

COMPLIANCE AUDIT

Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1

York County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

November 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Charlie Hose, President
Volunteer Firefighter's Relief
Association of Leo Independent
Fire Engine Company No. 1
York County

We have conducted a compliance audit of the Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1 (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.

Effective October 20, 2021, the relief association merged with the Felton Firefighters' Relief Association.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in the prior audit report for the period January 1, 2018, to December 31, 2020, and the close-out report for the former Felton Firefighters' Relief Association for the period January 1, 2019, to October 20, 2021.
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 comply 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.

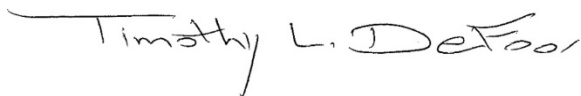
As noted in the prior audit reports, collectively, a total of nine findings were issued for the relief association and the former Felton Firefighters' Relief Association. For the current audit report, findings that were applicable to both entities have been consolidated, resulting in a combined total of six findings. 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 one of the six findings contained in our prior audit reports. However, the relief association failed to take appropriate corrective action to address the five remaining findings contained in our prior audit reports, as listed below, and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matter described in Finding No. 7 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

- Finding No. 1 – 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. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage
- Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster
- Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure To Properly Document Minutes Of Relief Association Meetings
- Finding No. 5 – Noncompliance With Prior Audit Recommendation – Improper Procedures Related To Merger
- Finding No. 6 – Failure To Hold Relief Association Meetings
- Finding No. 7 – Undocumented Expenditures
- Finding No. 8 – Unauthorized Expenditures
- Finding No. 9 – Improper Equipment Transactions
- Finding No. 10 – Failure To Deposit Insurance Claim Proceeds

Five of the ten audit findings contained in this report cite conditions that existed in the operation of the relief association and the former Felton Firefighters' Relief Association during the prior audit periods and were not corrected by the relief association 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. 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
October 3, 2025

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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>
Chanceford Township	York	\$ 4,503	\$ 5,817	\$ 5,831
Felton Borough	York	\$ 2,240	\$ 2,731	\$ 2,777
North Hopewell Township	York	\$ 1,528	\$ 1,860	\$ 1,848
Red Lion Borough	York	\$26,484	\$32,862	\$32,634
Windsor Township	York	\$34,985	\$43,482	\$43,402
York Township	York	\$15,277	\$19,400	\$19,387

Based on the relief association's records, its total cash as of December 31, 2023, was \$221,193, as illustrated below:

Cash	<u><u>\$ 221,193</u></u>
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BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$346,731, 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	\$ 11,864
Death benefits	5,000
Total Benefit Services	<u>\$ 16,864</u>

Fire Services:

Equipment purchased	\$ 193,640
Equipment maintenance	42,648
Training expenses	16,374
Fire prevention materials	90
Total Fire Services	<u>\$ 252,752</u>

Administrative Services:

Bond premiums	\$ 468
Other administrative expenses	739
Total Administrative Services	<u>\$ 1,207</u>

Other Expenditures:

Undocumented expenditures – See Finding No. 7	\$ 75,758
Unauthorized expenditures – See Finding No. 8	150
Total Other Expenditures	<u>\$ 75,908</u>

Total Expenditures	<u>\$ 346,731</u>
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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:

Leo Independent Fire Engine Company No. 1

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

BACKGROUND – (Continued)

Effective October 20, 2021, the former Felton Firefighters' Relief Association completed the process of dissolution and merged with the relief association, the result of which was to be the establishment of the Alliance Fire And Rescue Services Relief Association. However, the relief association did not take the proper steps to effectuate the establishment of the Alliance Fire and Rescue Services Relief Association. Therefore, the merged entity remains the Volunteer Firefighters' Relief Association of Leo Independent Fire Engine Company No. 1. The final close-out audit report for the former Felton Firefighters' Relief Association was provided to the relief association to ensure that its officials were informed of the conditions identified in the operation of the former Felton Firefighters' Relief Association.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
STATUS OF PRIOR FINDINGS

Collectively, the relief association and the former Felton Firefighters' Relief Association were issued nine findings in the prior audit reports.

