

COMPLIANCE AUDIT

Shiremanstown Firemans' Relief Association Cumberland County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

September 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Brad Wright, President
Shiremanstown Firemans' Relief Association
Cumberland County

We have conducted a compliance audit of the Shiremanstown Firemans' Relief Association (relief association) for the period January 1, 2019, to December 31, 2022. 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, 2019, to December 31, 2022:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in Finding Nos. 1, 5, and 8 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 – Undocumented Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Internal Controls

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Finding No. 6 – Failure To Segregate Relief Association Officers' Duties

Finding No. 7 – Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 8 – Inappropriate Ownership Of Rescue Vehicle

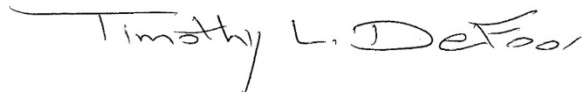
Finding No. 9 – Inadequate Minutes Of Meetings And Relief Association Bylaws

Finding No. 10 – Inadequate Financial Record-Keeping System

Finding No. 11 – Failure To Maintain A Complete And Accurate Membership Roster

Five of the eleven audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor
Auditor General
July 14, 2023

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law³ (commonly referred to as Act 205) are properly expended.

The 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Shiremanstown Borough	Cumberland	\$8,862	\$8,944	\$7,942	\$9,926

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, 2022, was \$9,065, as illustrated below:

Cash	<u>\$ 9,065</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$123,605, 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:

Fire Services:

Equipment purchased	\$ 66,949
Equipment maintenance	20,295
Training expenses	<u>3,035</u>
Total Fire Services	<u>\$ 90,279</u>

Administrative Services:

Bond premiums	\$ 179
Other administrative expenses *	<u>2,667</u>
Total Administrative Services	<u>\$ 2,846</u>

Other Expenditures:

Undocumented expenditures	\$ 19,606
Unauthorized expenditures	5,074
Miscellaneous expenditure **	<u>5,800</u>
Total Other Expenditures	<u>\$ 30,480</u>

Total Expenditures	<u><u>\$ 123,605</u></u>
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* A majority of the other administrative expenses represent \$2,030 expended in calendar years 2020, 2021, and 2022 for emergency reporting services.

** The miscellaneous expenditure was reimbursement for the restitution for the theft of funds by the former relief association treasurer to the insurance company for theft coverage.

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:

Shiremanstown Fire Department

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures
- Insufficient And Failure To Maintain Surety (Fidelity) Bond Coverage
- Failure To Maintain A Complete And Accurate Equipment Roster
- Theft Of Relief Association Funds

The relief association's Surety (Fidelity) bond policy reimbursed the relief association \$5,800 for the theft of funds; however, the relief association officials failed to implement the recommendations relating to improving internal control procedures as further disclosed in Finding No. 4 of this report.

- Unauthorized Expenditures

Although the relief association received reimbursement of \$3,992 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by the VFRA Act as further disclosed in Finding No. 5 of this report.

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Condition: During the prior audit periods, the relief association was unable to provide adequate supporting documentation or receive reimbursement for \$1,450 of undocumented expenditures, and the relief association officials did not take corrective action to address the undocumented expenditures prior to the current audit period ending December 31, 2022. In addition, the relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
09/03/2019	Paypal	Reimburse member for equipment purchased	\$ 525
01/13/2020	1557	Insurance vendor	5,470
10/22/2021	1587	Training vendor	400
10/25/2021	1586	Vehicle maintenance vendor	2,435
12/20/2021	1593	Unknown	50
12/23/2021	Debit	Equipment vendor	623
01/13/2022	Debit	Maintenance vendor	600
04/20/2022	122	Equipment vendor	5,000
04/20/2022	123	Maintenance vendor	60
05/02/2022	Debit	Equipment vendor	64
06/06/2022	Debit	Food vendor	98
07/20/2022	127	Equipment vendor	504
08/23/2022	Debit	Training vendor	110
09/23/2022	Debit	Training vendor	86
10/25/2022	Debit	Equipment/maintenance vendor	202
11/09/2022	1001	Equipment/maintenance vendor	1,733
11/24/2022	Debit	Vehicle maintenance vendor	62
11/25/2022	Debit	Equipment/maintenance vendor	9
12/10/2022	Debit	Maintenance vendor	1,575
Total			<u>\$ 19,606</u>

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (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.

