

**FREDERICK COUNTY, MARYLAND
VOLUNTEER FIREFIGHTER LENGTH OF SERVICE AWARD PROGRAM**

**PERFORMANCE AUDIT REPORT
For the period July 1, 2022, through March 31, 2025
Report # 25-04**



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INDEPENDENT AUDITORS' REPORT AND EXECUTIVE SUMMARY

Interagency Internal Audit Authority
Frederick County, Maryland

Frederick County Government Interagency Internal Audit Authority (IIAA) engaged CliftonLarsonAllen LLP (CLA) to conduct a performance audit of the Volunteer Fire & Rescue Length of Service Award Program (LOSAP) processes of Frederick County Government. Our audit scope covered the period of July 1, 2022, through March 31, 2025. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The focus of the audit was to review the policies, procedures, and transactions related to the Frederick County LOSAP. Our specific objectives were to assess the adequacy of internal controls and policies governing eligibility determination, documentation practices, and benefit disbursement, as well as their effectiveness in ensuring program integrity and compliance with County resolutions.

We began by reviewing the program's foundational documents, including the relevant ordinances governing its operation and the Frederick County Volunteer Fire & Rescue Association, Inc. LOSAP Guidelines. This review was critical to understanding the structural framework of the program and identifying any gaps or inconsistencies in how policies are interpreted and applied.

Another key area of assessment was the documentation and approval procedures used by the 24 volunteer fire and rescue companies participating in the LOSAP. We sought to determine whether these companies maintained written procedures and, where such documentation was absent, we inquired about their informal practices.

We also examined the security of records containing personally identifiable information (PII), such as volunteer names and dates of birth. Our objective was to ensure that adequate safeguards were in place to protect sensitive data, including physical security measures like locked filing cabinets or secure digital storage.

To verify compliance with LOSAP eligibility requirements, we obtained listings of individuals added to the program between July 1, 2022, and March 31, 2025, and those currently with a status of active in the plan and inspected volunteer fire and rescue company records to confirm that individual each met the program's criteria and remained certified.

As part of our testing, we reviewed the "Maryland Income Tax Subtraction Modification LOSAP and Individual End-of-Year Points" reports for a sample of participants to ensure they aligned with the corresponding activity summaries. We also verified that each report had been properly reviewed and approved by the Company President, Company Chief, and LOSAP Chairperson, confirming adherence to the program's oversight and documentation requirements.

Appeals submitted between January 1, 2023, and March 31, 2025 were also reviewed. We selected a sample of appeals and evaluated whether each met the requirements outlined in the County Resolution.

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We reviewed the LOSAP funding requirements established by the third-party actuary, which were based on the number of eligible recipients and the annual service rate detailed in the County Resolution, along with other actuarial factors. Furthermore, we compared the actuarial contributions to the budgeted amounts and the actual contributions made by the County to ensure consistency in budgeting, appropriateness, and compliance with funding requirements.

Finally, we reviewed LOSAP benefit payments issued during fiscal years 2023, 2024, and 2025. We selected a sample of recipients and independently recalculated the payment amounts based on years of service and the applicable per-year rate to ensure the accuracy of disbursements.

By conducting this performance audit, our objective was to provide insights and recommendations that would enhance the overall effectiveness, transparency, and integrity of the LOSAP program in Frederick County. A summary of observations are as follows:

Observation #	Area	Observation
1	Eligibility	The lack of official guidelines on the number of hours required for one LOSAP point has led to inconsistent practices across stations. Some stations break a single event into multiple segments (such as setup, the event itself, and breakdown) to award more points, while others treat it as a single point-earning opportunity. Additionally, there were three instances of duplicate entries for the same credit-earning segment of an event. Lastly, during discussions about LOSAP processes and controls, it was identified that there is a potential risk for duplicate point entries. Specifically, a member could have points entered by their home Company and also log points under a different Company where they volunteered. This scenario poses a threat to the accuracy and integrity of the LOSAP point tracking system and may result in inflated or inconsistent records.

