

# COMPLIANCE AUDIT

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## The Bonneauville Volunteer Fireman's Relief Association

Adams County, Pennsylvania

For the Period

January 1, 2012 to May 20, 2016

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June 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Ted Petry, President  
The Bonneauville Volunteer Fireman's  
Relief Association  
Adams County

We have conducted a compliance audit of the former Bonneauville Volunteer Fireman'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, 2012 to May 20, 2016.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former 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.

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.

Based on our audit procedures, we conclude that, for the period January 1, 2012 to May 20, 2016:

- The former relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- The former relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the findings listed below and discussed later in this report. However, as of May 20, 2016, the former relief association dissolved and transferred all monetary assets and equipment to the United Hook & Ladder Company #33 Relief Association.

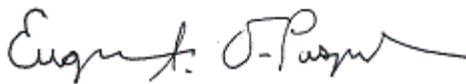
Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Finding No. 2 – Failure To Maintain A Complete And Accurate Equipment  
Roster

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 former relief association and, where appropriate, their responses have been included in the report.

June 13, 2016



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 former relief association 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 volunteer firefighters' relief associations. The relief association's bylaws define the specific operational procedures by which the 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 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 that is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The former relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Bonneauville Borough	Adams	\$ 9,696	\$10,836	\$10,274	\$ 9,786
Mount Joy Township	Adams	\$ 4,559	\$ 4,796	\$ 4,523	\$ 4,187
Mount Pleasant Township	Adams	\$10,598	\$11,651	\$11,072	\$10,766
Straban Township	Adams	*	\$ 878	\$ 826	\$ 785

\* Straban Township began allocating state aid to the former relief association in the year 2013.

\*\*As of May 20, 2016, the former relief association dissolved its organization. Therefore, the former relief association will no longer receive state aid allocations. (See Supplementary Financial Information)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Bonneauville Volunteer Fire Company, Inc.

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

· Unauthorized Expenditure

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the United Hook & Ladder Company #33 Relief Association, United Hook & Ladder Company #33 Relief Association's management should strive to implement the recommendations and corrective actions noted in this audit report.

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures**

Condition: As disclosed in the prior audit report, the former relief association expended funds amounting to \$1,274 in the prior audit period that were not authorized by Act 118. A similar condition occurred during the current audit period. The former relief association expended \$2,500 for construction services on the fire company building during the current audit period that is not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 2, 8 and 11) 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.
- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of the member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining volunteer firefighters who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation.
- (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 BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Costs associated with construction services towards the fire company building do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Even though notified of this condition during our prior audit, former relief association officials again neglected the fact that the expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

Recommendation: Due to the dissolution of the former relief association and affiliated Bonneauville Fire Company and subsequent merger with United Hook & Ladder Company #33 and its related relief association, we are providing officials of the United Hook & Ladder Company #33 Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association during the course of our audit. We recommend that United Hook & Ladder Company #33 Relief Association seek reimbursement amounting to \$3,774 (\$2,500 for the current audit period and \$1,274 for the prior audit period) from United Hook and Ladder Fire Company #33 for the unauthorized expenditures and that United Hook & Ladder Company #33 Relief Association's officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management indicated neither agreement nor disagreement with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its remaining assets to the United Hook & Ladder Company #33 Relief Association, United Hook & Ladder Company #33 Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure to Maintain a Complete and Accurate Equipment Roster**

Condition: The former relief association failed to maintain a complete and accurate roster of equipment owned by the former relief association. Although a listing of former relief association owned equipment was provided during the current audit period, this listing did not include detailed information related to equipment purchases made during the years 2014 and 2015 amounting to \$89,431. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association. Furthermore, the former relief association did not properly document the dissolution, including the appropriate transfer of all previously owned relief association equipment, of the former relief association to the United Hook & Ladder Company #33 Relief Association. Although a *Donation of Equipment Agreement* form was completed, this agreement did not include the equipment purchased during the current audit period as previously noted.

Criteria: Prudent business practice dictates that the former relief association should have established adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the former relief association in order to provide an effective accounting control over the former relief association's equipment. A cumulative equipment roster of all relief association equipment should have included all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Former relief association officials failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

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

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Furthermore, without an adequate cumulative equipment roster which includes the equipment purchases made during 2014 and 2015, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former relief association and affiliated Bonneauville Fire Company and subsequent merger with United Hook & Ladder Company #33 and its related relief association, we are providing officials of the United Hook & Ladder Company #33 Relief Association copies of this report so that they are aware of the conditions that were detected during the course of our audit of the former relief association. We recommend that the United Hook & Ladder Company #33 Relief Association's officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management indicated neither agreement nor disagreement with the finding as presented at the audit exit conference.

Auditor's Conclusion: Since the former relief association dissolved its organization and consequently transferred its remaining assets to the United Hook & Ladder Company #33 Relief Association, United Hook & Ladder Company #33 Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2012 TO MAY 20, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 11,129
Death benefits	100
Total Benefit Services	\$ 11,229
Fire Services:	
Equipment purchased	\$ 89,431
Equipment maintenance	8,254
Training expenses	7,270
Total Fire Services	\$ 104,955
Administrative Services:	
Other administrative expenses	\$ 1,255
Bond premiums	278
Total Administrative Services	\$ 1,533
Other Expenditures:	
Transfer of monetary assets*	\$ 8,121
Unauthorized expenditure	2,500
Total Other Expenditures	\$ 10,621
Total Expenditures	\$ 128,338

\*Transfer of Monetary Assets/Dissolution of Relief Association.

As of May 20, 2016, the former relief association completed the process of dissolution and merged with the United Hook & Ladder Company #33 Relief Association. Consequently, all remaining monetary assets were transferred to the United Hook & Ladder Company #33 Relief Association.

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

The Bonneauville Volunteer Fireman's Relief Association Governing Body:

**Mr. Ted Petry**  
President

**Mr. Troy Irwin**  
Vice President

**Ms. Kristen Herr**  
Secretary

**Ms. Christine Irwin**  
Treasurer

United Hook & Ladder Company #33 Relief Association Governing Body:

**Mr. Joey Byrne**  
President

**Mr. Frank Smith**  
Vice President

**Ms. Kim Woolcock**  
Secretary

**Mr. Kevin Moul**  
Treasurer

THE BONNEAUVILLE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Doris A. Busbey**  
Secretary  
Bonneauville Borough

**Ms. Sheri Moyer**  
Secretary  
Mount Joy Township

**Ms. Diane L. Groft**  
Secretary  
Mount Pleasant Township

**Ms. Tina McNaughton**  
Secretary  
Straban Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).