

COMPLIANCE AUDIT

Volunteer Firemen's Relief
Association of Eagle Fire Co.,
No. 1, of Mount Wolf, Pennsylvania
York County
For the Period
January 1, 2018 to December 31, 2021

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Rodney Cassel, President
Volunteer Firemen's Relief Association
of Eagle Fire Co., No. 1, of
Mount Wolf, Pennsylvania
York County

We have conducted a compliance audit of the Volunteer Firemen's Relief Association of Eagle Fire Co., No. 1, of Mount Wolf, Pennsylvania (relief association) for the period January 1, 2018 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, 2018 to December 31, 2021:

- The relief association took appropriate corrective action to address one of the two 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.
- Because of the significance of the matters described in Finding Nos. 2 and 3 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

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

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Unauthorized Expenditures

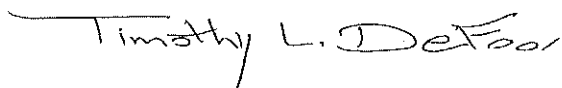
Finding No. 4 – Failure To Maintain Minutes Of Meetings

Finding No. 5 – Inadequate Financial Record-Keeping System And Inadequate Internal Controls

Finding No. 6 – Inappropriate Pre-signing Of Blank Checks

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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
September 19, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	4
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster	5
Finding No. 2 – Undocumented Expenditures	6
Finding No. 3 – Unauthorized Expenditures.....	9
Finding No. 4 – Failure To Maintain Minutes Of Meetings	11
Finding No. 5 – Inadequate Financial Record-Keeping System And Inadequate Internal Controls	13
Finding No. 6 – Inappropriate Pre-signing Of Blank Checks	15
Potential Withhold of State Aid.....	17
Report Distribution List	18

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 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:

Municipality	County	2018	2019	2020	2021
East Manchester Township	York	\$19,256	\$22,187	\$28,090	\$21,896
Mount Wolf Borough	York	\$ 6,023	\$ 6,502	\$ 6,567	\$ 5,825

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 December 31, 2021 was \$31,783, as illustrated below:

Cash	<u>\$ 31,783</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$151,903, 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>\$ 1,631</u>
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Fire Services:

Equipment purchased	\$ 68,177
Equipment maintenance	18,951
Training expenses	4,983
Fire prevention materials	934
Total Fire Services	<u>\$ 93,045</u>

Administrative Services:

Bond premiums	\$ 572
Other administrative expenses	369
Total Administrative Services	<u>\$ 941</u>

Other Expenditures:

Undocumented expenditures	\$ 29,703
Unauthorized expenditures	11,583
Miscellaneous *	15,000
Total Other Expenditures	<u>\$ 56,286</u>

Total Expenditures	<u>\$ 151,903</u>
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* On August 6, 2018, and August 13, 2018, the relief association made two erroneous transfers to the affiliated fire company for \$10,000 and \$5,000, respectively; however, the error was rectified when the affiliated fire company reimbursed the relief association \$15,000 on September 26, 2018, and the monies were deposited into a relief association account.

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 relief association is affiliated with the following fire service organization:

Eagle Fire Co., No. 1

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Deposit State Aid

By depositing the 2017 state aid allocations of \$7,615 from East Manchester Township and Mount Wolf Borough on January 3, 2018, and by establishing accounting procedures to ensure that all income received is deposited in the relief association's account.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the two 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 previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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. Although a listing of relief association owned equipment was provided during the current audit period, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$68,177 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the 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 indicated that there were equipment roster documents on a laptop that crashed, and the files were unable to be recovered.

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.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
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 and ensure that computer back-up procedures are in place. 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 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: 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 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
05/08/2018	ACH	Equipment vendor	\$ 572
07/13/2018	870002	Equipment vendor	187
08/13/2018	ACH	Equipment vendor	214
11/22/2018	1001	Equipment vendor	610
01/28/2019	001419294	Unknown vendor	7,956
03/12/2019	1034	Equipment vendor	425
03/12/2019	900014	Equipment vendor	49
03/13/2019	900017	Equipment vendor	6,234
05/07/2019	900022	Unknown vendor	49
05/14/2019	900025	Training vendor	100
07/31/2019	900033	Equipment vendor	932
08/03/2019	900032	Equipment vendor	74
08/21/2019	900037	Equipment vendor	395
10/01/2019	900039	Equipment vendor	36
10/02/2019	900038	Equipment vendor	74

