

COMPLIANCE AUDIT

Cleona Fire Company Firemen's Relief Association

Lebanon County, Pennsylvania
For the Period
January 1, 2020, to March 13, 2024

December 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Bruce Kohr, President
Cleona Fire Company Firemen's
Relief Association
Lebanon County

We have conducted a compliance audit of the former Cleona Fire Company Firemen's Relief Association (relief association) for the period January 1, 2020, to March 13, 2024. 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 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, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

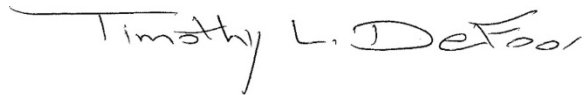
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2020, to March 13, 2024, 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 – Improper Merger

In addition, as of March 13, 2024, the former relief association completed the process of dissolution and merged with Union Hose of Annville Firemens Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Union Hose of Annville Firemens Relief Association.

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
November 19, 2024

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("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 Law³ (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.

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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Cleona Borough | Lebanon | \$10,948 | \$9,781 | \$11,740 | \$11,742 |

As of March 13, 2024, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

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

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

³ 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 as of March 13, 2024, was zero, as illustrated below:

| | |
|------|-------------|
| Cash | <u>\$ 0</u> |
|------|-------------|

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to March 13, 2024, were \$73,663, 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.⁴ **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>\$ 7,190</u> |
| Fire Services: | |
| Equipment purchased | \$ 112 |
| Equipment maintenance | 8,629 |
| Training expenses | <u>170</u> |
| Total Fire Services | <u>\$ 8,911</u> |
| Administrative Services: | |
| Bond premiums | \$ 400 |
| Other administrative expenses | <u>235</u> |
| Total Administrative Services | <u>\$ 635</u> |
| Other Expenditures: | |
| Transfer of monetary assets * | <u>\$ 56,927</u> |
| Total Expenditures | <u><u>\$ 73,663</u></u> |

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of March 13, 2024, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets were transferred to the Union Hose of Annville Firemens Relief Association. Due to the dissolution of the former relief association, we are providing officials of Union Hose of Annville Firemens Relief Association copies of this report.

⁴ 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 former relief association was affiliated with the following fire service organization:

Cleona Fire Company No. 1

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Improper Merger

Condition: The relief association did not properly document the dissolution of the organization and subsequent merger with the Union Hose of Annville Firemens Relief Association. Specifically, the relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former relief association.

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.

Furthermore, prudent business practice dictates that the relief association should properly document the membership's approval of the merger in the minutes of meetings held by the relief association regarding the merger. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment transferred to Union Hose of Annville Firemens Relief Association, along with a signed receipt of the recipient.

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the new relief association.

Effect: Without detailed documentation, evidence does not exist that the relief association's dissolution and merger with Union Hose of Annville Firemens Relief Association was presented before the membership for approval. In addition, without evidence of the equipment transferred to Union Hose of Annville Firemens Relief Association, the former relief association is unable to certify that all the equipment previously purchased with relief association funds was properly transferred to the Union Hose of Annville Firemens Relief Association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Union Hose of Annville Firemens Relief Association, we are providing officials of the Union Hose of Annville Firemens Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Union Hose of Annville Firemens Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, we recommend that the Union Hose of Annville Firemens Relief Association officials maintain a cumulative equipment roster of all equipment owned by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

CLEONA FIRE COMPANY FIREMEN'S 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.

Auditor's Conclusion: Since the former relief association dissolved its organization and consequentially transferred its remaining assets to the Union Hose of Annville Firemens Relief Association, compliance with the finding recommendation will be subject to verification during our next audit of the receiving relief association.

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Cleona Fire Company Firemen's Relief Association Governing Body:

Mr. Bruce Kohr
President

Mr. Michael Hughes
Vice President

Mr. Matthew Zechman
Secretary

Ms. Camry Moyer
Treasurer

Union Hose of Annville Firemens Relief Association Governing Body:

Ms. Erin Burrows
President

Mr. Ryan Flynn
Vice President

Mr. Bruce Kohr
Secretary

Mr. Ernie Sholly
Treasurer

CLEONA FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Melody Vanderveer
Secretary
Cleona Borough

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.