

COMPLIANCE AUDIT

Lake Meade Fire and Rescue Firemen's Relief Fund

Adams County, Pennsylvania

For the Period

January 1, 2018 to December 11, 2018

November 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Dustin Avery, President
Lake Meade Fire and Rescue Firemen's
Relief Fund
Adams County

We have conducted a compliance audit of the former Lake Meade Fire and Rescue Firemen's Relief Fund (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, 2018 to December 11, 2018.

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 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 required to be and was not 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 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, 2018 to December 11, 2018:

- 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, 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 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

In addition, as of December 11, 2018, the former relief association completed the process of dissolution and merged with the East Berlin Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the East Berlin Firemen's Relief Association.

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 response has been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

November 18, 2019



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	3
Finding and Recommendation:	
Finding – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster	4
Supplementary Financial Information	6
Report Distribution List	8

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>
Latimore Township	Adams	\$ 4,169
Reading Township	Adams	\$12,729

**As of December 11, 2018, the former relief association dissolved its organization. Thereafter, it did not receive any further 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:

Lake Meade Fire and Rescue, Inc.

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
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 Finding and Recommendation section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster

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 East Berlin Firemen's Relief Association, East Berlin Firemen's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – 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 relief association. Although a listing of former relief association owned equipment was provided during the current audit period, it was incomplete and did not contain all of the names of suppliers (vendors), dates of purchase, and/or cost of equipment to accurately identify equipment owned by the former relief association. As such, it was impossible to determine if all equipment purchased during the audit period was recorded.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include 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: Even though notified of this condition during our prior audit, former relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster.

Effect: The continued 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 prevents adequate accountability for, and safeguarding of, relief association equipment.

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
FINDING AND RECOMMENDATION

Finding – Continued

Recommendation: Due to the dissolution of the former relief association and subsequent merger with East Berlin Firemen's Relief Association, we are providing officials of the East Berlin Firemen's 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 the East Berlin Firemen's Relief Association officials maintain a cumulative equipment roster of all equipment owned 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: Former relief association management agreed 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 monetary assets to the East Berlin Firemen's Relief Association, East Berlin Firemen's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 11, 2018

Cash	<u>\$ 0</u>
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LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 11, 2018

Expenditures:

Fire Services:	
Equipment purchased	\$ 7,205
Equipment maintenance	1,409
Training expenses	<u>2,886</u>
Total Fire Services	<u>\$ 11,500</u>
 Administrative expenses	 <u>\$ 44</u>
 Transfer of monetary assets *	 <u>\$ 30,552</u>
 Total Expenditures	 <u><u>\$ 42,096</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 11, 2018, the former relief association completed the process of dissolution and merged with East Berlin Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the East Berlin Firemen's Relief Association. Due to the dissolution of the former relief association, we are providing officials of East Berlin Firemen's Relief Association copies of this report.

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Lake Meade Fire and Rescue Firemen's Relief Fund Governing Body:

Mr. Dustin Avery
President

Ms. Stephanie Miller
Vice President

Ms. Linda McCreary
Secretary

Ms. Katie Avery
Treasurer

East Berlin Firemen's Relief Association Governing Body:

Mr. Greg Heefner
President

Mr. Josh Friedline
Vice President

Ms. Nicole Jacoby
Secretary

Mr. Dustin Avery
Treasurer

Ms. Brianna Fletcher
Assistant Secretary/Treasurer

LAKE MEADE FIRE AND RESCUE FIREMEN'S RELIEF FUND
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. Jennie Gordon
Secretary
Latimore Township

Ms. Kimberly Beard
Secretary
Reading 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.