

COMPLIANCE AUDIT

Maytown/East Donegal Township Firemen's Relief Association

Lancaster County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

October 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. William Splain, President
Maytown/East Donegal Township
Firemen's Relief Association
Lancaster County

We have conducted a compliance audit of the Maytown/East Donegal Township Firemen's Relief 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:

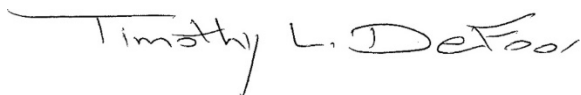
- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Findings section of this report.
- The relief association, in all significant respects, complied with applicable state 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 –
Insufficient Surety (Fidelity) Bond Coverage

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure
To Maintain A Complete And Accurate Cumulative Equipment
Roster And Failure To Conduct An Annual Physical Inventory
Of Equipment

Finding No. 3 – Inadequate Provisions In Relief Association Bylaws For
Compensation Payments To Officers

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. 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
August 21, 2025

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	4
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Insufficient Surety (Fidelity) Bond Coverage	5
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster And Failure To Conduct An Annual Physical Inventory Of Equipment.....	6
Finding No. 3 – Inadequate Provisions In Relief Association Bylaws For Compensation Payments To Officers	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.

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

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
East Donegal Township	Lancaster	\$31,890	\$41,330	\$41,669

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)

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$61,288, as illustrated below:

Cash	\$ 55,824
Fair Value of Investments	<u>5,464</u>
Total Cash and Investments	<u>\$ 61,288</u>

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$82,619, 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:	
Tokens of sympathy and goodwill	<u>\$ 2,051</u>
Fire Services:	
Equipment purchased	\$ 18,696
Equipment maintenance	20,616
Training expenses	<u>4,263</u>
Total Fire Services	<u>\$ 43,575</u>
Administrative Services:	
Bond premiums	\$ 332
Officer compensation	6,800
Other administrative expenses	<u>242</u>
Total Administrative Services	<u>\$ 7,374</u>
Other Expenditures:	
Payments on loan	<u>\$ 29,619</u>
Total Expenditures	<u>\$ 82,619</u>

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

Maytown-East Donegal Township Fire Department

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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:

- Insufficient Surety (Fidelity) Bond Coverage
- Failure To Maintain A Complete And Accurate Cumulative Equipment Roster And Failure To Conduct An Annual Physical Inventory Of Equipment

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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 \$25,000; however, during the audit period, the relief association's maximum cash balance exceeded the coverage amount. According to the relief association meeting minutes dated September 20, 2021, an increase in surety (fidelity) bond coverage to \$100,000 was approved; however, the relief association officials did not provide evidence that any action was taken to increase the coverage amount. The relief association's surety (fidelity) bond coverage expired on September 15, 2023, and was renewed on March 11, 2024. The coverage amount remained at \$25,000.

A similar condition was noted in our prior audit report.

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 II 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 stated that the initial renewal notice was not received; however, immediate action was taken when a notice regarding renewal of coverage was received via email. Relief association officials also failed to monitor the relief association's maximum cash balance during the audit period to ensure that the surety (fidelity) bond coverage on the relief association's authorized disbursing officer complied with the VFRA Act provisions and its bylaws, despite the relief association being notified of this condition during the prior audit.

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 (fidelity) bond coverage, the relief association is not in compliance with the VFRA Act and its bylaws.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials obtain surety (fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act and the relief association 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 Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, on January 9, 2025, the relief association increased its surety (fidelity) bond coverage to an amount greater than the relief association's expected maximum cash balance.

