

COMPLIANCE AUDIT

The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania Lebanon County For the Period January 1, 2019 to December 31, 2021

May 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Adam Brossman, President
The Volunteer Firefighters' Relief Association
of the City of Lebanon, Pennsylvania
Lebanon County

We have conducted a compliance audit of The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania (relief association) for the period January 1, 2019 to December 31, 2021. 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.

The objective of the audit was 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 objective 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 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 objective. 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, 2019 to December 31, 2021, 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 – Failure To Comply With Terms Of Loan Agreement

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
April 7, 2022

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (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.

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 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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Lebanon City	Lebanon	\$72,160	\$73,114	\$59,550

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$1,071,550, as illustrated below:

Cash	\$ 166,083
Fair Value of Investments	892,162
Book Value of Other Investments	<u>13,305</u>
Total Cash and Investments	<u><u>\$ 1,071,550</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$300,768, 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.⁴ **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	\$ 86,351
Death benefits	14,000
Relief benefits	45
Total Benefit Services	<u>\$ 100,396</u>
Fire Services:	
Equipment purchased	\$ 87,383
Equipment maintenance	14,564
Training expenses	4,059
Total Fire Services	<u>\$ 106,006</u>
Administrative Services:	
Officer compensation	\$ 13,625
Other administrative expenses*	4,305
Bond premiums	1,436
Total Administrative Services	<u>\$ 19,366</u>
Total Investments Purchased	<u>\$ 75,000</u>
Total Expenditures	<u><u>\$ 300,768</u></u>

* A portion of the other administrative expenses represent the purchase of emergency notification and response software totaling \$2,205.

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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

Chemical Engine and Insurance Patrol Company #1

Good Will Fire Engine & Hose Company #5

Independent Fire Company #1

Lebanon Hook & Ladder Company #1

Liberty Steam Fire Engine & Hose Company #3

Perseverance Fire Company #1

Rescue Hose Company #4

Union Steam Fire Engine & Hose Company #1

Washington Fire Company #8

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON
FINDING AND RECOMMENDATION

Finding – Failure To Comply With Terms Of Loan Agreement

Condition: On May 11, 2013, the relief association made a loan to the Lebanon Hook and Ladder Company # 1 in the amount of \$80,000. The payment received by the relief association during the current audit period in the amount of \$11,620 did not completely satisfy the terms of the loan. In order for the loan to be satisfied, the relief association is still due \$581 plus interest of \$29.

Criteria: The terms of the loan agreement state that payments of \$7,707 will be due on an annual basis, beginning on May 11, 2013.

Cause: The relief association treasurer incorrectly interpreted the loan amortization calculator sheet/report and the balance due to the relief association.

Effect: Due to the relief association not receiving all the scheduled loan payments, those uncollected funds were unavailable for general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association officials collect the remaining \$610 (\$581 outstanding payments + \$29 interest) due to satisfy the loan. If such action is not taken, we recommend that the loan be immediately liquidated. We further recommend that relief association officials ensure future payments for loans are received in accordance with the loan agreement. 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 indicated they will take action to comply with the recommendation. Subsequent to the period under review, on February 25, 2022 the relief association received the remaining balance of \$610 from Lebanon Hook & Ladder Company #1.

Auditor's Conclusion: We reviewed documentation verifying that the payment of the remaining balance of \$610 was received. Compliance for receipt of loan payments made during the next audit period will be subject to verification through our next audit.

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania Governing
Body:

Mr. Adam Brossman
President

Mr. Edward Johnson, Jr.
Vice President

Mr. William Yeagley
Secretary

Mr. Larry Helmuth
Treasurer

Mr. William Kale
Assistant Secretary

Mr. Edward McGowan
Assistant Treasurer

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON
REPORT DISTRIBUTION LIST

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

Ms. Cheryl J. Gibson
City Clerk
Lebanon City

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.