

COMPLIANCE AUDIT

Columbia Fireman's Relief Association Lancaster County, Pennsylvania For the Period January 1, 2021, to December 31, 2024

July 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. James Ciccocioppi, President
Columbia Fireman's Relief Association
Lancaster County

We have conducted a compliance audit of the Columbia Fireman's Relief Association (relief association) for the period January 1, 2021, to December 31, 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 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.

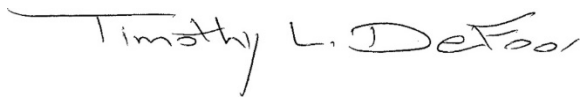
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 objective. 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, 2021, to December 31, 2024, 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 – Insufficient Surety (Fidelity) Bond Coverage

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
July 8, 2025

CONTENTS

	<u>Page</u>
Background	1
Findings and Recommendations:	
Finding No. 1 – Insufficient Surety (Fidelity) Bond Coverage.....	4
Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds	5
Report Distribution List	7

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ 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 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.

¹ Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Columbia Borough	Lancaster	\$41,319	\$49,902	\$50,108	\$50,934*

* Although Columbia Borough (Borough) prepared and returned a Certification Form AG 385 for 2024, the Borough failed to complete the 2024 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online as required by the instructions accompanying Form 706-B and the instructions accompanying the 2024 state aid allocation received by the Borough disclosing this information.

Columbia Borough is still required to complete a 2024 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.

Based on the relief association’s records, its total cash as of December 31, 2024, was \$236,301, as illustrated below:

Cash	<u>\$ 236,301</u>
------	-------------------

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$133,145, 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.⁵ **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	\$ 36,833
--------------------	-----------

Fire Services:

Equipment purchased	\$ 31,076
Equipment maintenance	53,164
Training expenses	10,556
Total Fire Services	\$ 94,796

Administrative Services:

Bond premiums	\$ 1,170
Other administrative expenses	346
Total Administrative Services	\$ 1,516

Total Expenditures	\$ 133,145
--------------------	------------

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:

Columbia Borough Fire Department

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

COLUMBIA FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Insufficient Surety (Fidelity) Bond Coverage

Condition: During the current audit period, the relief association did not maintain a surety (fidelity) bond on its authorized disbursing officer sufficient to cover the relief association's maximum cash balance. The relief association's surety (fidelity) bond coverage amount was \$200,000; however, during the current audit period the relief association's maximum cash balance exceeded the surety (fidelity) bond coverage.

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.

Cause: The relief association officials indicated that they were unaware that the surety (fidelity) bond coverage amount was insufficient.

Effect: As a result of the insufficient surety (fidelity) bond coverage on the authorized disbursing officer of the relief association, the relief association's maximum cash balance during the current audit period was not adequately safeguarded in the event the disbursing officer commits a wrongful or fraudulent act. Additionally, without sufficient surety (fidelity) bond coverage, the relief association is not in compliance with the VFRA Act.

Recommendation: We recommend that the relief association ensure its surety (fidelity) bond on the relief association's authorized disbursing officer sufficiently covers the relief association's maximum cash balance as required by the VFRA Act. This requirement may be accomplished by increasing the surety (fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum cash balance of the relief association, or by decreasing the relief association's maximum cash balance through a transfer of funds to an authorized investment account. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient surety (fidelity) bond coverage on the relief association's authorized disbursing officer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

COLUMBIA FIREMAN'S RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

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 relief association increased their bond coverage to \$300,000 on March 19, 2025.

Auditor's Conclusion: We reviewed documentation verifying that the bond coverage was increased to \$300,000. Compliance for sufficient surety (fidelity) bond coverage during the next audit period will be subject to verification during the next audit.

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit period, we identified 118 of 119 checks drawn on the relief association's checking account that did not contain proper signatory authority. Ten checks contained the signature of only one officer (the relief association treasurer), 108 checks contained the signature of two officers (the relief association treasurer and the relief association president), and one check was unavailable for examination to determine if the required number of officers' signatures were present. Issuing checks with inadequate signatory authority negates the relief association's internal control over the disbursement process.

Criteria: Section 7415(c)(3) of the VFRA Act 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.

In addition, the relief association's bylaws at Article I, Section 1 states, in part:

All disbursements must have three signatures President, Treasurer, and Secretary before payment can be awarded.

Furthermore, prudent business practice dictates that a relief association has internal control procedures that 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 with supporting documentation, such as invoices or contracts.

Cause: The relief association official indicated that the relief association did not have a process in place to prevent the occurrence of inadequately signed checks.

COLUMBIA FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: As a result of the relief association issuing checks without the proper signatories required by the VFRA Act and the relief association bylaws, there is an increased risk of misappropriation and undetected errors.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the required signature as stipulated in the VFRA Act and the relief association bylaws are included on all relief association negotiable instruments. 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 during the next audit.

COLUMBIA FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Columbia Fireman's Relief Association Governing Body:

Mr. James Ciccocioppi
President

Mr. Kyle Fritz
Vice President

Mr. William Meyers
Secretary

Mr. Eugene Schmitt
Treasurer

Mr. Michael Arnold
Equipment Manager

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

Mr. Steven Kaufhold
Secretary
Columbia 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.