

COMPLIANCE AUDIT

The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania Lebanon County For the Period January 1, 2022, to December 31, 2024

October 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. John Small, President
The Volunteer Firefighters' Relief
Association of the City of
Lebanon, Pennsylvania
Lebanon County

We have conducted a compliance audit of The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania (relief association) for the period January 1, 2022, 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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 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.

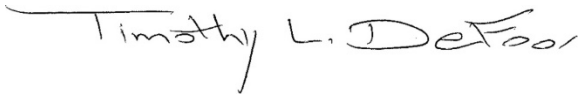
Based on our audit procedures, we conclude that, for the period January 1, 2022, to December 31, 2024:

- The relief association took appropriate corrective action to address the finding contained in our prior audit 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 – Insufficient Surety (Fidelity) Bond Coverage

Finding No. 2 – Unauthorized Expenditures

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
October 7, 2025

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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.

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

<u>Municipality</u>	<u>County</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Lebanon City	Lebanon	\$70,928	\$73,321	\$80,516

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)

Based on the relief association’s records, its total cash and investments as of December 31, 2024, were \$729,779, as illustrated below:

Cash	\$ 234,680
Fair Value of Investments	<u>495,099</u>
Total Cash and Investments	<u>\$ 729,779</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2022, to December 31, 2024, were \$566,483, 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	<u>\$ 73,399</u>
Fire Services:	
Equipment purchased	\$ 440,369
Equipment maintenance	30,860
Training expenses	<u>4,200</u>
Total Fire Services	<u>\$ 475,429</u>
Administrative Services:	
Bond premiums	\$ 1,536
Officer compensation	12,775
Other administrative expenses	<u>1,841</u>
Total Administrative Services	<u>\$ 16,152</u>
Other Expenditures:	
Unauthorized expenditures – See Finding No. 2	<u>\$ 1,503</u>
Total Expenditures	<u>\$ 566,483</u>

⁵ 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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Chemical Engine and Insurance Patrol Company No. 1

Good Will Fire Engine & Hose Company No. 5

Independent Fire Company No. 1

Lebanon Hook & Ladder Company No. 1

Liberty Steam Fire Engine & Hose Company No. 3

Perseverance Fire Company No. 1

Rescue Hose Company No. 4

Union Steam Fire Engine & Hose Company No. 1

Washington Fire Company No. 8

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Comply With Terms Of Loan Agreement

By collecting \$610 of delinquent loan payments due from the fire company.

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

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

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

In addition, Article VII Section 7 of the relief association's bylaws states:

The Association shall maintain an officers bond on the President, Secretary, and Treasurer. The amount of the bond shall be greater than the amount of the maximum balance of all funds of the Association at any time during the fiscal year.

Cause: Relief association officials failed to monitor the relief association's maximum cash balance during the audit period to ensure that the surety (fidelity) bond coverage on the relief association's authorized disbursing officer complied with the VFRA Act provisions.

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

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association ensure that 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 and its bylaws. 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.

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 17, 2025.

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

Finding No. 2 – Unauthorized Expenditures

Condition: During the current audit period, the relief association incurred the following expenditures that are not authorized under the VFRA Act.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/28/2022	3709	Refreshments for meetings	\$ 19
10/26/2023	3793	Refreshments for meetings	19
04/01/2024	Electronic Transfer	Grant application	1,449
04/26/2024	3835	Refreshments for meetings	\$ 16
Total			<u>\$ 1,503</u>

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7416(f) of the VFRA Act 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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the purchase of refreshments for meetings and grant applications do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these expenditures are not authorized under the VFRA Act.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: As a result of the unauthorized expenditures, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the unauthorized expenditure may result in a withholding of future state aid allocations until the monies related to the unauthorized expenditures identified in the finding have been reimbursed to the relief association.

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$1,503 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. All supporting documentation verifying the reimbursement for the unauthorized expenditures should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316-E Finance Building, Harrisburg, PA 17120. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management 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.

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Volunteer Firefighters' Relief Association of the City of Lebanon, Pennsylvania Governing
Body:

Mr. John Small
President

Mr. Edward Johnson
Vice President

Mr. William Yeagley
Secretary

Mr. Larry Helmuth
Treasurer

Mr. William Kale
Assistant Secretary

Mr. Adam Brossman
Assistant Treasurer

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

Ms. Melissa E. Quinones
Manager
Lebanon City

THE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OF THE CITY OF
LEBANON, PENNSYLVANIA
REPORT DISTRIBUTION LIST

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