In addition, the relief association's bylaws at Article III, Section 3 states, in part:

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

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during our prior audits.

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.

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 \$21,056 (\$19,606 + \$1,450) for the undocumented expenditures. We also recommend that the relief association officials 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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

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. 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. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act and relief association's bylaws. As disclosed in the prior audit, the relief association's Surety (Fidelity) bond coverage expired on June 6, 2018, and the relief association continued without coverage until February 22, 2019. The relief association obtained sufficient bond coverage through January 15, 2020; however, from January 16, 2020, to December 31, 2022, the relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. As of December 31, 2022, the relief association's cash assets totaled \$9,065.

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, the relief association's bylaws at Article VIII, Section 2 states, in part:

The association shall maintain an officer's bond on the treasurer. 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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during our prior audit.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We again recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act and the relief association's bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

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. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to 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 consistently contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify all the 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 \$66,949 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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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 did not provide a reason why this occurred despite the relief association being notified of this condition during our prior audit.

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.

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. 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 did not provide a response to the finding as presented at the audit exit conference.

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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Internal Controls

Condition: As disclosed in the prior audit, the relief association failed to establish adequate internal controls. The relief association officials did not take corrective action to address the following conditions noted prior to the end of the current audit period ending December 31, 2022, that are indicative of internal control weaknesses:

- Adequate segregation of duties to safeguard the relief association assets. (See Finding No. 6)
- Before payment of relief association funds, expenditures should be fully and adequately supported by legitimate vendor invoices. (See Finding No. 1)
- Approval of expenditures by two relief association officials prior to payment of purchases with evidence of approval via signatures. (See Finding No. 7)
- Presentation, discussion, and approval of financial activities at relief association meetings. (See Finding No. 9)

In addition, on August 17, 2021, the relief association transferred funds from an investment account in the amount of \$46,150, thus closing the investment account. There was no record of membership approval for this transaction in the minutes (See Finding No. 9). Furthermore, we were unable to obtain confirmation from the financial institution holding the investment, verifying that authorized individuals signed for the transfer or approved the closing of the account.

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 1 states, in part:

The officers, of this association, shall consist of a President, vice-president, Secretary, and a Treasurer.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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

Secretary: The Secretary shall keep a true record of the proceedings, of every meeting, in the minutes. The minutes shall note authorization, by the membership, of all association financial transactions and all other pertinent business discussed at meetings.

Treasurer: The treasurer shall keep a journal and ledger which 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 VII, Section 1 states:

All purchases and sales of investments must be made in a prudent manner to insure [sic] maximum investment return and be authorized by a majority vote of the membership present. The transactions must be recorded in the minutes.

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

The signature of at least two (2) officers, one of whom shall be the treasurer, shall be required for the issuance of relief association checks, withdrawal from the association's savings account, the redemption of any relief association investment, or any other negotiable investment issued by the association.

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

Effect: The continued failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We again recommend that the relief association officials develop and implement written internal control procedures designed to reduce the risk of future misappropriation of assets which will require the following:

- Adequate segregation of duties to safeguard the relief association assets.
- Expenditures must be fully and adequately supported by legitimate vendor invoices before paid.
- Approval of expenditures by two relief association officials prior to payment of purchases with evidence of approval via signatures.
- Approval of transfers, account close-outs, investment, and sale of funds by two relief association officials with evidence of approval via signatures.
- Presentation, discussion, and approval of financial activities at relief association meetings.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Condition: Although the relief association received reimbursement from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/13/2019	1540	Maintenance on jointly owned vehicle	\$ 91
12/24/2019	1556	Maintenance on jointly owned vehicle	1,724
01/22/2022	1007	Maintenance on jointly owned vehicle	3,259
Total			<u>\$ 5,074</u>

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.
- (22) To pay for vehicles used for emergency response.

