

# COMPLIANCE AUDIT

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## The William Cameron Fireman's Relief Association of Lewisburg, Pennsylvania Union County For the Period January 1, 2017 to December 31, 2019

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September 2020



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Stephen Bolinsky, President  
The William Cameron Fireman's Relief  
Association of Lewisburg, Pennsylvania  
Union County

We have conducted a compliance audit of The William Cameron Fireman's Relief Association of Lewisburg, Pennsylvania (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 31, 2019.

The objectives of the audit were:

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

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2019:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matter described in the findings below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Failure To Maintain Minutes Of Meetings

Finding No. 3 – Inadequate Signatory For The Disbursement Of Funds

Finding No. 4 – Failure To Comply With Terms Of Loan Agreement

Finding No. 5 – Failure To Conduct Annual Physical Equipment Inventories

Finding No. 6 – Failure To Secure Ownership Interest In An Apparatus

The six findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have 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.

September 4, 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 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.

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 relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
West Chillisquaque Township	Northumberland	\$ 2,510	\$ 3,820	\$ 2,511
Buffalo Township	Union	\$ 6,850	\$ 5,449	\$ 6,359
East Buffalo Township	Union	\$43,225	\$39,320	\$44,174
Kelly Township	Union	\$14,877	\$13,474	\$14,785
Lewisburg Borough	Union	\$26,405	\$24,007	\$25,995

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2019 were \$642,618, as illustrated below:

Cash	\$ 303,802
Fair Value of Investments	181,050
Book Value of Other Investments	<u>157,766</u>
Total Cash and Investments	<u>\$ 642,618</u>

Based on the relief association's records, its total expenditures for the period January 1, 2017 to December 31, 2019 were \$240,535, 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.<sup>1</sup> **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	\$ 7,137
Tokens of sympathy and goodwill	<u>86</u>
Total Benefit Services	<u>\$ 7,223</u>

#### Fire Services:

Equipment purchased	\$ 103,488
Equipment maintenance	96,816
Training expenses	1,565
Fire prevention materials	<u>4,305</u>
Total Fire Services	<u>\$ 206,174</u>

#### Administrative Services:

Other administrative expenses	\$ 17,095
Bond premiums	<u>710</u>
Total Administrative Services	<u>\$ 17,805</u>

#### Other Expenditures:

Unauthorized expenditures	<u>\$ 9,333</u>
Total Expenditures	<u>\$ 240,535</u>

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<sup>1</sup> 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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

William Cameron Engine Company

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Unsecured Loan

By securing the fire company loan with a lien on a 2015 Kovatch apparatus.

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.



THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Unauthorized Expenditures**

Condition: The relief association expended funds for the following items during the current and post audit periods that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/06/2017	3842	Fire company insurance policy premium	\$ 4,675
07/18/2017	3853	Fire company apparatus maintenance	214
04/25/2019	3920	Fire company apparatus maintenance	1,000
07/31/2019	3931	Fire company apparatus maintenance	1,552
08/23/2019	3934	Fire company apparatus maintenance	692
05/31/2019	3930	Training package	1,200
03/04/2020	3968	Training package	1,200
Total			<u>\$ 10,533</u>

Criteria: Section 7416(f) of Act 118 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 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.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Costs associated with the fire company's insurance policy premium, maintenance on the fire company apparatus and training for ineligible paid firefighters do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$10,533 for the unauthorized expenditures and that 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.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$4,675 on May 18, 2020 and \$3,458 on June 1, 2020 for the unauthorized expenditures. In addition, the relief association received reimbursement from the affiliated fire company for the remaining \$2,400 in unauthorized expenditures on August 8, 2020 and August 27, 2020.