The following findings were issued for both the relief association and the former Felton Firefighters' Relief Association and have been consolidated for presentation in the current audit report.

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

The resulting six combined findings from the prior audit reports are presented below.

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the six prior audit findings and recommendations, as follows:

- Untimely Deposit Of State Aid

By timely depositing all state aid income received.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Cumulative Equipment Roster
- Failure To Maintain Surety (Fidelity) Bond Coverage

Although the relief association obtained a surety bond policy to partially comply with the finding recommendation issued in the prior audit period, the relief association failed to maintain sufficient surety (fidelity) bond coverage on its authorized disbursing officer necessary to cover the relief association's maximum cash balance, as further disclosed in Finding No. 2 of this report.

- Failure To Maintain A Complete And Accurate Membership Roster
- Failure To Maintain Minutes Of Relief Association Meetings
- Improper Procedures Related To Merger

The relief association did not comply with the recommendation in the former Felton Firefighter's Relief Association's prior period audit report.

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

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – 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 roster of relief association owned equipment was provided during the current audit, the roster was incomplete as it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment, and serial numbers necessary to accurately identify 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.

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 these conditions occurred despite the relief association being notified of these conditions during the prior audit.

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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials maintain a complete and accurate cumulative equipment roster of all relief association equipment. In addition, 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 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 Surety (Fidelity) Bond Coverage

Condition: Although the relief association obtained a surety bond policy to partially comply with the prior audit period finding regarding the expired surety bond, 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 \$200,000; however, at times during the audit period, the relief association's maximum cash balance exceeded the surety bond coverage.

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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, Article Three, Section D, Part 5 of the relief association's bylaws states, in part:

The Treasurer will be required to have a bond by a corporate surety for the faithful performance of his/her duties in an amount as least as great as the maximum cash balance in current funds of the association at any time during the fiscal year. The Relief Association shall provide this bond.

Cause: The relief association officials did not provide a reason why sufficient surety (fidelity) bond coverage was not maintained despite the relief association being notified of this condition during the prior audit.

Effect: As a result of the authorized disbursing officer of the relief association not having sufficient surety bond coverage, the relief association's cash balance 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.

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 its bylaws. 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: 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 – Noncompliance With Prior Audit Recommendation – 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. Although a roster of relief association members was provided for the current audit, the roster was incomplete as it did not contain the mailing addresses of members.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

A similar condition was noted in our prior audit report.

Criteria: Relief association officials should maintain a complete and accurate roster of all current and former relief association's members who qualify for relief association benefits.

Prudent business practice dictates that a comprehensive roster of all relief association members should include, at minimum, the following:

- Names of each member
- Members' mailing addresses
- Members' date of birth
- Dates of memberships (start date and resignation or date of death)
- Membership classification, if applicable

Cause: Relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during the prior audit.

Effect: Failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or exclude eligible relief association members from receiving authorized benefits.

Recommendation: We again recommend that the relief association officials compile and maintain a complete and accurate roster of all current and former relief association's members. For additional 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: 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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure To Properly Document Minutes Of Relief Association Meetings

Condition: The relief association failed to properly document minutes of its meetings as required by the VFRA Act and its bylaws. Specifically, the relief association meeting minutes did not contain the signature of the recording officer (secretary). As such, the relief association's records may not reflect the approval of all financial transactions that occurred during the audit period.

A similar condition was noted in our prior audit report.

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 bylaws at Article Three, Section D, Part 1 states:

The Secretary shall keep accurate records of the proceedings of every meeting of the Relief Association in a book provided for that purpose. These records shall be open for inspection of all members prior to the meeting of the Relief Association.

In addition, prudent business practice dictates that the relief association officials should ensure that meeting minutes are signed and dated by the recording officer.

Cause: The relief association officials did not provide a reason why it failed to properly document minutes of its meetings, despite being notified of this condition during the prior audit.

Effect: Without properly documenting minutes of meetings, that address all financial-related transactions and that are signed and dated by the recording officer, there is insufficient evidence that relief association business was documented and presented before the membership for approval.

