



**NEWBERRY TOWNSHIP FIREMEN'S  
RELIEF ASSOCIATION**

**YORK COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2010 TO DECEMBER 31, 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**AUDITOR GENERAL**

Mr. Gary Hatterer, Jr., Vice President  
NEWBERRY TOWNSHIP VOLUNTEER  
FIREFIGHTERS' RELIEF ASSOCIATION  
York County

We have conducted a compliance audit of the Newberry Township Volunteer Firefighters' 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, 2010 to December 31, 2012.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Newberry Township Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Newberry Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Newberry Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2012, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2010 to December 31, 2012, found the Newberry Township Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and as discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Newberry Township Volunteer Firefighters' Relief Association did not, in all significant respects, receive state aid and expend state aid and accumulate relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. Therefore, the Newberry Township Volunteer Firefighters' Relief Association will be subject to the 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 – Inadequate Internal Controls and Financial Record-Keeping System**

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster**

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

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid**

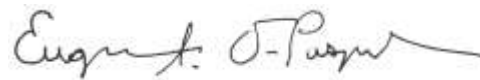
**Finding No. 5 – Undocumented Expenditures**

The results of our tests also indicated the Newberry Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance of \$129,534 and an investment balance with a fair value of \$8,334.

However, a scope limitation in our audit exists, as detailed in the Observation section of this report.

The contents of this report were discussed with the management of the Newberry Township Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

April 15, 2014



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Findings .....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping And Inadequate Internal Controls.....	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster.....	6
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster .....	7
Finding No. 4 – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid.....	9
Finding No. 5 – Undocumented Expenditures .....	11
Observation:	
Observation – Scope Limitation.....	16
Potential Withhold of State Aid.....	17
Accompanying Expenditure Information .....	18
Report Distribution List .....	19

## 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 Newberry Township Firemen's Relief Association, herein referred to as the Newberry Township Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality.

**BACKGROUND (Continued)**

The Newberry Township Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Newberry Township	York	\$55,097	\$72,514	*

\*The 2012 state aid allocation from Newberry Township, amounting to \$43,396, was not deposited by the relief association as of our fieldwork date, as disclosed in Finding No. 4 contained in this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The Newberry Township Volunteer Firefighters’ Relief Association is affiliated with the following fire service organizations:

Newberry Township Fire Department



NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Newberry Township Volunteer Firefighters' Relief Association has not complied with the five prior audit findings and recommendations. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping System
- Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster
- Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster
- Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid  
Although the relief association deposited the 2009 state aid amounting to \$34,048 on March 29, 2010, a similar condition existed during the current audit period for the 2010 and 2012 state aid allocations as disclosed in Finding No. 4 contained in this report.
- Noncompliance With Prior Audit Recommendation – Inadequate Internal Controls  
This prior finding relates to inadequate record-keeping which is noted in the first noncompliance finding above. The continued existence of inadequate internal controls related to record-keeping has been incorporated into Finding No. 1 of this report.

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

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping And Inadequate Internal Controls**

Condition: As cited in the prior audit report, the relief association's financial record-keeping system does not provide effective internal controls over receipts, disbursements and monetary assets of the relief association and does not meet the minimal requirements of maintaining adequate financial records established by this department. A similar condition occurred during the current audit period and we again note the following deficiencies in the relief association's record-keeping system:

- Journals and ledgers were not maintained to record financial transactions of the relief association;
- An investment roster was not maintained to track relief association investments; and
- The relief association incurred and paid bank service and overdraft fees

In addition we noted the following internal control deficiencies:

- Detailed minutes of meetings were not maintained
- Financial related issues were not presented, discussed, and approved at relief association meetings
- Membership meetings were conducted infrequently
- Bank reconciliations were not performed
- Payments were made to vendors without original invoices and not marked paid after payment was issued
- Checks were issued to individuals for purchases they made on behalf of the relief association, instead of being paid directly to the vendor
- Payments were frequently made late resulting in additional fees

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 incorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for the taking and preserving minutes of all meetings and maintenance of such books of accounts as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, meetings should be conducted more frequently than quarterly and the minutes of the meetings should include the discussion and evidence the approval of financial affairs of the relief association.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued):**

Furthermore, an adequate system of internal controls over financial record-keeping is a prerequisite for sound administration of relief association assets and should include the following:

- Monthly bank reconciliations
- original invoices maintained on file for all payments
- Paid invoices marked “paid”
- Payments mailed directly to vendors in a timely manner

Cause: Even though notified of these conditions during the prior audit, relief association officials again failed to establish adequate financial record-keeping procedures and adequate internal controls.