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 that exceed the agreement associated with maintenance on a jointly owned vehicle with the affiliated fire company do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: The relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during our prior audit.

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 \$5,074 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.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

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. 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. 6 – Failure To Segregate Relief Association Officers' Duties

Condition: During the current audit, we detected that the same individual holds the position of both Secretary and Treasurer.

Criteria: Prudent business practice dictates that the duties of the Secretary and Treasurer be sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors or irregularities.

The minimum requirements of the Secretary's position, pertaining to a relief association, are to maintain detailed minutes of meetings authorizing the relief association's financial operations. The Secretary should review and coordinate the amending of the bylaws governing the relief association so that the bylaws meet the minimum requirements of the VFRA Act.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

The minimum requirements of the Treasurer's position, pertaining to a relief association, are to maintain an account of all funds belonging to the relief association. The Treasurer shall maintain a journal and ledger detailing all financial transactions of the relief association along with documentation supporting the receipts and disbursements. The Treasurer should co-sign all negotiable instruments along with another relief association officer. Also, financial statements should be prepared at least on an annual basis by the Treasurer.

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

Effect: An inadequate segregation of duties could prevent relief association officials and members from effectively monitoring the relief association's financial transactions. Additionally, it negates the checks and balances necessary to detect and correct financial errors or irregularities in the relief association's accounting system.

Recommendation: We recommend that the relief association officials ensure that there is adequate segregation of duties between the Relief Association's Secretary and Treasurer. We also recommend that the relief association officials review its accounting and internal control procedures to ensure that the duties being performed by the Secretary and Treasurer are sufficiently segregated so that relief association assets are adequately safeguarded. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 7 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 14 checks out of 77 checks drawn on the relief association's checking account that only contained the signature of one officer (either the previous or current Relief Association Treasurer), even though two signatures are required by the VFRA Act and the relief association's bylaws. Issuing checks with the signature of only one relief association officer negates the relief association's internal control over the disbursement process.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Additionally, on August 17, 2021, the relief association issued a cashier's check in the amount of \$35,000 for the purchase of a 2003 Ford vehicle. The funds for this cashier's check were drawn from the relief association's checking account and did not contain the proper signatory authority. The cashier's check was authorized by only one officer. While the signature was not clearly legible, we were able to determine the individual was not an authorized check signer with the relief association's bank.

Furthermore, on August 12, 2021, the Relief Association's Treasurer revised the authorized signers on the investment account (previously disclosed in Finding No. 4) that was closed on August 17, 2021. While these updates may have been needed, the failure to consistently record and approve relief association officer changes in meeting minutes made it difficult to determine who should have been the authorized signers.

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 VIII, Section 1 states:

The signature of at least two (2) officers, one of whom shall be the treasurer, shall be required for the issuance of relief association checks, withdrawal from the association's savings account, the redemption of any relief association investment, or any other negotiable investment issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two authorized relief association officials are included on all negotiable instruments. 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 approving the checks.

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

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Effect: As a result of the relief association officers issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected. In addition, as a result of the relief association officer issuing a cashier's check without the signature of the disbursing officer, assets were placed at greater risk without the disbursing officer having the opportunity to verify the propriety of the expenditures.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two authorized relief association officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 8 – Inappropriate Ownership Of Rescue Vehicle

Condition: On August 17, 2021, the relief association purchased a 2003 Ford rescue vehicle, in the amount of \$35,000, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the fire company.

