

# COMPLIANCE AUDIT

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## The Ickesburg Volunteer Fireman's Relief Association

Perry County, Pennsylvania

For the Period

January 1, 2019 to December 31, 2021

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August 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Shawn P. Kleeman, President  
The Ickesburg Volunteer Fireman's  
Relief Association  
Perry County

We have conducted a compliance audit of The Ickesburg Volunteer Fireman's Relief Association (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 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, 2019 to December 31, 2021:

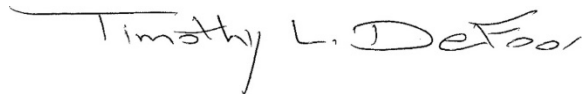
- The relief association took appropriate corrective action to address two of the three findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure  
To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Inadequate Minutes Of Meetings

Finding No. 3 – Inadequate Surety (Fidelity) Bond Coverage

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.



Timothy L. DeFoor  
Auditor General  
July 15, 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 Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Northeast Madison Township	Perry	\$ 3,784	\$ 3,767	\$ 3,340
Saville Township	Perry	\$16,389	\$16,489	\$14,705
Tuscarora Township	Perry	\$ 1,645	\$ 1,650	\$ 1,462

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

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

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

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$53,834, as illustrated below:

Cash	\$ 19,003
Fair Value of Investments	<u>34,831</u>
Total Cash and Investments	<u>\$ 53,834</u>

Based on the relief association's records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$89,625, 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>4</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	<u>\$ 12,281</u>
Fire Services:	
Equipment purchased	\$ 49,914
Equipment maintenance	9,968
Training expenses	5,520
Fire prevention materials	186
Total Fire Services	<u>\$ 65,588</u>
Administrative Services:	
Other administrative expenses	\$ 1,496
Bond premiums	100
Total Administrative Services	<u>\$ 1,596</u>
Total Investments Purchased	<u>\$ 10,000</u>
Other Expenditures:	
Undocumented expenditures *	<u>160</u>
Total Expenditures	<u>\$ 89,625</u>

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

## **BACKGROUND – (Continued)**

\* The relief association was unable to provide adequate supporting documentation evidencing the propriety of expenditures amounting to \$160 made during the audit period. We disclosed this issue to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Ickesburg Volunteer Fire Company

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Secure Ownership Interest In Jointly Purchased Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased vehicle.

- Failure To Deposit The Proceeds From The Sale Of The Jointly Purchased Vehicle

By collecting \$7,150 of the proceeds of the sale of the jointly purchased vehicle.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the three prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct this audit finding reported in the previous two audits conducted. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.



THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendations – Failure To Maintain  
A Complete And Accurate Equipment Roster**

Condition: The relief association did not maintain a complete and accurate roster of equipment owned by the relief association. The relief provided a completed roster for the current audit period but did not provide a complete cumulative roster. Also, the cumulative roster included both fire company owned equipment and relief owned equipment. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

A similar condition was noted in our prior audit report.

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 relief association officials stated that they did not have adequate documentation for the prior roster and that prior period invoices would be used to prepare a complete equipment roster.

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

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the 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

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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Inadequate Minutes Of Meetings**

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period. In addition, not all meeting minutes were signed by the recording officer and the relief association officials did not respond to our requests to confirm the validity of the meeting minutes.

Criteria: Section 7415(a) of the VFRA Act 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 that they changed secretaries often within a short period of time. The relief did not provide a specific reason why the meeting minutes were not signed, nor did they provide a reason why they did not respond to our requests to verify the validity of the meeting minutes.

Effect: Without detailed minutes of meetings signed by the recording officer, evidence that relief association business was presented before the membership for approval does not exist. In addition, the relief association's failure to verifying the validity of the meeting minutes increases the risk of fraudulent or inaccurate meeting minutes.

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

**Recommendation:** We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, the relief association should ensure that it complies with our requests to verify the validity of the meeting minutes. 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 Surety (Fidelity) Bond Coverage**

**Condition:** The relief association failed to maintain adequate/proper Surety (Fidelity) bond coverage on the association's disbursing officer, as required by the VFRA Act. Specifically, the Surety (Fidelity) bond policy in effect during and subsequent to the audit period was issued jointly in the name of the fire company and the relief association.

**Criteria:** Section 7415(c)(4) of the VFRA Act 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.

Since the relief association and fire company are separate and distinct legal entities, the relief association should maintain a Surety (Fidelity) bond policy solely in the name of the relief association to ensure that there is adequate protection of relief association assets.

**Cause:** Relief association officials were unaware of the VFRA Act provisions regarding the maintenance of Surety (Fidelity) bond coverage solely in the name of the relief association.

**Effect:** As a result of the Surety (Fidelity) bond coverage for the disbursing officer of the relief association not being adequately/properly bonded in the name of the relief association, the association's cash assets were not adequately safeguarded as required by the VFRA Act.

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend that the relief association officials ensure that the disbursing officer is adequately covered by a faithful performance Surety (Fidelity) bond solely in the name of the relief association, as required by the VFRA Act. 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 June 2, 2022, the relief association obtained Surety (Fidelity) bond coverage solely in the name of the relief association.

Auditor's Conclusion: We reviewed documentation verifying that the relief association obtained Surety (Fidelity) bond coverage solely in the name of the relief association on June 2, 2022. Compliance for adequate/proper Surety (Fidelity) bond coverage during the next audit period will be subject to verification through our next audit.

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
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 Ickesburg Volunteer Fireman's Relief Association Governing Body:

**Mr. Shawn P. Kleeman**  
President

**Ms. Chrissy Baughman**  
Vice President

**Mr. James C. Kleeman, Jr.**  
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

**Ms. Sarah M. Cramer**  
Secretary  
Northeast Madison Township

**Mr. Terry K. Urich**  
Secretary  
Saville Township

**Ms. Debra Campbell**  
Secretary  
Tuscarora Township

THE ICKESBURG VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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