Effect: The continued failure of relief association officials to maintain adequate record-keeping prohibits the membership from affectively monitoring the financial operations of the relief association. In addition the continued failure to establish adequate internal controls prevented the relief association from safeguarding its monetary assets. Bank service and overdraft fees of \$415 were incurred by the relief association due to these deficiencies. The lack of effective internal controls places the relief association funds at greater risk of misappropriation.

Recommendation: We again recommend that the relief association establish and maintain an adequate financial record-keeping system which included adequate internal controls to ensure the following:

- Minutes of meetings are maintained and include detail discussion and approval of financial activity
- Relief association meetings are held more frequently than quarterly
- Monthly bank reconciliations are performed to avoid overdraft charges
- Payments are issued based on original vendor invoice and paid directly to vendors
- Vendors are paid on time to avoid late fees

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

Management Response: Relief association management agreed with the finding as presented at the exit conference and indicated they will take action to comply with the recommendation.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued):**

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: As cited in our prior audit report, relief association officials 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, this roster was incomplete and did not accurately identify all of the equipment owned by the relief association. In addition, we were unable to determine if all equipment purchased was recorded on the equipment roster due to the undocumented expenditures made during the audit period (see Finding No. 5). In addition, there was no indication that an annual physical inventory of equipment was conducted to account for the relief association's equipment.

Criteria: Prudent business practice dictates 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 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; and
- Evidence of the performance and results of an annual physical inventory

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued):**

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures over equipment to ensure that a cumulative equipment roster was maintained and that an annual physical inventory of equipment was performed.

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 the relief association officials maintain a cumulative equipment roster of all relief association owned equipment. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

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

Condition: As cited in our prior audit report, the relief association officials failed to maintain a complete and accurate roster of relief association members. Although the relief association provided a membership roster for the current audit period, the roster did not provide members' mailing addresses, dates of membership and membership classification.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued):**

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership that complies with the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

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

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

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to maintain a comprehensive roster of relief association members.

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 again recommend the relief association officials compile and maintain a complete and accurate 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 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.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – Untimely Deposit Of State Aid**

Condition: As cited in the Status of Prior Findings section of this report, although the relief association deposited the outstanding 2009 state aid amount on March 29, 2010, a similar condition occurred during the current audit period. The relief association did not deposit the \$38,323 of 2010 state aid distributed to it by Newberry Township into a relief association account until February 2, 2011. Also, as of the last day of fieldwork, the relief association had not deposited the \$43,396 of 2012 state aid distributed to it by Newberry Township into a relief association account as required by Act 205.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner. In general, relief associations should deposit state aid distributed in September by December 31.

Cause: Even though notified of this condition during our prior audit, the relief association again failed to establish internal control procedures to ensure that all state aid it received is deposited into a relief association account as required by Act 205

Effect: As a result of the state aid not being deposited, the relief association was again unable to use the funds for general operating expenses or for investment purposes. In addition, the continued failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the recommendations of this finding.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued):**

Recommendation: We recommend the relief association immediately locate and deposit the \$43,396 state aid allocation it received from Newberry Township in 2012 into a relief association account. In addition, the relief association must establish internal control procedures to ensure all state aid received is deposited into a relief association account in a timely manner. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

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



NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following \$48,360 of expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
1/12/2010	1578	Equipment vendor	\$ 578
1/12/2010	1579	Postage vendor	44
2/03/2010	1580	Equipment vendor	214
3/23/2010	1585	Investment firm	900
3/25/2010	1586	Individual member	350
4/01/2010	1587	Insurance company	1,595
5/11/2010	1591	EMS organization	610
5/11/2010	1592	Communication vendor	125
5/11/2010	1593	Community college	820
5/13/2010	1594	Individual member	95
6/10/2010	1595	Service vendor	144
6/15/2010	1598	Equipment vendor	161
6/22/2010	1599	Individual member	105
6/22/2010	1600	Equipment vendor	149
8/11/2010	1601	Service vendor	82
6/15/2010	1597	Communication vendor	118
9/11/2010	1604	Individual member	64
10/8/2010	1607	Unknown payee	1,880

