

COMPLIANCE AUDIT

Millerstown Volunteer Firemen's Relief Association Perry County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

July 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Amber Fegley, President
Millerstown Volunteer Firemen's
Relief Association
Perry County

We have conducted a compliance audit of the Millerstown Volunteer Firemen's Relief Association (relief association) for the period January 1, 2020, to December 31, 2022. 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 finding 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.

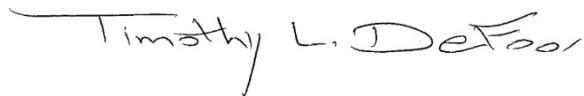
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2020, to December 31, 2022:

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

Finding – Failure To Secure Ownership Interest In Jointly Purchased Flooring

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



Timothy L. DeFoor
Auditor General
June 28, 2023

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	4
Finding and Recommendation:	
Finding – Failure To Secure Ownership Interest In Jointly Purchased Flooring.....	5
Report Distribution List	7

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("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 Law³ (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.

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

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

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

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Greenwood Township	Juniata	\$2,456	\$2,160	\$2,502
Susquehanna Township	Juniata	\$1,717	\$1,518	*
Greenwood Township	Perry	\$7,434	\$6,508	\$8,114
Millerstown Borough	Perry	\$3,379	\$3,009	\$3,737
Tuscarora Township	Perry	\$6,600	\$5,849	\$7,545

* During the current audit period, the relief association did not receive an allocation of state aid from Susquehanna Township in 2022. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

Based on the relief association’s records, its total cash as of December 31, 2022, was \$21,336, as illustrated below:

Cash	<u>\$ 21,336</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$65,923, 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.⁴ **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>\$ 6,561</u>
Fire Services:	
Equipment purchased	\$ 22,089
Equipment maintenance	27,034
Training expenses	7,086
Fire prevention materials	<u>726</u>
Total Fire Services	<u>\$ 56,935</u>
Administrative Services:	
Bond premiums	\$ 900
Other administrative expenses *	<u>1,527</u>
Total Administrative Services	<u>\$ 2,427</u>
Total Expenditures	<u><u>\$ 65,923</u></u>

* A majority of the other administrative expenses represent \$1,320 expended in calendar years 2021 and 2022 for emergency reporting software.

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:

Millerstown Fire Department, Inc.

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

MILLERSTOWN VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Untimely Deposit Of State Aid

By timely depositing all income received.

MILLERSTOWN VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Secure Ownership Interest In Jointly Purchased Flooring

Condition: On November 1, 2021, and June 29, 2022, the relief association expended a total amount of \$22,600 to have non-slip epoxy flooring installed in the affiliated fire company's facility. However, the relief association failed to adequately secure its ownership interest in this purchase as the building is solely owned by the affiliated fire company.

Criteria: Section 7418(a) of Act 118 states:

The Office of the 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), 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 share in the jointly purchased flooring 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 building, in the event the building is ever sold.

Cause: Relief association officials were unaware of the need to secure its proportional ownership interest in the flooring installed in the fire company owned building.

Effect: The failure to adequately secure the proportional share of ownership interest in the flooring installed in the fire company owned building places the relief association's ownership interest at risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the fire company owned building for the flooring, as well as stipulating that the proportionate sale proceeds shall revert to the relief association in the event that the building is ever sold. Alternatively, if such action is not taken, we recommend that the relief association be reimbursed \$22,600. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MILLERSTOWN VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association executed a formal written agreement with its affiliated fire company on June 20, 2023, recognizing that the relief association will receive a prorated share of the proceeds in the event the firehouse is ever sold.

Auditor's Conclusion: We reviewed documentation confirming the execution of a formal written agreement between the relief association and the affiliated fire company for the flooring installation. Compliance for executing formal written agreements related to equipment purchases made during the next audit period will be subject to verification through our next audit.

MILLERSTOWN VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Millerstown Volunteer Firemen's Relief Association Governing Body:

Ms. Amber Fegley
President

Mr. Mark Stroup
Vice President

Ms. Brenda Foose
Secretary

Ms. Karen Knellinger
Treasurer

MILLERSTOWN VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Bria M. Leister
Secretary
Greenwood Township, Juniata County

Ms. Lori L. Chubb
Secretary
Susquehanna Township

Ms. Kathleen Black
Secretary
Greenwood Township, Perry County

Ms. Karen Knellinger
Secretary
Millerstown Borough

Ms. Debra Campbell
Secretary
Tuscarora 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.