

COMPLIANCE AUDIT

Manheim Fireman's Relief Association of the Hope Fire Engine and Hose Company No. 1 Lancaster County, Pennsylvania For the Period January 1, 2021, to December 31, 2024

August 2025



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

Mr. Donald Kupres, President
Manheim Fireman's Relief Association
of the Hope Fire Engine and Hose
Company No. 1
Lancaster County

We have conducted a compliance audit of the Manheim Fireman's Relief Association of the Hope Fire Engine and Hose Company No. 1 (relief association) for the period January 1, 2021, to December 31, 2024. 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 objective of the audit was 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 objective 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

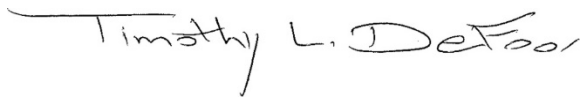
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2024, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Insufficient Surety (Fidelity) Bond Coverage

Finding No. 3 – Inadequate Financial Record-Keeping System

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
August 1, 2025

CONTENTS

	<u>Page</u>
Background	1
Findings and Recommendations:	
Finding No. 1 – Unauthorized Expenditures	5
Finding No. 2 – Insufficient Surety (Fidelity) Bond Coverage	7
Finding No. 3 – Inadequate Financial Record-Keeping System	8
Report Distribution List	10

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ 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 Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

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>	<u>2024</u>
Manheim Borough	Lancaster	\$23,421	\$29,282	\$29,212	\$29,610
Penn Township	Lancaster	\$14,502	\$18,975	\$18,692	\$18,928
Rapho Township	Lancaster	\$23,512	\$30,594	\$30,002	\$30,631

Based on the relief association's records, its total cash and investments as of December 31, 2024, were \$794,450, as illustrated below:

Cash	\$ 318,774
Fair Value of Investments	<u>475,676</u>
Total Cash and Investments	<u><u>\$ 794,450</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$352,299, 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.⁵ **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	\$ 37,971
Relief benefits	635
Tokens of sympathy and goodwill	225
Total Benefit Services	<u>\$ 38,831</u>

Fire Services:

Equipment purchased	\$ 168,082
Equipment maintenance	55,569
Training expenses	1,875
Fire prevention materials	9,968
Total Fire Services	<u>\$ 235,494</u>

Administrative Services:

Bond premiums	\$ 2,610
Officer compensation	2,960
Other administrative expenses *	10,966
Total Administrative Services	<u>\$ 16,536</u>

Total Investments Purchased	<u>\$ 60,000</u>
-----------------------------	------------------

Other Expenditures:

Undocumented expenditure **	\$ 25
Unauthorized expenditures – See Finding No. 1	1,413
Total Other Expenditures	<u>\$ 1,438</u>

Total Expenditures	<u><u>\$ 352,299</u></u>
--------------------	--------------------------

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

* A majority of the other administrative expenses represent \$8,170 expended in calendar years 2021, 2022, 2023 and 2024 for tax preparation.

** The relief association was unable to provide adequate supporting documentation evidencing the propriety of a \$25 expenditure made during calendar year 2023. We disclosed this issue to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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 organizations:

Hope Fire Engine and Hose Co. No. 1

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: During the current audit period, the relief association incurred the following expenditures that are not authorized under the VFRA Act.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/18/2021	6374	Medical bags	\$ 473
03/02/2021	6386	Payment of sales tax	9
03/31/2021	6387	Pediatric medical supplies	69
04/26/2021	6388	Payment of sales tax	33
06/30/2021	6396	Payment of sales tax	13
04/25/2022	6443	Pediatric medical supplies	620
05/24/2022	6451	Blue light for a vehicle not owned by the relief association	75
10/10/2022	6469	Payment of sales tax	6
04/03/2024	6544	Youth safety equipment	26
09/16/2024	6564	Payment of sales tax	59
10/11/2024	6567	Payment of sales tax	30
Total			<u>\$ 1,413</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.

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the purchase of medical equipment and supplies and youth safety equipment not solely used for the relief association members, the purchase of a blue light for a vehicle that is not owned by the relief association, and the payment of sales tax 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 indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

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

Recommendation: We recommend that the relief association be reimbursed \$1,413 by the affiliated fire company 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 as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$1,279 on April 29, 2025, and the remaining \$134 on June 3, 2025.

Auditor's Conclusion: We reviewed documentation verifying the reimbursement of \$1,413 was received from the affiliated fire company. Compliance for authorized expenditures made during the next audit period will be subject to verification.

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Insufficient Surety (Fidelity) Bond Coverage

Condition: During the audit period, the relief association did not maintain sufficient surety (fidelity) bond coverage on its authorized disbursing officer necessary to cover the relief association's maximum cash balance. The relief association's surety (fidelity) bond coverage amount was \$250,000; however, at times during the audit period, the relief association's maximum cash balance exceeded the surety bond coverage.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

In addition, Article VIII, Section 2 of the relief association's bylaws states, in part:

- The Association shall maintain an officer's bond on the Treasurer. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the Association at any time during the fiscal year.

Cause: Relief association officials indicated that during the audit period, certain invoices were expected to be received and paid, and that did not occur. As such, the cash balance exceeded the surety (fidelity) bond coverage.

Effect: As a result of the insufficient surety (fidelity) bond coverage on the authorized disbursing officer of the relief association, the relief association's maximum cash balance during the audit period was not adequately safeguarded in the event the disbursing officer commits a wrongful or fraudulent act. Additionally, without sufficient surety bond coverage, the relief association is not in compliance with the VFRA Act and its bylaws.

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association ensure that its surety (fidelity) bond on the relief association's authorized disbursing officer sufficiently covers the relief association's maximum cash balance as required by the VFRA Act and its bylaws. This requirement may be accomplished by increasing the surety (fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum cash balance of the relief association, or by decreasing the relief association's maximum cash balance through a transfer of funds to an authorized investment account. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient surety (fidelity) bond coverage on the relief association's authorized disbursing officer. 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 during the next audit.

Finding No. 3 – Inadequate Financial Record-Keeping System

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- Documentation of all investment transactions was not maintained.
- Documentation to support various expenditures was not readily available for examination during the audit.
- Paid invoices did not contain documentation noting payment date and check number.
- Checks outstanding for over 60 days were not investigated.
- Voided checks were not maintained for examination at the time of the audit.

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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, an adequate system of financial record-keeping is a prerequisite for sound administration of relief association assets.

Cause: The relief association officials did not provide a reason why these financial record-keeping issues occurred.

Effect: The relief association's failure to maintain adequate accounting records prevents the membership from effectively monitoring the financial operations of the relief association. Additionally, proper financial record-keeping reduces the risk of misappropriation and reduces the risk of undetected errors.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. 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 during the next audit.

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Manheim Fireman's Relief Association of the Hope Fire Engine and Hose Company No. 1
Governing Body:

Mr. Donald Kupres
President

Mr. Ian Nauman
Vice President

Mr. James Kraybill
Secretary

Mr. Bradley Roth
Treasurer

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

Mr. Joel Mutschler
Secretary
Manheim Borough

Mr. Mark Hiester
Secretary
Penn Township

Mr. Randy Fox
Secretary
Rapho Township

MANHEIM FIREMAN'S RELIEF ASSOCIATION OF THE HOPE FIRE ENGINE AND
HOSE COMPANY NO. 1
REPORT DISTRIBUTION LIST

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.