In addition, the purchase of the vehicle appeared to be approved by the members in attendance; however, the details of the purchase and vote were not recorded in the minutes, only the motion and its second were noted in the minutes. According to the meeting minutes, members in attendance were informed by an unknown officer, "There is to be no mention outside of fire department members regarding this purchase. Anyone that is telling people outside of the fire department will be automatically suspended for 30 days."

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

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

Effect: As a result of the 2003 Ford rescue vehicle being inappropriately titled in the name of the fire company, this relief association asset was not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the 2003 Ford rescue vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$35,000. We also recommend that the relief association officials ensure all expenditures are approved and recorded in the meeting minutes as required by the VFRA Act and the relief association's bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

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.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – Inadequate Minutes Of Meetings And Relief Association Bylaws

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association's meeting minutes did not address the following:

- All financial-related transactions that occurred during the audit period.
- The meeting minutes were only held/provided for eight months during calendar year 2019, ten months during calendar year 2020, ten months during calendar year 2021, and no meeting minutes were held/provided during calendar year 2022.
- The transfer of funds on August 17, 2021, to close out the investment account with no record of membership approval for this transaction in the minutes.
- The 2003 Ford rescue vehicle purchase on August 17, 2021, where the vehicle appeared to be approved by the members in attendance; however, the details of the purchase and vote were not recorded in the minutes, only the motion and its second were noted in the minutes.

Furthermore, the existing bylaws of the relief association contain language to conduct business pertaining to the disbursement, investment, and purchase of funds that is based on Act 84 of June 11, 1968. The relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020).

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 II, Section 1 states, in part:

Regular meetings of this association shall be held on the second Wednesday of each month immediately following the regular stated business meeting of the Shiremanstown Fire Dept.

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

Secretary: The Secretary shall keep a true record of the proceedings, of every meeting, in the minutes. The minutes shall note authorization, by the membership, of all association financial transactions and all other pertinent business discussed at meetings.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

In addition, the relief association's bylaws at Article V, Section 1 states:

Funds of this association shall only be expended for the purposes of authorized by the provisions of ACT 84 and the association by-laws. All expenditures must be approved by a majority vote of the membership present. At any official meeting of the association, said expenditures must be recorded in the minutes of that meeting.

The relief association's bylaws at Article VI, Section 1 states, in part:

All other benefits will be paid in accordance with ACT 84 SECTION 6(e).

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

Funds of this association may be invested in any security authorized by the provisions of ACT 84 SECTION 6(e). All purchases and sales of investments must be made in a prudent manner to insure [sic] maximum investment return and be authorized by a majority vote of the membership present. The transactions must be recorded in the minutes.

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

Effect: Without transparency, holding regular meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. As a result of the relief association not updating the bylaws to meet the appropriate requirements, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. The minutes should include an adequate record of all financial-related business conducted by the relief association. In addition, we recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020). For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 10 – Inadequate Financial Record-Keeping System

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 journal was not maintained to record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Investment statements were not available for the year 2020.
- Documentation to support various expenditures was not available for examination at the time of the audit. (See Finding No. 1)

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.

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

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

The relief association's bylaws at Article VII, Section 2 states:

A detailed record shall be kept of all association investment transactions. The association shall, also, keep a full account of all income derived from the investments. All investment documents (I.E. Statements) must be retained to verify investment transactions.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 10 – (Continued)

In addition, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

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

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

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. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 11 – Failure To Maintain A Complete And Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

Criteria: Relief association officials should maintain a complete and accurate cumulative roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members (including former members) should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 11 – (Continued)

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

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate cumulative roster of the relief association's membership. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

SHIREMANSTOWN FIREMANS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings such as that reported by Finding Nos. 1 and 5 in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. Furthermore, a condition such as that reported by Finding No. 8 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is 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.

SHIREMANSTOWN FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Shiremanstown Firemans' Relief Association Governing Body:

Mr. Brad Wright
President

Mr. Tom McCutcheon
Vice President

Ms. Amanda Kendall
Secretary/Treasurer

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

Ms. Janna Colechio
Secretary
Shiremanstown 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.