



NORTH AND SOUTH LEBANON TOWNSHIP'S FIREMAN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

**NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION**

LEBANON COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006 TO DECEMBER 31, 2008



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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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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 North and South Lebanon Volunteer Firefighters' 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 84 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, it is the responsibility of the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The North and South Lebanon Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2006</u>
North Lebanon Township	Lebanon	\$69,684
South Lebanon Township	Lebanon	\$60,600

The North and South Volunteer Firefighter's Relief Association did not receive state aid from North Lebanon Township or South Lebanon Township in 2007 or 2008. The municipalities disbursed state aid for 2007 and 2008 to two new relief associations known as the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief Association. The North and South Lebanon Volunteer Firefighter's Relief Association transferred all monetary assets to the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief Association on July 22, 2008, and discontinued operations on August 11, 2008. Thereafter, it did not receive any further state aid allocations.

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The North and South Lebanon Volunteer Firefighters' Relief Association was affiliated with the following fire service organizations:

- Citizens of Avon Fire Company
- Ebenezer Fire Company
- Friendship Fire Company
- Glenn-Lebanon Fire Company
- Hebron Hose Company
- Prescott Community Fire Company
- Rural Security Fire Company
- Weavertown Fire Company

Mr. Wesley A. Keener, President
NORTH AND SOUTH LEBANON VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Lebanon County

We have conducted a compliance audit of the North and South Lebanon Volunteer Firefighters' 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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), for the period January 1, 2006 to August 11, 2008.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the North and South Lebanon Volunteer Firefighters' Relief Association's administration of state aid and accumulated funds complies with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objective. We also tested transactions, confirmed

the North and South Lebanon Volunteer Firefighters' Relief Association's cash balance as of August 11, 2008, with the custodian of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objective.

The results of our audit for the period January 1, 2006 to August 11, 2008, found, in all significant respects, the North and South Lebanon Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report. The results of our tests indicated the North and South Lebanon Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of August 11, 2008, had a zero cash balance and no investments. This lack of financial assets is due to the North and South Lebanon Volunteer Firefighters' Relief Association's dissolution and the formation of the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief Association, two new relief associations.

Finding No. 1 – Inappropriate Ownership of Rescue Vehicle

Finding No. 2 – Inadequate Minutes of Meetings

Finding No. 3 – Failure to Maintain a Complete and Accurate Equipment Roster

The contents of this report were discussed with the management of the North and South Lebanon Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

February 6, 2009

JACK WAGNER
Auditor General

NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inappropriate Ownership of Rescue Vehicle

Condition: On October 16, 2006, the relief association purchased a rescue vehicle, in the amount of \$4,950, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of Rural Security Fire Company.

Criteria: The relief association should maintain sole ownership of all equipment purchased by the relief association. As such, any vehicles purchased by the relief association are to be titled in the name of the relief association in order to properly safeguard relief association fixed assets.

Cause: The relief association failed to establish adequate internal control procedures to ensure that the rescue vehicle purchased was titled in the name of the relief association.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of an affiliated fire company, this relief association asset was not properly safeguarded.

Recommendation: We recommend the rescue vehicle be immediately titled in the name of the North Lebanon Township Firemen's Relief Association. A copy of this report is being furnished to the officers of the North Lebanon Township Firemen's Relief Association so they are aware of the circumstances of this vehicle purchase and the necessity to retitle the vehicle. 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.

NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Minutes of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 84. Specifically, the relief association's minutes that were provided at the time of the audit did not address most of the financial-related transactions that occurred during the audit period.

Criteria: Act 84 at 53 P.S. § 8505(a) states, in part, that the relief association:

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

Cause: Relief association officials were unaware that maintaining detailed minutes of meetings was required by Act 84.

Effect: The failure to maintain detailed minutes of meetings prevented the verification as to whether all relief association business was presented before the membership for approval.

Recommendation: We recommend the relief association maintain detailed minutes of meetings, including all financial-related business conducted by the relief association. A copy of this report is being furnished to the officers of the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief association so they are aware of the circumstances regarding the inadequate minutes of meetings. 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.

NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association maintained copies of invoices of equipment purchased during the audit period in a binder rather than recording the purchases in an equipment roster. In addition, the location of equipment and final disposition were not indicated on the invoices. A binder of invoices does not serve as an effective accounting control over the relief association's equipment purchases.

Criteria: 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 fixed assets. A cumulative roster of all relief association equipment should include the following:

- Type of equipment purchased.
- Date of purchase.
- Unit cost.
- Name of supplier.
- Serial number, if applicable.
- Current location of item.
- Final disposition of sold or damaged equipment.
- Notation of the annual inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster.

Effect: The 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 and safeguarding of relief association assets.

Recommendation: We recommend the relief association officials of the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief Association each maintain their own respective cumulative roster of all relief association owned equipment. A copy of this report is being furnished to the officers of the North Lebanon Township Firemen's Relief Association and the South Lebanon Township Fireman's Relief Association so they are aware of the necessity to maintain a complete and accurate equipment roster. 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.

NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2006 TO AUGUST 11, 2008

Act 84 at 53 P.S. § 8502(1) states, in part, that:

A volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds. All expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 17,315
Total Benefit Services	\$ 17,315
Fire Services:	
Equipment purchased	\$ 193,239
Equipment maintenance	9,817
Training expenses	1,110
Fire prevention materials	392
Total Fire Services	\$ 204,558
Administrative Services:	
Officer compensation	\$ 6,300
Other administrative expenses	554
Total Administrative Services	\$ 6,854
Other Expenditures:	
Transfer of monetary assets to North Lebanon Township Firemen's Relief Association*	\$ 135,281
Transfer of monetary assets to South Lebanon Township Fireman's Relief Association*	165,079
Total Other Expenditures	\$ 300,360

* Effective July 22, 2008, the North and South Lebanon Volunteer Firefighters' Relief Association transferred all monetary assets to North Lebanon Township Firemen's Relief Association and South Lebanon Township Firemen's Relief Association, two new relief associations.

NORTH AND SOUTH LEBANON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

North and South Lebanon Volunteer Firefighters' Relief Association Governing Body:

Mr. Wesley A. Keener, President
Mr. Jeffrey A. Kreiser, Secretary
Mr. Donald J. Steiner, Treasurer

North Lebanon Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Brian Vragovich, President
Mr. George Gettler Jr., Secretary
Mr. Donald J. Steiner, Treasurer

South Lebanon Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Thomas Camasta, President
Mr. Wesley Keener, Vice President
Mr. Lamar Martin, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Cheri F. Grumbine, Secretary
North Lebanon Township

Mr. Curtis E. Kulp, Secretary
South Lebanon Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.