Recommendation: We again recommend that the relief association officials properly document the minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the recording officer of the relief association to ensure the validity of the meeting minutes. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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: 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. 5 – Noncompliance With Prior Audit Recommendation – Improper Procedures Related To Merger

Condition: The relief association failed to complete the minimum administrative procedures necessary to formally establish the Alliance Fire Rescue Services Relief Association. Although the relief association updated its name on its officer's surety (fidelity) bond policy, relief association officials failed to effectively complete the merger by not performing the following:

- Obtain evidence supporting the propriety of all equipment transferred in the merger with the former Felton Firefighter's Relief Association.
- Amending current bylaws to account for the name change as well as the overall change in organizational structure, as warranted.
- Obtaining a new federal tax identification number in the name of the newly formed relief association.
- Obtaining a new state sales tax exemption number in the name of the newly formed relief association.
- Updating equipment joint purchase agreements in the name of the newly formed relief association.
- Changing the name on all accounts held with a financial institution.

A similar condition was noted in our prior audit report.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Section 7415(c) (10) of the VFRA Act states that the relief association's bylaws shall:

Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Furthermore, prudent business practice dictates the equipment transferred from the former relief association be documented to evidence the propriety of the transfers. This documentation should include a detailed inventory of the equipment transferred and a signed receipt acknowledging the transfer.

Additionally, all businesses, both profit and nonprofit, are required to obtain a federal tax identification number and provide this number to any financial institution where funds earn interest. If the tax identification number is not provided, the financial institution is required to withhold thirty one percent (31%) of interest earned and transmit these funds to the Internal Revenue Service, representing federal income taxes.

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

Effect: Without evidence of the equipment transferred from the former relief association, the relief association is unable to verify that all the equipment previously purchased with relief association funds was properly transferred.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Furthermore, due to the relief association's failure to amend the current bylaws to account for the name change as well as the overall change in structure of the relief association, the relief association was not in compliance with the VFRA Act. Failure to obtain a federal identification number for the newly formed relief association and failure to comply with the Tax Equity and Fiscal Responsibility Act could result in the relief association being penalized by the Internal Revenue Service, resulting in less funding available to pay for general operating expenditures or for investment purposes. Failure to obtain a sales tax exemption certification may result in the relief association unnecessarily paying Pennsylvania sales tax on its purchases. Due to failure to properly transfer or re-title equipment in the name of the newly formed relief association, clear title to the equipment could not be determined.

Recommendation: We recommend the relief association perform the following:

- Obtain evidence supporting the propriety of all equipment transferred in the merger with the former Felton Firefighter's Relief Association.
- Amend current bylaws to account for the name change as well as the overall change in the organizational structure of the relief association, as necessary.
- Obtain a new federal tax identification number, in the name of the newly formed relief association.
- Obtain a new state sales tax exemption number, in the name of the newly formed relief association.
- Update equipment joint purchase agreements in the name of the newly formed relief association.
- Change the name on all accounts held with a financial institution.

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

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Failure To Hold Relief Association Meetings

Condition: The relief association failed to hold regular meetings as required by the VFRA Act and its bylaws. The relief association bylaws require meetings to be held on a monthly basis. Meetings were only held for eight months during calendar year 2021 and ten months during calendar year 2023. Also, meetings were only held for nine months during the post audit period through December 2024. As such, the relief association's records may not reflect the approval of all financial transactions that occurred during the audit period.

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 bylaws at Article Three, Section D, Part 1 states:

The meeting of the Relief Association will begin at 1830 hours on the first Wednesday of each month. The general monthly meeting shall be held twelve times per year, unless cancelled due to circumstances beyond the Relief Association and membership control.

Cause: The relief association officials did not provide a reason why all required meetings were not held.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, that address all financial-related transactions, there is insufficient evidence that relief association business was documented and presented before the membership for approval.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Auditor's Conclusion: Compliance will be subject to verification during the next audit.

