

# COMPLIANCE AUDIT

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## The Citizens Fire Company #1 of Highspire, Pennsylvania Volunteer Firemans Relief Association

Dauphin County

For the Period

January 1, 2018 to December 31, 2021

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October 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Samuel Rittner III, President  
The Citizens Fire Company #1 of  
Highspire, Pennsylvania Volunteer  
Firemans Relief Association  
Dauphin County

We have conducted a compliance audit of The Citizens Fire Company #1 of Highspire, Pennsylvania Volunteer Firemans Relief Association (relief association) for the period January 1, 2018 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

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

Our audit was limited to the areas related to the 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, 2018 to December 31, 2021:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- The 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 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

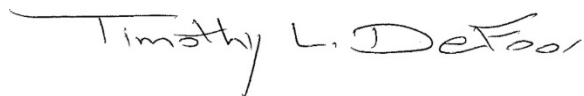
Finding No. 3 – Failure To Adhere To Association Bylaws

Finding No. 4 – Unauthorized Expenditure

Finding No. 5 – Failure To Maintain A Complete And Accurate Membership Roster

Two of the five findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report.



Timothy L. DeFoor  
Auditor General  
September 12, 2022

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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<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("VFRA Act"), 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<sup>3</sup> (commonly referred to as Act 205) are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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 relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Highspire Borough	Dauphin	\$10,013	\$10,679	\$10,787	\$9,524

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

## BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2021, was \$7,483, as illustrated below:

Cash	<u>\$ 7,483</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$50,848, 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>4</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	<u>\$ 19,266</u>
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#### Fire Services:

Equipment purchased	\$ 6,777
Equipment maintenance	10,026
Training expenses	<u>9,830</u>
Total Fire Services	<u>\$ 26,633</u>

#### Administrative Services:

Other administrative expenses	\$ 280
Bond premiums	404
Total Administrative Services	<u>\$ 684</u>

#### Other Expenditures:

Unauthorized expenditures	\$ 1,611
Miscellaneous *	<u>2,654</u>
Total Other Expenditures	<u>\$ 4,265</u>

Total Expenditures	<u><u>\$ 50,848</u></u>
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\* The Miscellaneous expenditures include fundraising expenditures that were offset by fundraising receipts.

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<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and random selection.

## **BACKGROUND – (Continued)**

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

Citizens Fire Company #1 of Highspire, Penna.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain Minutes Of Meetings
- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.



THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, it was not cumulative and did not contain all the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$6,777 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials indicated that they were unable to address the amount stated above correctly because the two individuals that were responsible for tracking the inventory were no longer members of the relief association. The relief association officials did not provide a reason why the annual physical inventory was not completed.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

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.

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association's bylaws require monthly meetings; however, the relief association officials only held and/or provided meeting minutes for seven months in calendar year 2018, ten months in calendar year 2019, eight months in calendar year 2020 and five months in calendar year 2021. Also, the relief association's minutes did not address all of the financial related transactions that occurred during the audit period and 14 of the 18 meeting minutes provided were not signed by the recording officer.

A similar condition was noted in our prior audit report.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7415(a) of the VFRA Act 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.

The relief association's bylaw at Article 6, Section 1 states, in part:

The regular meeting will be the first Monday of each month. When it falls on a holiday or the meeting cannot be held for another reason, the president shall schedule the meeting at an appropriate date to follow no longer than [*Sic*] two (2) weeks after the meeting has been cancelled.

The relief association's bylaws at Article 3, Section 1 states, in part:

The secretary shall attend all meetings of the association and keep a written and correct record of the meeting. These records shall be of a permanent nature.

The relief association's bylaws at Article 4, Section 2 states, in part:

The treasurer will only disburse the association funds with the approval of a motion properly seconded and passed by a majority vote of the members present.

The relief association's bylaws at Article 10, Section 3 states, in part:

There shall be no disbursement of any funds, bills paid, investments made or changed or property sold or donated, without the approval of the members at a regular or special meeting. [*Sic*]

Further, prudent business practices dictate that the secretary sign the official meeting minutes.

Cause: The relief association officials did not provide a response why all required meetings were not held and/or meeting minutes not provided. In addition, relief association officials did not provide a reason why the minutes did not address all financial transactions that occurred and were not signed.

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

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We again recommend that the relief association officials hold all required meetings and maintain detailed minutes of the meetings that document the discussion and approval of all financial-related business conducted by the relief association and ensure that the meeting minutes are signed by the Secretary of the relief association. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 3 – Failure To Adhere To Relief Association Bylaws**

Condition: The relief association did not adhere to numerous provisions in the association’s bylaws. Specifically, the relief association did not abide by bylaw stipulations as noted below:

- The relief association did not hold all required monthly meetings and no explanatory documentation was maintained when meetings were not held.
- The relief association did not provide documentation of attendance for members and officers to satisfy quorum requirements.
- The relief association did not provide approval for all expenditures by a majority vote at an association meeting and record in the minutes.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: The relief association's bylaws stipulate the following:

- Article 6, Section 1 states, in part:

The regular meeting will be the first Monday of each month. When it falls on a holiday or the meeting cannot be held for another reason, the president shall schedule the meeting at an appropriate date to follow no longer than [Sic] two (2) weeks after the meeting has been cancelled.

- Article 7, Section 1 of the bylaws states:

The presents [Sic] of the executive board plus five (5) members shall constitute a quorum. The executive board may be made up of appointees by the president in the event that all executive board members are not present at a meeting.

- Article 4, Section 2 of the bylaws state, in part:

The treasurer will only disburse the association funds with the approval of a motion properly seconded and passed by a majority vote of the members present.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: The relief association officials stated that they were under the impression that even though the bylaws stated meetings were to be held on the first Monday every month if the members voted not to have monthly meetings based on lack of attendance or lack of new business, they were not doing anything wrong. In addition, relief association officials did not provide a reason why attendance and quorum requirement documentation were not maintained or why approvals for all expenditures by a majority vote at association meetings were not provided.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

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

**Finding No. 4 – Unauthorized Expenditures**

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

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
11/21/2019	217	Training for non-members	\$ 114
11/29/2020	236	Maintenance on non-relief association owned equipment	1,497
		Total	<u>\$ 1,611</u>

Criteria: Section 7416(f) of the VFRA Act 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, including necessary training.

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Costs associated with the purchase of training for non-members and for maintenance on non-relief association owned equipment do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$1,611 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding and will take action to comply with the audit recommendation.

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

**Finding No. 5 – Failure To Maintain A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

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

Cause: The relief association officials were not sure why the membership roster was not properly maintained and did not provide a reason why this occurred.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented and indicated they will take action to comply with the recommendation.

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



THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Charles J. McGarvey, Sr.**  
State Fire Commissioner

The Citizens Fire Company #1 of Highspire, Pennsylvania Volunteer Firemans Relief  
Association Governing Body:

**Mr. Samuel Rittner, III**  
President

**Ms. Jenna Condran**  
Vice President

**Ms. Jesse Sipe**  
Secretary

**Ms. Shirley P. Sundy**  
Treasurer

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

**Mr. Mark Stonbraker**  
Secretary  
Highspire Borough

THE CITIZENS FIRE COMPANY # 1 OF HIGHSPIRE, PENNSYLVANIA VOLUNTEER  
FIREMANS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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