



**THE LEWISBERRY COMMUNITY FIRE
COMPANY FIREMAN'S RELIEF ASSOCIATION**

YORK COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010 TO JUNE 12, 2013

RELEASED JUNE 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Geoffrey W. Coder, Former President
LEWISBERRY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
York County

In May 2013 we began to conduct a compliance audit of the former Lewisberry Volunteer Firefighters' Relief Association (LVFRA) 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, 2010 to June 12, 2013. As of June 12, 2013, the LVFRA had dissolved its organization

We attempted to conduct this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that such evidence, when obtained, provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

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

LVFRA's officers were responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former LVFRA's administration of state aid and accumulated relief funds complied with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we were to obtain an understanding of the volunteer firefighters' relief association's internal controls as they related to the association's compliance with those requirements and that we considered significant within the context of the audit objectives. We were to assess whether those controls were properly designed and implemented. Our audit procedures were to also include tests of documentary evidence supporting the former LVFRA's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former LVFRA's cash, investments, and certain other assets and liabilities as of June 12, 2013, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we were to perform procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

Our prior audit of the LVFRA for the period January 1, 2007 to December 31, 2009 disclosed \$49,054 of undocumented expenditures. The prior audit also disclosed undocumented electronic cash transfers from the LVFRA to the Lewisberry Community Fire Company (fire company). As a result of the undocumented expenditures and undocumented cash transfers we referred the matter to the York County District Attorney's Office (District Attorney). Subsequently, the DA charged the former LVFRA treasurer (who had also been the president of the fire company) and the former fire company chief with theft by unlawful taking, theft by failure to make required disposition of funds received, access device fraud, criminal conspiracy and receipt of stolen property. The former LVFRA treasurer was convicted of theft and conspiracy on April 19, 2012 and was sentenced to five years probation and ordered to pay restitution of \$11,816. The LVFRA had a \$4,717 cash balance as of December 31, 2009.

In May, 2013 we began our audit of the LVFRA for the period January 1, 2010 to December 31, 2012. We could not complete the audit because we were unable to locate any officers charged with governance (Management) of the former LVFRA. On August 23, 2013, we located and contacted the former LVFRA's president. The former president provided limited LVFRA documents such as credit union statements, membership rosters, and an equipment donation agreement with Newberry Township Volunteer Firefighters' Relief Association. However, the former president could not locate, and therefore did not provide the following documents that we requested in order to perform our audit:

- receipts and disbursement journals and ledgers
- checkbooks
- equipment rosters
- meeting minutes

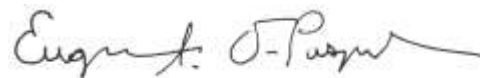
- invoices for expenditures
- Surety (Fidelity) bond policies.

Without these documents we were unable to perform our compliance audit as mandated by Act 118. Our inability to audit precluded us from:

- determining whether former relief association officials took appropriate corrective action to address the three findings contained in our prior audit report as discussed in the Status of Prior Findings section of this report
- determining the source of \$7,624 of revenue received during the current audit period
- ensuring whether expenditures totaling \$11,157, made between January 1, 2010 and June 12, 2013, were properly approved by the relief association's board and expended in accordance with Act 118
- obtaining a full understanding of the LVFRA's internal controls related to applicable state laws, contracts, bylaws and administrative procedures and assessing whether significant controls were properly designed and implemented to assess fraud risk
- performing procedures that would have provided reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts within the context of the audit objectives.

The contents of this report were discussed on October 30, 2013 with the former president of the LVFRA. As a result of the dissolution of the LVFRA, its monetary assets (\$1,184) and equipment were transferred to the Newberry Township Volunteer Firefighters' Relief Association.

December 2, 2013



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 Lewisberry Volunteer Firefighters' Relief Association (LVFRA) was 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts 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 the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

Beginning in 2010, Lewisberry Borough and Newberry Township ceased providing state aid to the LVFRA. Instead, Lewisberry Borough allocated state aid to Fairview Township Volunteer Firefighters' Relief Association and Newberry Township allocated state aid to three other relief associations, Newberry Township Volunteer Firefighters' Relief Association, Goldsboro Volunteer Firefighters' Relief Association, and Susquehanna Volunteer Firefighters' Relief Association, who were also providing fire service in the township.

Additionally, as of June 12, 2013, the LVFRA dissolved its organization and transferred all of its remaining monetary assets (\$1,184) and equipment to the Newberry Township Volunteer Firefighters' Relief Association (see page 4 of this report).

The LVFRA and its affiliated fire service organization (Lewisberry Community fire Company) were separate legal entities. The Lewisberry Community Fire Company was decertified by Lewisberry Borough on September 29, 2011 and the LVFRA dissolved June 12, 2013

LEWISBERRY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The following findings appeared in our prior audit report of the LVFRA for the period January 1, 2007 to December 31, 2009, as follows:

- Undocumented Expenditures

The relief association failed to provide this department with adequate supporting documentation to ensure the propriety of undocumented expenditures cited in our prior audit report or receive reimbursement of \$49,054 for these undocumented expenditures.

- Inadequate Internal Controls

The relief association failed to adopt internal controls to ensure the propriety of expenditures and to maintain proper documentation of all relief association transactions.

- Failure to Maintain a Complete and Accurate Equipment Roster

The relief association failed to maintain an equipment roster and perform an annual inventory of equipment owned by the relief association.

As detailed in our audit report letter, because we were only able to locate the former president of the LVFRA and since all of the records needed to complete the audit were not available, we were precluded from determining whether the relief association took appropriate corrective action to address these prior audit findings.

We are concerned with the former LVFRA's failure to provide evidence that it corrected previously reported audit findings before it ceased operations on June 12, 2013.

LEWISBERRY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 CASH BALANCE RECONCILIATION
 FOR THE PERIOD JANUARY 1, 2010 TO JUNE 12, 2013

December 31, 2009 Cash balance	\$	4,717
Other deposits from January 1, 2010 to June 12, 2013		7,624
Total Receipts		<u>12,341</u>
Disbursements January 1, 2010 to December 31, 2012	\$	(11,157)
December 31, 2012 Cash balance	\$	1,184
*Transfer of monetary assets to Newberry Township		<u>(1,184)</u>
June 12, 2013 Cash balance	\$	<u>-</u>

*Transfer of monetary assets due to dissolution of LVFRA.

As of June 12, 2013, the LVFRA completed the process of dissolution; consequently, all of its remaining monetary assets and equipment were transferred to the Newberry Township Volunteer Firefighters' Relief Association. Due to the dissolution of the LVFRA, we are providing officials of the Newberry Township Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former LVFRA.

LEWISBERRY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Lewisberry Volunteer Firefighters' Relief Association Governing Body:

Mr. Geoffrey W. Coder Former President

Newberry Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Gary Hatterer, Jr. Vice President

Mr. Brian Johnson Secretary

Mr. Mark Hillis Treasurer

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

Ms. Mackensie Greene, Secretary
Lewisberry Borough

Mr. Donald L. Keener, Secretary
Newberry Township

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.