

COMPLIANCE AUDIT

Kidder Township Volunteer Firemen's Relief Association Carbon County, Pennsylvania For the Period January 1, 2012 to December 31, 2015

June 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. David Troell, President
Kidder Township Volunteer Firemen's
Relief Association
Carbon County

We have conducted a compliance audit of the Kidder Township Volunteer Firemen's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2012 to December 31, 2015.

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 received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

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.

As disclosed in the prior audit report covering the period January 1, 2009 to December 31, 2013, the audit contained findings covering the period January 1, 2009 to December 31, 2011; however, we were precluded from determining whether expenditures totaling \$55,527 made during the period January 1, 2012 to December 31, 2013 were approved by the relief association's membership and/or made in compliance with Act 118 requirements due to a lack of supporting financial records being provided by relief association officials. As a result of not receiving the requested financial records, the prior released audit report contained language regarding this limitation and the next available allocation of state aid was withheld by the department. In May 2015, we were contacted and a request was made by the Kidder Township Police Department to review certain financial information obtained in connection with a criminal investigation into improprieties occurring within the relief association located within the police department's jurisdiction. A summary report was provided to the Kidder Township Police Department disclosing that there were 59 checks spanning the period March 6, 2012 through May 19, 2014 written and payable to the relief association's treasurer amounting to \$35,405. As disclosed in Finding No. 1 contained in this report, the current audit disclosed that there were additional payments identified as also being made payable to this same individual. These checks contained only the signature of the treasurer as disclosed more fully in Finding No. 5 of this report. As a result of the criminal investigation, the relief association treasurer pled guilty to one count of theft and is scheduled for sentencing in early June 2016.

In addition, we were not able to obtain an independent confirmation of a cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2015, the relief association had a cash balance of \$270, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2012 to December 31, 2015:

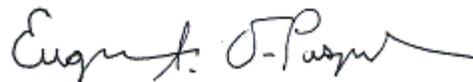
- The relief association took appropriate corrective action to address two of the four findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, the relief association did not, in all significant respects, receive state aid and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. Consequently, the relief association would have been subject to the potential withholding of its upcoming state aid distribution. However, Kidder Township, as the sole funding source of state aid for this relief association, has ordained on September 17, 2015 that the fire company affiliated with this relief association will no longer provide fire service to the township and although the decertification of the affiliated fire company does not in itself result in the decertification of the relief association, Kidder Township has discontinued the distribution of state aid to the relief association accordingly.

- Finding No. 1 – Misappropriation Of Assets
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures
- Finding No. 3 – Failure To Maintain Surety (Fidelity) Bond Coverage
- Finding No. 4 – Inadequate Internal Controls
- Finding No. 5 – Inadequate Signatory Authority For The Disbursement Of Funds
- Finding No. 6 – Inadequate Financial Record-Keeping System
- Finding No. 7 – Failure To Maintain Minutes Of Meetings
- Finding No. 8 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 9 – Failure To Secure Ownership In A Jointly Purchased Vehicle

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

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.

May 31, 2016



EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 governs the overall operation of volunteer firefighters' relief associations. The relief association's bylaws define the specific operational procedures by which the relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the relief association 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.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Kidder Township	Carbon	\$11,508	\$10,351	*	**

* In 2014, the relief association did not receive a distribution of state aid from Kidder Township according to information contained on the Receipt and Distribution of Foreign Fire Insurance Premium Tax Form 706-B submitted by the township.

** As disclosed earlier in this report and above, because of concerns regarding misuse of funds and mismanagement of the association, we withheld a portion of the 2015 state aid from the municipality that previously provided state aid to this relief association. The township has not funded this relief association since 2013.

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:

The Kidder Township Fire Company No. 1

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Overpayment Of Sales Proceeds To Fire Company

By receiving reimbursement of \$2,880 from the affiliated fire company for the overpayment made in the prior audit period.

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

Although the relief association received reimbursement of \$1,200 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period, a similar condition occurred during the current audit period as further disclosed in Finding No. 1 of this report.