Auditor's Conclusion: Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

**Finding No. 2 – Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain minutes of meetings as required by Act 118. Meetings for February 3, 2017 and June 22, 2017 were referenced in other meeting minutes; however, actual minutes for those meetings were not maintained or provided.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Relief association officials indicated there were changes in the individual holding the position of relief association Secretary and it is believed that the meeting minutes were lost.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted 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: 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: During the current audit engagement, we identified checks drawn from the relief association's checking account that did not contain the proper signatory authority. The relief association's bylaws call for the signature of the Treasurer and either the President or Vice President for the issuance of checks. The checks contained the signatures of two relief association officers with one being that of the disbursing officer as required by Act 118. However, the other signature was that of the Assistant Secretary and not that of the President or Vice President.

Criteria: Section 7415(c)(3) of Act 118 states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

In addition, Article V, Section 5.5 of the relief association's bylaws state, in part:

The signature of the treasurer and of the President or Vice-President shall be required in order to bind the Association by formal contract or to issue any negotiable instruments.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials, as called for in the relief association bylaws, are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: Relief association officials neglected to establish adequate internal control procedures to ensure that the required/authorized signatures on all negotiable instruments, as called for in the relief association bylaws be the signatures of the relief association President or Vice President, and the disbursing officer. Relief association officials did not provide a reason for why this occurred.

Effect: As a result of the relief association officer issuing checks without the signatures that are called for in the relief association bylaws, assets were placed at greater risk as expenditures.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures, of at least two officers, as called for in the relief association bylaws, one of whom shall be the treasurer, and the other being that of the relief association President or Vice President are included on all relief association negotiable instruments as defined by Act 118. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Failure To Comply With Terms Of Loan Agreement**

Condition: In 2015, the relief association made a loan to the affiliated fire service organization in the amount of \$200,000. The relief association received the full loan payments due in the years 2015, 2016 and 2017; however, the relief association only received a partial annual loan payment in the amount of \$14,000 in 2018 and the relief association did not receive any of the annual loan payment that was due in 2019.

Criteria: The terms of the loan agreement state that payment of \$16,753 will be due on an annual basis, beginning in 2015.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure loan payments would be collected in accordance with the payment schedule outlined in the loan agreement. Relief association officials did not provide a reason for why this occurred.

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

Recommendation: We recommend that the relief association officials collect \$19,507 representing delinquent payments due to the relief association through the period December 31, 2019. We further recommend that relief association officials ensure future payments are received in accordance with the loan agreement. If such action is not taken, we recommend that the loan be immediately liquidated. 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$19,507 for the delinquent payments on June 1, 2020.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$19,507 was received. Compliance for loan payments received during the next audit period will be subject to verification through our next audit.

**Finding No. 5 – Failure To Conduct Annual Physical Equipment Inventories**

Condition: The relief association officials failed to conduct annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association.

Criteria: Sound business practice dictates that annual inventories are conducted to ensure the accuracy of the relief association's equipment roster.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Cause: The relief association officials failed to establish adequate internal control procedures to ensure the performance of annual physical equipment inventories. Relief association officials did not provide a reason why this occurred.

Effect: The failure to perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association owned equipment.

Recommendation: We recommend that the relief association officials ensure they perform an annual physical inventory of all operable equipment and that the completion of the inventories be sufficiently documented. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 6 – Failure To Secure Ownership Interest In An Apparatus**

Condition: As cited as a verbal observation in our prior audit, during the years 2016 and 2017, the relief association expended a total of \$8,331 for the purchase of a 14' inflatable boat and boat motor. However, the relief association did not provide evidence that their ownership interest was adequately secured with a title of ownership.

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Prudent business practice dictates that the relief association should secure its ownership interest in investment purchases.

Cause: Relief association officials failed to take action to address the previously identified deficiency that was brought to their attention during the prior audit by not implementing internal controls to ensure that it adequately secured its proportional ownership interest in the purchased apparatus. Relief association officials did not provide a reason for why this occurred.

Effect: The failure to adequately secure the ownership interest in the apparatus places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We again recommend that the apparatus be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$8,331. 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.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 6 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.



THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
PENNSYLVANIA  
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This report was initially distributed to the following:

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THE WILLIAM CAMERON FIREMAN'S RELIEF ASSOCIATION OF LEWISBURG,  
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The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

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