

COMPLIANCE AUDIT

Cleona Fire Company Firemen's Relief Association

Lebanon County, Pennsylvania
For the Period
January 1, 2014 to December 31, 2016

August 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Gary Reist, President
Cleona Fire Company Firemen's
Relief Association
Lebanon County

We have conducted a compliance audit of the Cleona Fire Company Firemen's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2014 to December 31, 2016.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain copies of canceled or imaged checks from the relief association beginning May of 2016. While the relief association provided copies of bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2014 to December 31, 2016:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the finding listed below and discussed later in this report.

Finding – Inadequate Meeting Minutes For Approval Of Amended Bylaws

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

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

August 11, 2017



EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Cleona Borough	Lebanon	\$13,181	\$12,504	\$12,418

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:

Cleona Fire Company No. 1

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Maintain A Complete And Accurate Equipment Roster

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

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Meeting Minutes For Approval Of Amended Bylaws

Condition: The relief association failed to maintain adequate detailed minutes of meetings as required by Act 118 and the relief association's bylaws. Specifically, the relief association minutes provided by officials did not appear to coincide with the meeting requirements established in the existing bylaws of the relief association and did not contain approval by the membership for any amendments to the existing bylaws. And, although relief association officials indicated that the bylaws were amended in May 2015 changing the frequency of when relief association meetings were to occur from monthly to quarterly; approval of such amendment by the membership never appeared in any of the meeting minutes provided. Consequently, since the relief association's bylaws in effect required monthly meetings and the relief association only provided meeting minutes for three quarters in 2016, the relief association minutes do not appear to address all of the financial-related transactions that occurred during 2016.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

In addition, Act 118 at 35 Pa.C.S. § 7415(c)(8 and 9) states, the bylaws shall:

Specify notice required with respect to proposed bylaw amendments, including the time, place and date when the proposed amendments shall be considered.

Be faithfully preserved, along with amendments thereto and the effective date of the amendments, in permanent form.

Furthermore, Section 1 of Article 2 of the relief association's bylaws states, in part:

Regular meetings of this Association shall be held on the first Tuesday of every month directly following the regular meeting of the Cleona Fire Company No. 1.

Finally, Section 1 of Article 2 of the relief association's amended (*approval lacking as noted in Condition above*) bylaws states, in part:

Regular meetings of this Association shall be held on the first Tuesday of Jan, April, July, and Oct directly following the regular meeting of the Cleona Fire Company No. 1.

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: Relief association officials indicated that they were unaware that maintaining detailed minutes of meetings and documenting proper approval by membership for amendments to the bylaws was required by Act 118.

Effect: Without detailed minutes of meetings and evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that relief association officials present and document in the meeting minutes the discussion and approval of the amended bylaws. In addition, we recommend that the relief association officials maintain detailed minutes of meetings, 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's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, relief association officials approved the amended bylaws in the meeting minutes dated May 17, 2017.

Auditor's Conclusion: We reviewed the documentation provided by relief association officials. Compliance will be subject to verification through our next audit.

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 7,438
Fair Value of Investments	<u>13,536</u>
Total Cash and Investments	<u>\$ 20,974</u>

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:

Insurance premiums	\$ 10,058
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Fire Services:

Equipment purchased	\$ 9,242
Equipment maintenance	19,222
Training expenses	3,287
Total Fire Services	<u>\$ 31,751</u>

Administrative Services:

Other administrative expenses	\$ 150
Bond premiums	300
Total Administrative Services	<u>\$ 450</u>

Total Expenditures	<u><u>\$ 42,259</u></u>
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CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Cleona Fire Company Firemen's Relief Association Governing Body:

Mr. Gary Reist
President

Mr. Mike Hughes
Vice President

Mr. Kerry L. Rohland
Secretary

Mr. Anthony Deaven
Treasurer

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

Mr. Kerry L. Rohland
Secretary
Cleona Borough

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.