative expenses | \$ 6,648                 |
| Bond premiums                 | <u>622</u>               |
| Total Administrative Services | <u>\$ 7,270</u>          |
| Other Expenditures:           |                          |
| Transfer of monetary assets * | <u>\$ 378,225</u>        |
| Total Expenditures            | <u><u>\$ 417,516</u></u> |

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

## **BACKGROUND – (Continued)**

\* Transfer of Monetary Assets/Dissolution of Relief Association.

As of June 16, 2020, the former relief association completed the process of dissolution and merged with The Firemen’s Relief Association of the Borough of Hanover, York County, Pennsylvania, which is in the process of changing its name to Hanover Area Volunteer Fire and Rescue Relief Association to reflect this merger. Consequently, all remaining monetary assets and the majority of the equipment was transferred to The Firemen’s Relief Association of the Borough of Hanover, York County, Pennsylvania. Due to the dissolution of the former relief association, we are providing officials of The Firemen’s Relief Association of the Borough of Hanover, York County, Pennsylvania copies of this report.

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

Penn Township Volunteer Emergency Services

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Duplicate Payment

By receiving reimbursement of \$1,605 (via applying credit to monthly billing statement) from the communication vendor for the duplicate payment.

- Undocumented Expenditure

By receiving reimbursement of \$739 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.



PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Improper Merger**

Condition: The relief association failed to complete all required steps to properly merge with The Firemen's Relief Association of Hanover Borough, York County, Pennsylvania to form Hanover Area Volunteer Fire and Rescue Relief Association. Relief association officials failed to effectively complete the merger by not performing the following:

- Transfer all relief association owned equipment to the new relief association.
- Transfer relief association owned apparatus to, and re-title the 1990 Ford (Scuba 79), 2008 Ford (Service 79) and 2008 Kraftwood Trailer (Foam Trailer) in the name of the newly formed relief association.
- Transfer account (overpayment) proceeds from a service provider to the new relief association.

Criteria: Section 7415(e) of Act 118 states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

In addition, Section 7415(c) of Act 118 states that the relief association's bylaws shall:

- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Prudent business practice dictates that the relief association should transfer ownership of all assets, both monetary and physical, to the newly formed relief association. As such, the ownership of the three apparatus, other equipment and last refund (of overpayment to vendor) need to be transferred to the new relief association.

Furthermore, The Firemen's Relief Association of Hanover Borough, York County, Pennsylvania contacted their bank and had their current account's name changed to Hanover Area Volunteer Fire Rescue Relief Association, even though the IRS has not yet recognized the entity and its federal tax identification number. If their tax identification number and account name do not match, the financial institution is required to withhold 31 percent of interest earned and transmit these funds to the Internal Revenue Service, representing federal income taxes.

Cause: The relief association officials were unaware that the items noted above had not yet been addressed.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: The failure to deposit the proceeds from the service provider and transfer ownership of physical equipment to the new relief association places these assets at the risk of loss. In addition, the failure to comply with the Tax Equity and Fiscal Responsibility Act could result in the relief association being penalized by the Internal Revenue Service, resulting in the loss of funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We recommend the relief association perform the following:

- Transfer all remaining relief association owned equipment to the new relief association.
- Transfer the relief association owned apparatus to, and re-title the 1990 Ford (Scuba 79), 2008 Ford (Service 79) and 2008 Kraftwood Trailer (Foam Trailer) in the name of the newly formed relief association.
- Transfer account (overpayment) proceeds from the service provider to the new relief association.

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, as a result of our audit, the new relief association has successfully changed the name on the title and transferred ownership of two of the three apparatus effective July 28, 2020. The Pennsylvania Department of Transportation cannot find a record of the 2008 Kraftwood Trailer. The former relief association transferred ownership of all other relief owned equipment to the new relief association on July 20, 2020; additionally the relief association transferred the overpayment refund to the new relief association on August 14, 2020.

Auditor's Conclusion: We have reviewed the documentation of the title transfer to the new relief association for two of the three apparatus. We have also reviewed the documentation for the transfer of the remaining former relief owned equipment to the new relief association. Additionally, we have reviewed the documentation of the transfer of the credit for the service provider from the former relief association to the new relief association. Full compliance for the title transfer of the 2008 Kraftwood Trailer in the name of the new relief association will be subject to verification through our next audit of The Firemen's Relief Association of Hanover Borough, York County, Pennsylvania.

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Penn Township Firemen's Relief Association Governing Body:

**Mr. Jerry D. Misner, Jr.**  
President

**Mr. Scott Sager**  
Vice President

**Ms. Jessica Misner**  
Secretary

**Mr. James Gonzalez**  
Treasurer

**Mr. Andy Alwine**  
Assistant Secretary

**Ms. Ursula Yost**  
Assistant Treasurer

**Mr. Ray Kinsey**  
Trustee

PENN TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

The Firemen's Relief Association of the Borough of Hanover, York County, Pennsylvania  
Governing Body:

**Mr. Jerry D. Misner, Jr.**  
President

**Mr. Fred Ayers**  
Vice President

**Mr. John Bankert**  
Secretary

**Mr. Anthony Funk**  
Treasurer

**Mr. Andy Alwine**  
Assistant Secretary

**Mr. Larry Sherley**  
Assistant Treasurer

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

**Ms. Donna M. Sweeney**  
Secretary  
Penn Township

**Ms. Dorothy Felix**  
Secretary  
Hanover Borough

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