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
10/02/2019	900040	Equipment vendor	\$ 90
11/09/2019	900043	Equipment vendor	78
11/13/2019	900044	Equipment vendor	256
12/24/2019	900051	Administrative vendor	2,096
01/03/2020	900052	Equipment vendor	27
01/29/2020	900056	Maintenance vendor	153
01/31/2020	900057	Equipment vendor	81
02/11/2020	900060	Equipment vendor	200
02/20/2020	900061	Training vendor	242
02/26/2020	900062	Equipment vendor	27
03/07/2020	1004	Training vendor	120
04/14/2020	900068	Equipment vendor	27
08/28/2020	900071	Equipment vendor	40
09/30/2020	900075	Equipment vendor	114
10/20/2020	1005	Training vendor	400
10/21/2020	900077	Equipment vendor	100
02/24/2021	900093	Chemical vendor	1,439
03/03/2021	900095	Equipment vendor	2,523
03/26/2021	1006	Equipment vendor	1,100
04/24/2021	900100	Training vendor	930
11/18/2021	900113	Insurance vendor	543
11/18/2021	900114	Maintenance vendor	640
12/31/2021	900117	Training vendor	570
Total			\$ 29,703

In addition, it appears that the relief association does not have adequate internal control procedures in place to ensure supporting documentation for disbursements of relief association funds are maintained.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

The relief association bylaws at Article III, Section 3 states, in part:

The Treasurer shall keep a ledger that details all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the association.

In addition, the relief association bylaws at Article VIII, Section 2 states, in part:

Supporting documentation such as invoices, canceled checks, etc. shall be maintained to verify all disbursements.

Furthermore, prudent business practice dictates that effective internal controls be implemented and monitored to ensure supporting documentation is maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials indicated that their filing system was not properly completed. The relief association officials did not address why they do not have adequate internal controls overseeing the maintenance of supporting documentation in place.

Effect: Lack of supporting documentation, such as invoices, itemized receipts, and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$29,703 for the undocumented expenditures. We also recommend that the relief association officials implement and monitor effective internal control practices to maintain supporting documentation for all future expenditures. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 3 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

Date	Check No.	Description	Amount
01/16/2019	900003	Infant/child medical equipment	\$ 102
03/22/2019	900020	Medical Director fee for Quick Response Service (QRS) unit which serves the public	250
05/15/201	900024	Maintenance on fire company owned vehicle	2,745
06/07/2019	900030	Inspection for fire company owned vehicle	65
07/31/2019	900034	Medical supplies for QRS unit which serves public	529
11/13/2019	900045	Medical supplies for QRS unit which serves public	218
11/13/2019	900047	Maintenance on fire company owned vehicle	496
04/14/2020	900067	Medical Director fee for QRS which serves public	250
09/16/2020	900073	Maintenance on fire company owned vehicle	866
11/10/2020	900080	Maintenance on fire company owned vehicle	1,176
11/14/2020	900081	Medical supplies for QRS unit which serves public	678
11/14/2020	900082	Maintenance on fire company owned vehicle	753
06/10/2021	900104	Maintenance on fire company owned vehicle	3,455
Total			<u>\$ 11,583</u>

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (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.

- (9) To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of a fire company to the extent that the bills are not covered by insurance provided by the relief association.

- (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.

Costs associated with the purchase of pediatric medical equipment, maintenance on fire company owned vehicles, and medical supplies and fees for QRS units that serve the public do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials indicated that the expenditures were mistakenly paid out of the wrong account and mislabeled in the reports.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$11,583 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. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 4 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association's minutes did not address all financial-related transactions that occurred during the audit period. In addition, meeting minutes were not held/provided for one month in calendar year 2018, seven months in calendar year 2020 and five months in calendar year 2021.

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.

The relief association's bylaws at Article III, Section 3 states, in part:

The Secretary shall keep an accurate account of the proceedings of the association in a book provided for that purpose, make out all notices, have charge of all correspondence, records and seal.