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Observation #	Area	Observation
2	Data Security and Privacy	At one location out of seven locations tested, LOSAP-related documents are stored at the station coordinator's personal residence. Additionally, at another location, files are occasionally taken to the LOSAP coordinator's residence for input into the system. Lastly, during station-level discussions, it was noted that paper-based documentation is still commonly used for LOSAP recordkeeping. While some stations have begun scanning backup documentation, there is no formal process or standard in place to support a full transition to digital records. This reliance on physical documents may hinder efficiency, accessibility, and long-term preservation of records.
3	Data Security and Privacy	At one location out of seven locations tested, only the LOSAP coordinator has access to files containing PII.
4	Accurate Record-Keeping	At three locations out of seven locations tested, there was no formal review process in place for verifying monthly activity logs.
5	Accurate Record-Keeping	There is currently no formal, organization-wide policy addressing the retention of activity records across all operational scenarios, including post-station closures. This lack of guidance creates potential gaps in recordkeeping practices. A comprehensive document retention policy should be developed to ensure consistent handling of records during active operations and after station deactivation.

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Key recommendations are as follows:

1. Adopt and enforce a uniform standard for awarding points, for example, awarding one point per three hours of qualifying service. This will promote fairness and consistency across all participating stations
2. Restrict overrides of the system's automatic point calculations at the Company level. Instead, require formal approval from the LOSAP Committee or DVFRS for any exceptions to ensure consistency and integrity in the point allocation process.
3. Store all program documentation securely onsite in locked storage to ensure proper access control, confidentiality, and readiness for independent verification.
4. Develop and implement a standardized digital recordkeeping protocol that includes scanning and securely storing backup documentation.
5. Broaden access at all stations regarding LOSAP records to include additional leadership roles such as the Company Chief and President to ensure continuity of operations and oversight.
6. Establish a formal review process at all locations to verify the accuracy of monthly activity logs. This process should include regular audits and checks to ensure the integrity of the records.
7. Establish a comprehensive policy that clearly defines retention timelines, responsibilities, and procedures for preserving records during regular operations and after a station is deactivated. This will help ensure consistency, transparency, and continuity in record management across the organization.
8. Implement annual training for LOSAP Chairs to ensure consistent understanding of LOSAP policies, point entry standards, and system procedures across all Companies.

We included responses from Frederick County Government after each finding in the finding, recommendations, and management's responses section.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 15, 2025

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BACKGROUND

Frederick County, Maryland, operates a combination fire and rescue system that includes both career and volunteer personnel. The system is supported by the Frederick County Volunteer Fire & Rescue Association, Inc. (FCVFRA), which represents 24 independent volunteer fire and rescue corporations. These corporations work in partnership with the County's Division of Volunteer Fire and Rescue Services (DVFRS) and the Division of Fire and Rescue Services (DFRS) to provide emergency services across the county's approximately 660 square miles.

To recognize and incentivize long-term volunteer service, Frederick County established the Length of Service Awards Program (LOSAP). LOSAP is a County-funded benefit program administered by the FCVFRA and governed by County resolutions and internal guidelines. The program provides benefits to eligible volunteer firefighters and EMS personnel based on years of qualified service and annual participation.

Volunteers earn points annually through participation in emergency responses, training, administrative duties, and leadership roles. A minimum of 50 points per year is required to earn credit toward LOSAP benefits. Key benefits include monthly service awards beginning at age 62 with 25 years of qualified service, life insurance coverage after five years of service, and eligibility for Maryland state income tax deductions. Additional benefits include tuition reimbursement for courses at Frederick Community College and provisions for medical waivers in cases of disability.

Each participating volunteer company designates a LOSAP Chairperson responsible for tracking service points, maintaining records, and submitting annual certifications to the FCVFRA and LOSAP Committee. The program is overseen by the LOSAP Committee, which reviews eligibility, adjudicates appeals, and ensures compliance with County policy.

The scope of this performance audit includes a review of LOSAP-related documentation, eligibility verification, benefit calculations, and recordkeeping practices for the period July 1, 2022, through March 31, 2025. The audit also includes an assessment of internal controls, security of personally identifiable information, and adherence to County resolutions and FCVFRA guidelines.