Finding No. 7 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/22/2021	2524	Local fire company	\$ 700
02/08/2021	2525	Equipment vendor	351
02/08/2021	2526	Equipment vendor	8,730
02/08/2021	2527	Equipment vendor	180
02/15/2021	2528	Equipment vendor	8,956
03/03/2021	2529	Affiliated fire company	1,141
03/03/2021	2531	Emergency reporting system vendor	1,250
03/03/2021	2532	Training vendor	80
03/03/2021	2533	Training vendor	320
03/03/2021	2534	Local county agency	40
03/03/2021	2535	Equipment vendor	491
03/31/2021	2536	Relief association member	162
03/31/2021	2537	Equipment vendor	1,764
03/31/2021	2538	Equipment vendor	377
04/16/2021	2539	Training vendor	405
04/22/2021	2540	Equipment vendor	471
04/22/2021	2541	Insurance vendor	5,756
04/22/2021	2542	Equipment vendor	1,599
04/22/2021	2543	Equipment vendor	1,847
04/22/2021	2544	Equipment vendor	245
05/04/2021	2545	Training vendor	135
05/04/2021	2547	Training vendor	150
05/05/2021	2548	Equipment vendor	17,570
05/05/2021	2549	Equipment vendor	504
05/08/2021	2550	Equipment vendor	2,722
05/24/2021	2551	Local county agency	85

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
05/24/2021	2552	Training vendor	\$ 250
05/24/2021	2553	Local county agency	65
05/30/2021	2554	Training vendor	135
05/30/2021	2555	Equipment vendor	295
05/30/2021	2556	Equipment vendor	180
07/12/2021	2557	Equipment vendor	1,050
07/12/2021	2558	Equipment vendor	586
07/12/2021	2559	Equipment vendor	159
07/12/2021	2560	Equipment vendor	101
07/12/2021	2561	Equipment vendor	110
07/25/2021	2562	Training vendor	200
07/25/2021	2563	Equipment vendor	89
07/26/2021	2564	Training vendor	400
09/13/2021	2565	Equipment vendor	20
09/13/2021	2566	Equipment vendor	450
09/13/2021	2567	Training vendor	60
09/13/2021	2568	Training vendor	250
09/13/2021	2569	Local county agency	370
10/14/2021	2570	Equipment vendor	169
10/14/2021	2571	Equipment vendor	139
10/14/2021	2572	Equipment vendor	3,255
10/14/2021	2573	Equipment vendor	706
10/14/2021	2574	Equipment vendor	744
11/23/2021	2575	Equipment vendor	139
11/23/2021	2576	Administrative vendor	1,756
11/23/2021	2577	Affiliated fire company	80
11/23/2021	2578	Administrative vendor	354
12/06/2021	2579	Training vendor	400
12/06/2021	2580	Equipment vendor	2,898
12/06/2021	2581	Equipment vendor	1,478
12/06/2021	2582	Affiliated fire company	1,300
12/06/2021	2583	Training vendor	733
12/06/2021	2584	Training vendor	70

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
12/06/2021	2585	Equipment vendor	550
12/29/2021	Debit	Hardware supplies vendor	36
04/18/2022	2604	Commonwealth agency	150
Total			<u>\$ 75,758</u>

In addition, a verbal observation was issued during the prior audit period, for a \$132 expenditure that was not documented. The relief association was unable to provide supporting documentation for the expenditure, nor did the relief association receive reimbursement from the affiliated fire company for this prior audit period undocumented expenditure.

Criteria: Section 7418(a) of the VFRA Act states:

The Office of 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 supporting documentation be maintained to evidence the propriety of all financial transactions.

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

Effect: Due to a lack of supporting documentation, such as an invoice or itemized receipt, determination as to whether the expenditures were made in accordance with Section 7416(f) of the VFRA Act could not be made. In addition, failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until compliance with the finding recommendation is substantiated.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Recommendation: We recommend that the relief association provide this department with adequate supporting documentation, such as invoices or itemized receipts, to evidence the propriety of the expenditures or that the relief association be reimbursed \$75,890 for the undocumented, and potentially unauthorized, expenditures. All supporting documentation verifying the propriety of the undocumented expenditure or documentation of reimbursement should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316-E Finance Building, Harrisburg, PA 17120. We also recommend that the relief association maintain supporting documentation for all future expenditures. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding and recommendation will be monitored subsequent to the release of the audit report and during the next audit of the relief association.