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

All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Furthermore, the relief association's bylaws at Article X, Section 1 states:

The stated meeting of the association shall be on the first Thursday of each month following the regular Fire Company Meeting.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Cause: The relief association officials indicated that meeting minutes were on a laptop that crashed, and the documents could not be recovered, but they did not provide a reason why the minutes that were provided did not address all the financial-related transactions that occurred or why meetings for some months were not held. The relief association officials did indicate that some of the 2020 missing meeting minutes were due to COVID-related cancelations.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain a permanent record of all relief association meetings as required by the VFRA Act and the relief association's bylaws and, ensure that computer back-up procedures are in place for electronic meeting minutes. The minutes should also include an adequate record of all financial-related business conducted by the relief association. 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.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Inadequate Financial Record-Keeping System And Inadequate Internal Controls

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- A few record-keeping errors were noted on the journal of relief association receipts and disbursements. The check numbers for seven entries were not listed, the wrong vendors were listed for eight entries, one entry had the wrong payment amount, and two entries had the wrong vendor listed.
- Relief association invoices were commingled with the affiliated fire company's invoices, and many did not contain corresponding check numbers.
- One voided check was not available for examination.
- Documentation to support various expenditures was not available for examination at the time of the audit (refer to Finding Nos. 2 and 3).
- Several minutes of board meetings during the audit period were not available for examination (refer to Finding No. 4).

In addition, the relief association has failed to establish adequate internal controls. The following conditions noted during the current audit period are indicative of internal control weaknesses:

- Two approval signatures were not present on invoices of expenditures which electronic bill paying was utilized, which indicates a lack of oversight for electronic banking/bill paying. The relief association did not have any written procedures in place for electronic banking/bill paying.
- Relief association meeting minutes did not include approval of all relief association financial transactions (refer to Finding No. 4).

Criteria: Section 7415(a) of the VFRA Act states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

The relief association's bylaws at Article III, Section 3 states, in part:

The Treasurer shall keep account of all money belonging to the association, and he/she shall not expend monies or enter into investment transactions without authorization of the membership. The Treasurer shall keep a ledger that details all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the association.

In addition, the relief association's bylaws at Article VIII, Section 3 states:

The signatures of the President or his/her designee or a Trustee and Treasurer shall be required for the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that:

- Relief association invoices should not be commingled with any other organization's invoices in order to maintain effective control of its records.
- Voided checks should be saved and made available for review by auditors.
- An adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.
- When utilizing electronic banking or bill paying, at least two officers (one of whom shall be the disbursing officer) should approve the invoice or purchase order in the absence of a check.
- Supporting documentation should be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials indicated that the issues were caused by a laptop that crashed as well as an improper filing system. The relief association officials did not address why they do not have written procedures for banking/bill paying or why there was discrepancies within the journal.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations. In addition, the failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and the lack of effective internal controls places the relief associations funds at greater risk for misappropriation.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations which includes maintaining voided checks for audit review, completing accurate relief association journals, and discontinuing the current practice of commingling invoices with the affiliated fire company. In addition, we recommend that the relief association officials should adopt internal control procedures which will require the following:

- Maintenance of written procedures for banking/bill paying and follow the proper procedures when authorizing and completing transactions via electronic banking or bill paying.
- Proper approval of financial activities at relief association meetings.

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. 6 – Inappropriate Pre-signing Of Blank Checks

Condition: A review of the relief association's checkbook, at the time of the audit engagement, revealed that three blank checks were pre-signed by one of the two relief association officers who are authorized to sign checks. The pre-signing of blank checks negates the relief association's internal control over the disbursement process.

Criteria: Prudent business practice dictates that the relief association has sufficient internal control procedures in place to prohibit the pre-signing of blank checks. Adequate internal control procedures 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. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to signing the checks.

Cause: The relief association officials indicated that the checks were pre-signed in case an emergency purchase came up because the President was going on vacation and there was only one other signer available due to vacations.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Effect: As a result of one of the two authorized relief association officers pre-signing the blank checks, assets were placed at greater risk of misappropriation since the officer who pre-signed the blank checks did not have the opportunity to verify the propriety of the expenditures.

Recommendation: We recommend that the practice of pre-signing blank checks be immediately discontinued. We also recommend that all relief association officers ensure that checks are signed and co-signed only after the propriety of the expenditures have been determined and the payees, dates, and amounts to be paid have been confirmed. 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.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
REPORT DISTRIBUTION LIST

Conditions such as those reported by Finding Nos. 2 and 3 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
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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

Volunteer Firemen's Relief Association of Eagle Fire Co., No. 1, of Mount Wolf, Pennsylvania
Governing Body:

Mr. Rodney Cassel
President

Ms. Lori Wisotzkey
Secretary

Ms. Caroline Rohrbaugh
Treasurer

Mr. Wayne W. Bush
Trustee

Mr. John Kane
Trustee

Mr. Andrew Rouscher
Trustee

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF EAGLE FIRE CO., NO. 1, OF
MOUNT WOLF, PENNSYLVANIA
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The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Kristie Masemer
Secretary
East Manchester Township

Ms. Rachel Kling
Secretary
Mount Wolf 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.