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OBJECTIVES, SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) established by the U.S. Government Accountability Office (GAO). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

The objectives of the audit are as follows:

1. Develop an understanding of the Frederick County LOSAP, including its governing resolutions, administrative structure, and operational procedures, while also evaluating the policies and procedures implemented by the FCVFRA, the LOSAP Committee, and the 24 participating volunteer fire and rescue companies.
2. Assess the adequacy of internal controls related to eligibility determination, recordkeeping, certification, appeals, and benefit payments. CLA conducted eligibility testing for 60 active participants and 35 new members. Annual certification testing was also performed for the active participant sample. For the new members, CLA also evaluated controls related to the enrollment process. In terms of benefit payment testing, CLA reviewed a total of 65 payments—25 from FY23, 25 from FY24, and 15 from FY25. Additionally, CLA tested all 12 appeals that occurred during the period of January 1, 2023 through March 31, 2025.
3. Assess the adequacy of LOSAP funding projections prepared by the County Budget Office for fiscal years 2023, 2024, and 2025, and ensure that these projections were followed by actual transfers to the LOSAP fund.
4. Evaluate the security of personally identifiable information (PII) maintained by volunteer companies in relation to LOSAP records. CLA conducted on-site visits and personnel interviews at 7 of the 24 participating volunteer locations to evaluate local internal controls. The assessment focused on document maintenance, security, retention, and the approval processes for system submissions that contribute to LOSAP credit eligibility.

Our methodology and scope consisted of:

- 1) Reviewing key legislative documents—specifically Ordinance Nos. 23-07-007 and 24-01-001—which establish the legal and regulatory framework for the LOSAP. These ordinances offer guidance on eligibility requirements, benefit calculations, funding structures, and oversight responsibilities. In addition, reviewing the LOSAP Guidelines developed by the FCVFRA LOSAP Committee pursuant to Ordinance 24-01-001.
- 2) We performed detailed testing across four key areas: Benefit Payments, Appeals, Active Participants, and New Member Additions. The purpose of this testing was to evaluate the accuracy, completeness, and compliance of LOSAP-related processes and documentation with established program requirements.

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OBJECTIVES, SCOPE AND METHODOLOGY (CONTINUED)

a) Benefit Payment Testing

We selected a sample of benefit recipients and conducted the following procedures:

- Recalculated benefit payments to verify accuracy.
- Reviewed documentation supporting the years of service used in the benefit calculation.
- Verified the pay rate used in the calculation against supporting documentation.
- Confirmed that all recipients met the minimum age requirement of 62 years, in accordance with eligibility criteria.

b) Appeals Testing

For a sample of LOSAP appeals, we performed the following:

- Verified that each appeal was approved by both the LOSAP Chair and the LOSAP Committee, as evidenced by appropriate signatures.
- Reviewed documentation supporting any additions to credited years of service.
- Confirmed that appeals were submitted within one year of the applicable year-end point form (e.g., 2023 forms appealed by December 31, 2024).

c) Active Participant Testing

To validate the eligibility of active participants, we:

- Reviewed annual activity data from the Volunteer Membership Database to confirm that members earned at least 50 points in LOSAP-qualified years.
- Cross-referenced activity summaries with the "Maryland Income Tax Subtraction Modification LOSAP and Individual End-of-Year Points" reports, ensuring approval by the Company President, Company Chief, and LOSAP Chairperson.
- Verified that participants had not been inactive for five consecutive years.
- Conducted a review of the most recent year's activity data to ensure there was no double-counting of points for the same events.
- For a sub-sample of 5 events from the activity summary for 5 active participants tested, we reviewed supporting documentation to confirm the accuracy and occurrence of each event for which credits were awarded..

d) New Member/Additions Testing

For newly added members, we conducted the following procedures:

- Reviewed Member Benefit Enrollment Forms to ensure approval by the Department President or Chief, LOSAP Membership Chairperson, and the Frederick County Volunteer Fire and Rescue Association (FCVFRA) Representative.
- Verified annual activity data to confirm that new members earned at least 50 points in LOSAP-qualified years.
- Reviewed and reconciled activity summaries with the approved "Maryland Income Tax Subtraction Modification LOSAP and Individual End-Of-Year Points" report.

