

COMPLIANCE AUDIT

East Berlin Firemens Relief Fund Association

Adams County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

October 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Gregory Heefner, President
East Berlin Firemens Relief
Fund Association
Adams County

We have conducted a compliance audit of the East Berlin Firemens Relief Fund Association (relief association) for the period January 1, 2021, to December 31, 2023. 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.

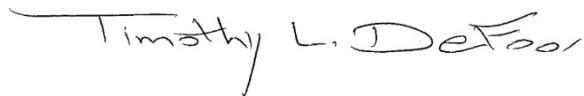
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2021, to December 31, 2023:

- The relief association took appropriate corrective action to address the findings 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 – Inappropriate Pre-signing Of Blank Checks

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
October 18, 2024

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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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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>2021</u>	<u>2022</u>	<u>2023</u>
East Berlin Borough	Adams	\$ 6,948	\$ 8,575	\$ 8,557
Hamilton Township	Adams	\$ 1,813	\$ 2,303	\$ 2,285
Latimore Township	Adams	\$ 4,017	\$ 5,000	\$ 5,007
Reading Township	Adams	\$18,562	\$22,893	\$22,751
Paradise Township	York	\$ 9,273	\$11,775	\$11,848
Washington Township	York	\$ 5,333	\$ 6,429	\$ 6,632

Based on the relief association’s records, its total cash as of December 31, 2023, was \$74,352, as illustrated below:

Cash \$ 74,352

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$194,690, 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>\$ 10,498</u>
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Fire Services:

Equipment purchased	\$ 108,572
Equipment maintenance	43,946
Training expenses	<u>25,737</u>
Total Fire Services	<u>\$ 178,255</u>

Administrative Services:

Bond premiums	\$ 852
Other administrative expenses *	<u>5,085</u>
Total Administrative Services	<u>\$ 5,937</u>

Total Expenditures	<u><u>\$ 194,690</u></u>
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* The other administrative expenses represent subscription fees of \$2,590, accounting software fees of \$1,752, bank fees of \$440, and post office fees of \$303 for the audit period 2021 through 2023.

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:

Northeast Adams Fire And EMS

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

EAST BERLIN FIREMENS RELIEF FUND ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete An Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Improperly Documented Merger

By maintaining detailed minutes of all relief association meetings held during the period.

- Untimely Deposit Of State Aid

By timely depositing all income received.

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

EAST BERLIN FIREMENS RELIEF FUND ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inappropriate Pre-signing Of Blank Checks

Condition: A review of the relief association’s checkbook, at the time of the audit engagement, revealed that 16 blank checks were pre-signed by one of the two relief association officers who are authorized to sign checks. The pre-signing of blank checks negates the relief association’s internal control over the disbursement process.

Criteria: Prudent business practice dictates that the relief association has sufficient internal control procedures in place to prohibit the pre-signing of blank checks. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to signing the checks.

Cause: The relief association officials did not provide a reason why this occurred but indicated they had one signature on the checks in the prior audit and it was not an issue.

Effect: As a result of one of the two authorized relief association officers pre-signing the blank checks, assets were placed at greater risk of misappropriation since the officer who pre-signed the blank checks did not have the opportunity to verify the propriety of the expenditures.

Recommendation: We recommend that the practice of pre-signing blank checks be immediately discontinued. We also recommend that all the relief association officers ensure that checks are signed and co-signed only after the propriety of the expenditures have been determined and the payees, dates, and amounts to be paid have been confirmed. 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.

EAST BERLIN FIREMENS RELIEF FUND ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

East Berlin Firemens Relief Fund Association Governing Body:

Mr. Gregory Heefner
President

Mr. Sean Dawley
Vice President

Ms. Nicole Jacoby
Secretary

Mr. Michael Rebert
Treasurer

Ms. Brianna Fletcher
Assistant Secretary/Treasurer

EAST BERLIN FIREMENS RELIEF FUND 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. Cindy Smith
Secretary
East Berlin Borough

Ms. Megan Carper
Secretary
Hamilton Township

Ms. Jen Marinacci
Secretary
Latimore Township

Ms. Kimberly Beard
Secretary
Reading Township

Mr. Elwood Miller
Secretary
Paradise Township

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.