

COMPLIANCE AUDIT

Lickdale Community Fire Company Relief Association Lebanon County, Pennsylvania For the Period January 1, 2018 to December 26, 2018

January 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Brian Woods, President
Lickdale Community Fire Company
Relief Association
Lebanon County

We have conducted a compliance audit of the former Lickdale Community Fire Company 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, 2018 to December 26, 2018.

The objectives of the audit were 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, 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 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 former relief association. While the former relief association provided copies of bank statements, the former 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 former relief association officers authorized and signed the checks as required by Act 118.

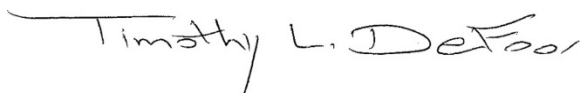
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2018 to December 26, 2018, the former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Failure To Maintain Surety (Fidelity) Bond Coverage

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

In addition, as of December 26, 2018, the former relief association completed the process of dissolution and merged with The Ono Fire Company Relief Association, the Greenpoint Firemen's Relief Association, and the Perseverance Fire Company Volunteer Firemen's Relief Association to form the Northern Lebanon Fire and Emergency Services Volunteer Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Northern Lebanon Fire and Emergency Services Volunteer Firemen's Relief Association.

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. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.



TIMOTHY L. DEFOOR
Auditor General

January 14, 2021

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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. 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.

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>
Cold Spring Township	Lebanon	*
Union Township	Lebanon	\$20,344

BACKGROUND – (Continued)

* During the current audit period, the relief association did not receive an allocation of state aid from Cold Spring Township in 2018. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

As of December 26, 2018, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the former relief association’s records, its total cash and investments as of December 26, 2018 were zero, as illustrated below:

Cash	\$	0
Fair Value of Investments		<u>0</u>
Total Cash and Investments	\$	<u><u>0</u></u>

BACKGROUND – (Continued)

Based on the former relief association’s records, its total expenditures for the period January 1, 2018 to December 26, 2018 were \$59,331, 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.¹ **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	\$ 4,375
Fire Services:	
Equipment purchased	\$ 8,065
Equipment maintenance	4,409
Training expenses	1,175
Fire prevention materials	1,992
Total Fire Services	\$ 15,641
Other Expenditures:	
Transfer of monetary assets *	\$ 39,205
Undocumented expenditure **	110
Total Other Expenditures	\$ 39,315
Total Expenditures	\$ 59,331

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of December 26, 2018, the former relief association completed the process of dissolution and merged with The Ono Fire Company Relief Association, the Greenpoint Firemen’s Relief Association, and the Perseverance Fire Company Volunteer Firemen’s Relief Association to form the Northern Lebanon Fire and Emergency Services Volunteer Firemen’s Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Northern Lebanon Fire and Emergency Services Volunteer Firemen’s Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Northern Lebanon Fire and Emergency Services Volunteer Firemen’s Relief Association copies of this report.

** The former relief association was unable to provide adequate supporting documentation evidencing the propriety of an insignificant expenditure amounting to \$110 made during 2018. We disclosed this issue to the former relief association officials during the conduct of our audit.

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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

Lickdale Community Fire Company

LICKDALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The former relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The former relief association's Surety (Fidelity) bond coverage expired on June 29, 2018. As of December 26, 2018 (date of the final transfer of money to the newly formed relief association), the former relief association's cash assets totaled \$39,205.

Criteria: Section 7415(c)(4) of Act 118 states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: The former relief officials were anticipating the final transfer of funds to the newly formed relief association would have occurred near the end of the bond policy term.

Effect: As a result of the authorized disbursing officer of the former relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: Due to the dissolution of the former relief association and affiliated Lickdale Community Fire Company and subsequent merger with The Ono Fire Company Relief Association, the Greenpoint Firemen's Relief Association, and the Perseverance Fire Company Volunteer Firemen's Relief Association to form the Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association, we are providing officials of the Northern Lebanon Fire Emergency Services Volunteer 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 Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association maintain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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: Compliance will be subject to verification through our next audit of the newly formed relief association.

LICKDALE COMMUNITY FIRE COMPANY 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 relief association. Although a listing of the former relief association owned equipment was provided during the current audit period, this listing was incomplete and was not cumulative and did not accurately identify all of the equipment owned by the former relief association. 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 former relief association.

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: The former relief association officials did not provide a reason for why this occurred.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevented officials from effectively monitoring the former 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.

LICKDALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: Due to the dissolution of the former relief association and affiliated Lickdale Community Fire Company and subsequent merger with The Ono Fire Company Relief Association, the Greenpoint Firemen's Relief Association, and the Perseverance Fire Company Volunteer Firemen's Relief Association to form the Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association, we are providing officials of the Northern Lebanon Fire Emergency Services Volunteer 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 Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association maintain a cumulative equipment roster of all equipment owned by the newly formed relief association. Furthermore, the new 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 agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the newly formed relief association.

LICKDALE COMMUNITY FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Lickdale Community Fire Company Relief Association Governing Body:

Mr. Brian Woods
President

Mr. Paul Snyder
Treasurer

Northern Lebanon Fire and Emergency Services Volunteer Firemen's Relief Association
Governing Body:

Mr. Allen Hummer
President

Mr. Noah Weaver
Vice President

Mr. Chad Cunningham
Secretary

Mr. Andrew Martin
Treasurer

Mr. Eric Dulac
Trustee

LICKDALE COMMUNITY FIRE COMPANY 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:

Mr. Gary Longenecker
Secretary
Cold Spring Township

Mr. Gary Longenecker
Secretary
Union 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.