- 3) CLA obtained actuarial reports prepared by Bolton Actuaries. These reports determined the required funding based on the number of eligible recipients and the annual service rate outlined in the County Resolution. CLA compared the amounts in the actuarial reports to those reported in the budget and further assessed the actual contributions made. In FY23, the actuarially determined contribution was \$1,147,187, while the budgeted and transferred amounts were \$1,207,434.

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OBJECTIVES, SCOPE AND METHODOLOGY (CONTINUED)

In FY24, these amounts were \$1,176,508 and \$1,207,434, respectively. In FY25, the amounts were \$1,479,946 and \$1,480,000, respectively. For all three fiscal years, the budgeted and transferred amounts exceeded the actuarially determined contributions.

- 4) CLA developed and implemented a structured questionnaire to assess LOSAP recordkeeping practices at individual fire stations across Frederick County. The questionnaire was designed to align with the procedures outlined in the approved work plan and aimed to evaluate the consistency, security, and accuracy of LOSAP data management at the station level. During on-site visits, CLA used the questionnaire to guide interviews and walkthroughs with station personnel. The procedures focused on identifying the systems used to maintain LOSAP records, understanding data retention protocols, and evaluating the physical and digital security of stored records. CLA also reviewed how records were organized, who had access to them, and whether any personally identifiable information (PII) was retained. Additionally, CLA assessed the roles and responsibilities of local personnel in reviewing and entering LOSAP data, and documented each station's best practices for data entry and duplicate record management. Where applicable, CLA inspected off-site storage locations and verified the presence of historical records.

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OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Observation No. 1 – Eligible LOSAP Hours

The lack of official guidance on how many hours constitute one LOSAP point has led to inconsistent practices across different stations. Some stations divide a single event into multiple segments (such as setup, the event itself, and breakdown) to award more points, while others treat it as a single point-earning opportunity. For example, 13 out of 60 active members tested had their single event broken down into multiple tasks in the VFRS Membership Database to accrue more points. Additionally, there was one active member with a duplicate entry for a single event in the VFRS Membership Database due to incorrect time recording, with one entry showing the proper time (9:00 AM - 12:00 PM) and the other incorrectly listed as 12:00 AM - 12:00 AM. Furthermore, two active members had identical duplicate entries of the same event, which the VFRS Membership Database allowed despite having the exact same date and time. LOSAP station coordinators are responsible for reviewing and identifying duplicate entries, but these inconsistencies were not identified by internal control review procedures.

Additionally, it was observed that some stations override the system's automatic point calculations, which are typically based on time. These overrides are reportedly made at the Company level to manually adjust or divide time-based points.

Lastly, during discussions about LOSAP processes and controls, it was identified that there is a potential risk for duplicate point entries. Specifically, a member could have points entered by their home Company and also log points under a different Company where they volunteered. This scenario poses a threat to the accuracy and integrity of the LOSAP point tracking system and may result in inflated or inconsistent records.

We recommend that official guidance be developed to standardize the calculation of LOSAP points across all stations. Establishing a consistent framework will help ensure fairness and transparency in how volunteer activities are evaluated. Example models could include awarding 1 point per project or 1 point for every 3 hours of service. A hybrid approach may also be appropriate, for instance, limiting awards to no more than 1 point per 3 hours worked, or 2 points for 6 hours.

We recommend that overrides not be permitted at the Company level. Instead, any exceptions should require formal approval from the LOSAP Committee or DVFRS to maintain consistency and integrity in the point allocation process.

We recommend conducting a monthly review of member activity across all Companies. This broader visibility will facilitate monthly reviews aimed at identifying and resolving duplicate point entries. During these reviews, the LOSAP Chair will work in partnership with DVFRS to investigate and reconcile any discrepancies. This recommendation is contingent upon the removal of override controls from the Company level, with such authority centralized under DVFRS and the LOSAP Committee.

Management's Response

Management acknowledges the inconsistency in LOSAP point calculations. The LOSAP Committee will develop an equitable method of calculating activity points and recommend an ordinance change to standardize the process across all stations. This guidance will be communicated to all station coordinators and enforced to ensure uniformity in point allocation.