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued):**

Date	Check No.	Payee Description	Amount
12/07/2010	1608	Equipment vendor	\$ 1,219
12/07/2010	1609	Equipment vendor	284
12/07/2010	1611	Fire police association	24
1/13/2011	1612	Fire school	200
1/13/2011	1613	Maintenance vendor	414
2/02/2011	1614	Communication Vendor	576
3/10/2011	1711	Unknown payee	391
3/16/2011	1713	Unknown payee	18
3/29/2011	1701	Unknown payee	58
4/22/2011	1714	Unknown payee	842
6/03/2011	1715	Unknown payee	1,498
10/28/2011	1721	Unknown payee	9,474
10/31/2011	1722	Unknown payee	78
11/14/2011	1725	Unknown payee	1,101
12/16/2011	1726	Unknown payee	100
12/28/2011	1735	Unknown payee	149
1/12/2012	1728	Unknown payee	25
2/10/2012	1739	Community college	875
2/29/2012	1742	Firemen's relief association	400
2/29/2012	1744	Equipment vendor	1,029

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued):**

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
2/29/2012	1745	Equipment vendor	\$ 504
2/20/2012	1746	Insurance company	6,732
3/08/2012	1747	Community college	500
3/02/2012	1748	Community college	3,270
2/29/2012	1749	Communication vendor	234
3/31/2012	1750	County government	30
6/05/2012	1752	Community college	1,000
6/07/2012	1753	County government	95
6/07/2012	1755	Community college	270
6/18/2012	1757	Communications vendor	347
8/21/2012	1765	Unknown payee	48
8/24/2012	1762	Unknown payee	25
8/27/2012	1764	Unknown payee	640
8/27/2012	1766	Unknown payee	60
10/26/2012	1768	Communication vendor	349
10/30/2012	1767	Unknown payee	350
10/30/2012	1770	Unknown payee	103
10/30/2012	1772	Unknown payee	1,700
10/30/2012	1774	Unknown payee	27
11/13/2012	1775	Unknown payee	37

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued):**

Date	Check No.	Descriptions	Amount
11/21/2012	1777	Unknown payee	\$ 52
11/23/2012	1780	Unknown payee	120
11/23/2012	1786	Unknown payee	174
Various	Debit	Communication vendor	4,829
12/11/11	Debit	ACH debit	75
Total undocumented expenditures			<u>\$ 48,360</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), [FN1] 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 invoices, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practices dictate that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices 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 failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the recommendations of this finding.

**Finding No. 5 – (Continued):**

Recommendation: We recommend the relief association provide this department with adequate supporting documentation, such as invoices, to evidence the propriety of the expenditures or that the relief association be reimbursed \$48,360 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.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

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

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
OBSERVATION

**Observation – Scope Limitation**

The Newberry Township Volunteer Firefighters' Relief Association (VFRA) does not maintain canceled or imaged checks. While the VFRA provided bank statements, the VFRA failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we could not determine whether two VFRA officers authorized and signed the checks.

Act 118 at 35 Pa.C.S. § 7415(c)(3) requires 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.

Act 118 at 35 Pa.C.S. § 7418(a) provides that the Department of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association . . . 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.

Generally Accepted Government Auditing Standards (GAGAS) Section No. 6.56 states, "Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions." GAGAS Section No. 6.61(f) states, "Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity."

Our inability to review canceled checks or imaged checks constitutes a scope limitation in our audit.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions of a repeat finding such as that reported by Finding No. 4 may lead to a total withholding of state aid in the future unless that finding is corrected. In addition, a condition such as that reported in Finding No. 5 may also lead to a total withholding of state aid in the future unless this finding is corrected. However, such action will 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 volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Municipal Pensions & VFRA Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2012

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 14,050
Tokens of sympathy and goodwill	261
Total Benefit Services	\$ 14,311
Fire Services:	
Equipment purchased	\$ 84,545
Equipment maintenance	6,260
Training expenses	2,744
Fire prevention materials	2,251
Total Fire Services	\$ 95,800
Administrative Services:	
Other administrative expenses	\$ 553
Other Expenditures	
Undocumented Expenditures	\$ 48,360



NEWBERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Newberry Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Gary Hatterer, Jr.	Vice President
Mr. Brian Johnson	Secretary
Mr. Mark Hillis	Treasurer

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

Mr. Donald L. Keener Newberry Township	Secretary
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This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).