Auditor's Conclusion: We reviewed documentation verifying that surety (fidelity) bond coverage was increased to \$100,000 effective January 9, 2025. During the next audit period, compliance for maintaining adequate surety (fidelity) bond coverage will be subject to verification.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster And Failure To Conduct An Annual Physical Inventory Of Equipment

Condition: The relief association failed to maintain a complete and accurate cumulative roster of equipment owned by the relief association. Although a partial roster of relief association equipment was provided during the current audit period, this roster was incomplete and did not accurately identify all equipment owned by the relief association. In addition, there was no evidence 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.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Prudent business practice dictates that the relief association establish adequate internal control procedures to ensure the maintenance of a complete and accurate cumulative roster of equipment purchased by the relief association and that the performance of an annual physical inventory of all equipment is documented. A complete and accurate cumulative equipment roster of all relief association purchased equipment should include the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers from which the equipment was purchased
- Serial numbers, if applicable
- Current location(s) of items
- Final dispositions if damaged, sold or disposed of
- Evidence of the performance, date, and results of an annual physical inventory

Cause: The relief association officials did not provide a reason why this occurred despite being notified in the prior audit period.

Effect: Continued failure to properly record equipment purchases in a complete and accurate cumulative equipment roster prevents relief association officials from effectively monitoring the relief association's equipment purchases. In addition, failure to maintain a complete and accurate cumulative equipment roster and failure to perform an annual physical inventory of the equipment prevents adequate accountability for, and safeguarding of, relief association assets.

Recommendation: We again recommend that the relief association officials maintain a complete and accurate cumulative equipment roster of all relief association equipment. Furthermore, the relief association should ensure an annual physical inventory of all relief association purchased equipment is performed and 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.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Provisions In Relief Association Bylaws For Compensation Payments To Officers

Condition: As noted in an observation during the prior audit period, the relief association's bylaws do not include a provision addressing compensation payments to officers. During the current audit period, the relief association paid a total of \$6,800 in compensation payments to an officer, comprising \$6,300 in monthly payments and an additional \$500 for preparation of the prior audit.

Since such compensation payments to officers are considered authorized expenditures under the VFRA Act, in October 2016 the relief association approved monthly compensation of \$175 to an officer, along with an additional payment for audit preparation. However, the bylaws lack a provision defining the criteria for these compensation payments and the procedures for approval of such payments.

Criteria: Section 7415(c)(6) of the VFRA Act requires the relief association's bylaws to "establish procedures for the approval and payment of expenditures." Section 7416(f) allows a relief association to pay reasonable businesslike expenses, such as "payment of reasonable compensation" to officers.

Accordingly, the relief association's bylaws should, at minimum, contain a provision authorizing compensation payments to an officer. The bylaw provision should document the eligibility criteria for an officer to receive such payments and clearly define the nature, duration, amount, and procedures to follow. The bylaw provision should also outline the procedural requirements for approvals and address any regulatory considerations. Regulatory considerations should include the appropriate reporting for IRS regulation, General Instruction for Reporting, Form 1099, which may be required to be issued for payments of services performed for a trade or business by people not treated as employees.

Additionally, the minutes of the relief association's meetings should also include the approval of such payments and include reference to the work completed as contemplated by Section 7416(f).

Cause: Relief association officials indicated that they were unaware of the VFRA Act requirements to establish a provision in its bylaws for the amount and eligibility criteria for the compensation payments to an officer despite being made aware of this condition during the prior audit.

Effect: As a result of the relief association not properly defining and approving the provisions for the compensation payments to the officer in its bylaws, the relief association expended funds that were not in accordance with the VFRA Act.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association review and update its bylaws, subject to membership approval, to include provisions for compensation payments to an officer to meet the requirements set forth in the VFRA Act. Additionally, we recommend that the relief association become familiar with Sections 7415(c) and 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. Additionally, for further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management 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.

MAYTOWN/EAST DONEGAL TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Maytown/East Donegal Township Firemen's Relief Association Governing Body:

Mr. William Splain
President

Mr. Justin Stahl
Vice President

Ms. Melissa Brinser
Secretary

Ms. Deanne Gardner
Treasurer

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

Mr. Scott A. Kingsboro
Secretary/Manager
East Donegal 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.