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Frederick County IIT will be consulted to determine the feasibility and timeline of software enhancements to further cross check activity entries to prevent duplication. We expect to complete this work by June 2026.

Observation No. 2 – Appropriate LOSAP PII data Storage and Security

At one location, LOSAP-related documents are stored at the station coordinator's personal residence. Additionally, at another location, files are occasionally taken to the LOSAP coordinator's residence for input into the system. Additionally, during station-level discussions, it was noted that paper-based documentation is still commonly used for LOSAP recordkeeping. While some stations have begun scanning backup documentation, there is no formal process or standard in place to support a full transition to digital records. This reliance on physical documents may hinder efficiency, accessibility, and long-term preservation of records.

We recommend that all LOSAP-related documents be stored securely at the station or a designated secure location to protect sensitive information and ensure data privacy. A robust policy should be established to prevent unauthorized storage, which is reinforced through regular training.

We recommend the development and implementation of a standardized digital recordkeeping protocol that includes scanning and securely storing backup documentation.

Management's Response

Management agrees with the recommendation and will ensure that all LOSAP-related documents are stored securely at the station or a designated secure location. Procedures will be put in place to prevent the storage of sensitive documents at personal residences. Many historical documents containing PII have been scanned into the Volunteer Membership Database. Our office will work with station representatives to destroy paper documents, stored within station file rooms, that have been captured electronically within the database. We expect to complete this work by December 2026.

Observation No. 3 – Data Security Redundancy and Backup

At one location, only the LOSAP coordinator has access to files containing Personally Identifiable Information (PII).

Restricting access to files containing PII to authorized personnel is both appropriate and essential. However, it is also important to establish a redundancy plan to ensure continuity if the LOSAP coordinator is unavailable. This backup access plan should enable other trained individuals to access the necessary files and maintain operations seamlessly.

Management's Response

Management concurs with the recommendation. In conjunction with Observation 2, files containing PII will be electronically stored on a Frederick County computer server and automatically backed up nightly. Storage of documents with PII at the stations will be eliminated. Those with appropriate log-on credentials and certain permissions to the Volunteer Membership database will have 24/7 access to membership documentation. We expect to complete this work by December 2026.

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Observation No. 4 – Activity Log Review

Three locations do not have a formal review process in place for verifying monthly activity logs.

We recommend that a formal review process be established at all locations to verify the accuracy of monthly activity logs. This process should include regular audits and checks to ensure the integrity of the records.

Management's Response

Management agrees with the recommendation and will establish a formal review process for verifying monthly activity logs at all locations. Regular audits and checks will be conducted to ensure the accuracy and integrity of the records. We expect to complete this work by June 2026.

Observation No. 5 – Record Retention

There is currently no formal, organization-wide policy addressing the retention of activity records across all operational scenarios, including post-station closures. This lack of guidance creates potential gaps in recordkeeping practices.

A comprehensive policy should be established that clearly defines retention timelines, responsibilities, and procedures for preserving records both during regular operations and after a station is deactivated. This will help ensure consistency, transparency, and continuity in record management across the organization.

Management's Response

Management acknowledges the need for a formal policy on the retention of activity records following the annual closure of a station. A policy will be developed and implemented to ensure that these records are securely stored and managed in accordance with best practices. For consistency across all stations, we will work with Frederick County IIT to determine if activity records can be uploaded and stored on County computer servers. We will work with the County Attorney and Risk Management to develop a retention schedule for activity records. We expect to complete this work by December 2026.

General Recommendation: Annual LOSAP Chairs Training

To promote consistency and strengthen understanding of LOSAP procedures across all Companies, we recommend continuing the established annual training program for LOSAP Chairs. This training serves as a valuable opportunity to provide updates on policies, clarify point entry and documentation standards, and offer guidance on system usage. Maintaining this regular training ensures that all LOSAP Chairs remain informed, refreshed, and equipped with the knowledge and tools needed to uphold accurate and compliant records.

Management's Response

Management will work with the LOSAP Committee to ensure continuation of annual Station Coordinators' workshops in either November or December of each year.