Finding No. 8 – 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>
03/24/2022	Debit	Payment of sales tax	\$ 75
03/16/2023	Debit	Payment of sales tax	75
Total			<u>\$ 150</u>

In addition, a verbal observation was issued during the prior audit, for unauthorized expenditures of \$394. The relief association did not receive reimbursement from the affiliated fire company for these unauthorized expenditures incurred in the prior audit period.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

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.

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 payment of sales tax do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these expenditures 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. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the unauthorized expenditures may result in a withholding of future state aid allocations until the monies related to the unauthorized expenditures have been reimbursed to the relief association.

Recommendation: We recommend that the relief association be reimbursed \$394 for unauthorized expenditures incurred during the prior audit period and \$150 for unauthorized expenditures incurred in the current audit period. Additionally, we recommend that the 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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

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.

Finding No. 9 – Improper Equipment Transactions

Condition: The relief association purchased eight pagers at a total cost of \$4,784 that were subsequently resold to relief association members for the original purchase price.

Criteria: Section 7418(a)(1) of the VFRA Act states:

The Office of 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.

Section 7416(f) of the VFRA Act also states:

Funds of any volunteer firefighters' relief association may be spent:

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

The primary purpose of the equipment purchases was for the personal benefit of the relief association members. The relief association is not authorized to act as a purchasing agent for members' personal equipment or to provide financing for members' purchases.

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

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

Effect: As a result of the improper equipment transactions, relief association funds were not available for authorized purposes.

Recommendation: We recommend that the relief association officials discontinue the practice of purchasing equipment for resale to members of the relief association. 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.

Finding No. 10 – Failure To Deposit Insurance Claim Proceeds

Condition: According to the relief association's April 2021 meeting minutes, an insurance claim was submitted on behalf of the relief association for a damaged thermal imaging camera. However, supporting documentation detailing the amount of the claim proceeds was not provided, and no corresponding deposit of insurance proceeds was recorded in the relief association's bank account.

Criteria: Prudent business practice dictates that the relief association should closely monitor all insurance claims filed to ensure associated proceeds are received and deposited into a relief association bank account.

Cause: The relief association officials did not provide a reason why this occurred. A relief association official indicated that the insurance claim proceeds may have been erroneously deposited into the fire company's bank account.

Effect: Failure to timely deposit all relief association insurance claim proceeds into the relief association's bank accounts can lead to a greater risk of lost or misappropriated funds. Additionally, the relief association was unable to use the funds erroneously deposited into the fire company's bank account to purchase replacement equipment, for general operating expenses, or for investment purposes.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 10 – (Continued)

Recommendation: We recommend that the relief association provide documentation of the amount of the insurance claim proceeds and ensure the proceeds are reimbursed by the affiliated fire company. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all insurance claim proceeds are deposited timely into a relief association bank account. 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.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 7 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Volunteer Firefighter's Relief Association of Leo Independent Fire Engine Company No. 1
Governing Body:

Mr. Charlie Hose
President

Mr. Tyler Burkins
Vice President

Mr. Derek Eveler
Secretary

Ms. Stephanie Weaver
Treasurer

Mr. Isaiah Gingrich
Assistant Treasurer

Mr. Seth Butts
Trustee

Mr. Scott Gingrich
Trustee

Mr. Joe Russell, Jr.
Trustee

VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF LEO INDEPENDENT FIRE
ENGINE COMPANY NO. 1
REPORT DISTRIBUTION LIST

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

Ms. Leah R. Geesey

Secretary
Chanceford Township

Ms. Joy Flinchbaugh

Secretary
Felton Borough

Ms. Kerrie Ebaugh

Secretary
North Hopewell Township

Ms. Amanda Runkle

Secretary
Red Lion Borough

Ms. Jennifer Gunnet

Secretary
Windsor Township

Mr. Gary S. Milbrand

Secretary
York 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.