- Failure To Maintain A Complete And Accurate Equipment Roster

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

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Misappropriation of Assets

Condition: During the audit period, the former relief association treasurer withdrew and misappropriated \$39,055 from relief association accounts. The former treasurer wrote 65 relief association checks made payable to herself that she subsequently cashed; however, these checks were written without proper authorization or knowledge of the relief association membership.

Criteria: Act 118 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any 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 amended, as far as be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

In addition, Article IX, Section 1, of the relief association bylaws states:

Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 84 of 1968 and the association bylaws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Cause: Relief association officials failed to establish adequate internal control procedures to effectively monitor transactions and ensure the propriety of all expenditures made from relief association funds. These deficiencies are further discussed in detail in Finding No. 4 contained in this report. The relief association was unaware of its ineffective internal control system and that monetary assets were not adequately protected.

Effect: As a result, relief association funds amounting to \$39,055 were stolen; and therefore, were not available for authorized relief association activities.

Recommendation: We recommend that the relief association seek reimbursement of \$39,055 for the misappropriation of assets and that relief association officials establish adequate internal control procedures to prevent any future misappropriation of funds. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and subsequent to the audit period, the relief association was reimbursed \$32,821 by the bonding insurance company for the theft.

Auditor's Conclusion: Based on the management response, we recommend the relief association seek additional reimbursement for the remaining \$6,234 of misappropriated funds. Compliance will be subject to verification through our next audit.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Condition: As disclosed in the Status of Prior Audit Findings section of this report, although the relief association received reimbursement from the affiliated fire company for the undocumented expenditures disclosed in the prior audit period, a similar condition occurred during the current audit period. 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>
01-31-12	1127	Vendor	\$ 943
02-14-12	1130	Retail store	205
02-14-12	1131	Retail store	206
02-16-12	1132	Retail store	62
03-06-12	1139	Individual	200
03-08-12	1140	Postal service	45
03-12-12	1141	Retail store	10
03-21-12	1144	Retail store	424
05-13-12	1148	Individual	108
06-25-12	1151	Retail store	42
07-02-12	1154	Retail store	289
07-07-12	1156	Individual	81
08-03-12	1159	Retail store	198
08-23-12	1163	Vendor	568
10-10-12	1171	Insurance agency	830
10-23-12	1173	Individual	100
10-23-12	1176	Retail store	60
10-25-12	1178	Retail store	1,078

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
11-05-12	1181	Retail store	47
11-07-12	1182	Retail store	248
11-14-12	1186	Vendor	299
12-22-12	1195	Individual	300
04-22-13	1205	Retail store	143
08-20-13	1213	Insurance agency	883
11-12-13	1222	Retail store	124
12-06-13	1229	Individual	100
12-06-13	1230	Individual	100
01-06-14	1234	Retail store	30
01-13-14	1236	Vendor	586
03-20-14	1241	Insurance agency	200
05-29-15	99	Individual	100
07-04-15	103	Individual	168
Total			<u>\$ 8,777</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the continued failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to evidence the propriety of the expenditures or that the relief association be reimbursed \$8,777 for the undocumented expenditures. We also again 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.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference; however, officials indicated that the affiliated fire company is in the process of trying to merge with the Albrightsville Volunteer Fire Company along with the relief association due to financial circumstances and unfortunately officials believe that the relief association will be unable to recoup the funding associated with these undocumented expenditures required to comply with the recommendation.

Auditor's Conclusion: Although we understand and are sympathetic to the relief association's situation, we are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage that the relief association attempt to implement the recommendation noted in this audit report, if possible.

