

# COMPLIANCE AUDIT

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## The Ono Fire Company Relief Association

Lebanon County, Pennsylvania  
For the Period  
January 1, 2017 to December 11, 2018

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March 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Allan Hummer, President  
The Ono Fire Company  
Relief Association  
Lebanon County

We have conducted a compliance audit of the former Ono 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, 2017 to December 11, 2018.

The objective of the audit was 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 objective 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, 2017 to December 11, 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 finding listed below and discussed later in this report.

Finding – Unauthorized Expenditure

In addition, as of December 11, 2018, the former relief association completed the process of dissolution and merged with the Lickdale Community 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. Consequently, all remaining monetary assets and equipment were transferred to the Northern Lebanon Fire Emergency Services Volunteer 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.

March 17, 2020



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. 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
East Hanover Township	Lebanon	\$20,487	\$18,660

\*\*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)

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

Ono Fire Company

THE ONO FIRE COMPANY RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditure**

Condition: The former relief association expended \$400 for training for an individual who was not a member of the former relief association during the current audit period, which is not authorized by Act 118.

Criteria: Section 7416(f) of Act 118 states:

The funds of any volunteer firefighters’ relief association may be spent:

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters’ training schools.
  
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

Costs associated with training an individual who is not a member of the former relief association do not qualify as an authorized volunteer firefighters’ relief association expenditure; consequently, this disbursement is not authorized under Act 118.

Cause: Former relief association officials indicated that they were unaware that the expenditure for training an individual who is not a member of the former relief association was not authorized by Act 118.

Effect: As a result of this improper expenditure, former 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 Ono Fire Company and subsequent merger with the Lickdale Community 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 be reimbursed \$400 for the unauthorized expenditure and that Northern Lebanon Fire Emergency Services Volunteer Firemen’s Relief Association officials become familiar with Section 7416(f) of Act 118 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.

THE ONO FIRE COMPANY RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference, and as a result of our audit, it appears that the Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association received reimbursement of \$400 on March 11, 2020.

Auditor's Conclusion: We reviewed documentation provided that provided evidence that the reimbursement was made to the Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association, and the Northern Lebanon Fire Emergency Services Volunteer Firemen's Relief Association indicated that it will provide further evidence by providing a copy of the bank statement showing the deposit into the new relief association's account. Compliance will be subject to verification through our next audit of the newly formed relief association.



THE ONO FIRE COMPANY RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 11, 2018

Cash	\$ <u>          -</u>
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THE ONO FIRE COMPANY RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 11, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 5,546
Fire Services:	
Equipment purchased	\$ 34,471
Equipment maintenance	2,636
Training expenses	5,889
Total Fire Services	\$ 42,996
Administrative Services:	
Bond premiums	\$ 200
Other Expenditures:	
Payments on loan	\$ 63
Transfer of monetary assets*	48,700
Undocumented expenditure**	85
Unauthorized expenditure – See Finding	400
Total Other Expenditures	\$ 49,248
Total Expenditures	\$ 97,990

\* 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 the Lickdale Community 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. Consequently, all remaining monetary assets and equipment were transferred to the Northern Lebanon Fire 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 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 \$85 made during 2018. We disclosed this issue to the former relief association officials during the conduct of our audit.

THE ONO FIRE COMPANY RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Ono Fire Company Relief Association Governing Body:

**Mr. Allan Hummer**  
President

**Mr. Sukhwinder Singh**  
Vice President

**Mr. Roger Funck**  
Secretary

**Mr. David L. Beamesderfer**  
Treasurer

**Mr. Matt Hetrick**  
Trustee

THE ONO FIRE COMPANY RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

Northern Lebanon Fire 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

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

**Mr. Dennis Grubb**  
Secretary  
East Hanover 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).