Finding No. 3 – 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 Act 118. The relief association's Surety (Fidelity) bond coverage expired on March 23, 2015. As of December 31, 2015, the relief association's cash assets totaled \$270.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials indicated that they were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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 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 Act 118. 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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Inadequate Internal Controls

Condition: The relief association has failed to establish adequate internal controls. The following significant internal control weaknesses existed during the audit period:

- Membership meetings were conducted infrequently.
- Original invoices were not required prior to the payment for purchases made.
- Checks were not mailed directly to vendors.
- Bank reconciliations were not performed.
- Financial related activities were not presented, discussed and approved at relief association meetings.
- Detailed minutes of meetings were not maintained.
- Periodic physical inventories of equipment owned by the relief association were not performed.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

Furthermore, prudent business practice dictates that:

- Meetings should be conducted more frequently than quarterly.
- Original invoices shall be required prior to payment of purchases.
- Checks should be mailed directly to vendors.
- Monthly bank reconciliations should be performed.
- All purchases shall be presented to the association membership for discussion and approval.
- Detailed meeting minutes must be maintained to accurately document relief association business.
- Periodic physical inventories of equipment owned should be performed.

Cause: Relief association officials failed to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions. The relief association officials indicated that they were unaware of the relief association's ineffective internal control system.

Effect: The 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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association officials adopt internal control procedures which will require the following:

- More frequently held membership meetings.
- Payment of purchases only from original invoices.
- -
- Mailing of checks directly to vendors.
- Performance of monthly bank reconciliations.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of detailed meeting minutes.
- Periodic physical inspections of equipment owned.
- Documentation of all expenditures.

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: Compliance will be subject to verification through our next audit.

Finding No. 5 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 118 checks out of 123 checks drawn on the relief association's checking account that only contained the signature of one officer, even though two signatures are required by Act 118 and the relief association bylaws. Issuing checks with the signature of only one officer negates the relief association's internal control over the disbursement process.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) 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, Article V; Section 4, of the relief association's bylaws states:

The treasurer shall sign all checks along with the president and attested by the secretary.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued):

Prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two 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: Relief association officials neglected to establish adequate internal control procedures that require the signatures of at least two officers on all negotiable instruments.

Effect: As a result of the relief association officer 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.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. 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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – 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 and to provide effective control over cash receipts, disbursements, and assets. 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.
- Documentation to support various expenditures was not available for examination at the time of the audit.
- Certificate of deposit records were not maintained.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

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

Cause: Relief association officials indicated that they were unaware of their various record-keeping responsibilities

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 and provides effective control over cash receipts, disbursements, and assets. 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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

Cause: Relief association officials indicated that they were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without 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 maintain a permanent record of all relief association meetings as required by Act 118. The minutes should 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.

Finding No. 8 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: As disclosed in the prior audit report, the relief association did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (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: Relief association officials failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

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 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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

Condition: The relief association previously expended \$29,870 on July 26, 2010, for the purpose of jointly purchasing a vehicle with the affiliated fire company. As of the date of this report, however, the relief association has not adequately secured its ownership interest in this jointly purchased vehicle.

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold.

Cause: Relief association officials failed to adequately secure its proportional ownership interest in the jointly purchased vehicle.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased vehicle places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the affiliated fire company that enumerates the relief association's proportional ownership interest in the jointly purchased vehicle as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$29,870. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2015

Cash	<u>\$ 270</u>
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KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2012 TO DECEMBER 31, 2015

Benefit Services:	
Relief benefits	\$ 554
Fire Services:	
Equipment purchased	\$ 17,353
Equipment maintenance	80
Training expenses	1,468
Fire prevention materials	487
Total Fire Services	\$ 19,388
Administrative Services:	
Other administrative expenses	\$ 1,138
Bond premiums	400
Total Administrative Services	\$ 1,538
Other Expenditures:	
Misappropriated assets *	\$ 39,055
Undocumented expenditures	8,777
Total Other Expenditures	\$ 47,832
Total Expenditures	\$ 69,312

* As disclosed in Finding No. 1 contained in this report, the relief association received a partial reimbursement of \$32,821 from the bonding company for the misappropriation. In early 2016, the relief association deposited the reimbursement check dated December 14, 2015.

KIDDER TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Kidder Township Volunteer Firemen's Relief Association Governing Body:

Mr. David Troell
President

Mr. Robert Hill
Vice President

Ms. Nicole Plavin
Secretary

Mr. Elwood Troell
Treasurer

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

Ms. Suzanne Brooks
Secretary
Kidder Township

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.