

COMPLIANCE AUDIT

Birdsboro-Union Relief Association Berks County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

January 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Michele Katzin, President
Birdsboro-Union Relief Association
Berks County

We have conducted a compliance audit of the Birdsboro-Union Relief Association (relief association) for the period January 1, 2020, 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 objective of the audit was 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 objective 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.

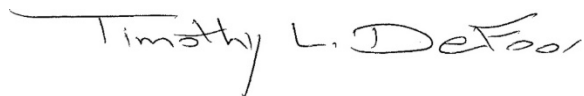
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, because of the significance of the matters described in the findings below and discussed later in this report, we conclude that, for the period January 1, 2020, to December 31, 2022, 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.

- Finding No. 1 – Undocumented Expenditures As A Result Of Alleged Misappropriated Assets
- Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle
- Finding No. 3 – Failure To Secure Ownership Interest In Jointly Purchased Equipment
- Finding No. 4 – Inadequate Minutes Of Meetings And Relief Association Bylaws
- Finding No. 5 – Inadequate Internal Controls
- Finding No. 6 – Failure To Adhere To Relief Association Bylaws
- Finding No. 7 – Inadequate Financial Record-Keeping System
- Finding No. 8 – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 9 – Insufficient Surety (Fidelity) Bond Coverage

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

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
January 3, 2024

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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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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(s) that are recognized as providing the services to the municipality.

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

| <u>Municipality</u> | <u>County</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---------------------|---------------|-------------|-------------|-------------|
| Birdsboro Borough | Berks | \$24,660 | \$22,072 | \$28,243 |
| Union Township | Berks | \$22,895 | \$20,586 | \$26,558 |

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 \$6,259, as illustrated below:

| | |
|------|-----------------|
| Cash | <u>\$ 6,259</u> |
|------|-----------------|

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$216,296, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:

| | |
|--------------------|------------------|
| Insurance premiums | <u>\$ 10,624</u> |
|--------------------|------------------|

Fire Services:

| | |
|---------------------------|------------------|
| Equipment purchased | \$ 53,727 |
| Equipment maintenance | 5,699 |
| Training expenses | 8,278 |
| Fire prevention materials | <u>4,491</u> |
| Total Fire Services | <u>\$ 72,195</u> |

Administrative Services:

| | |
|-------------------------------|-----------------|
| Bond premiums | \$ 750 |
| Other administrative expenses | <u>1,270</u> |
| Total Administrative Services | <u>\$ 2,020</u> |

Other Expenditures:

| | |
|---|-------------------|
| Undocumented expenditures – See Finding No. 1 | <u>\$ 131,457</u> |
|---|-------------------|

| | |
|--------------------|--------------------------|
| Total Expenditures | <u><u>\$ 216,296</u></u> |
|--------------------|--------------------------|

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:

Birdsboro-Union Fire Department

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures As A Result Of Alleged Misappropriated Assets

Condition: The relief association was unable to provide adequate supporting documentation for expenditures totaling \$131,457 during the period January 1, 2020, to December 31, 2022, which appears were inappropriately transferred to the affiliated fire company via electronic funds transfers by the former relief association treasurer. In addition, an expenditure in the amount of \$1,100 via electronic transfer to the affiliated fire company appearing to be inappropriately made by the former relief association treasurer was made subsequent to the period under review on January 3, 2023, for which the relief association was also unable to provide adequate supporting documentation. According to a news article appearing in the *Berks Weekly* newspaper dated August 15, 2023, the former treasurer was charged with Theft by Unlawful Taking, Theft by Deception, and three counts of Forgery. The former relief association treasurer simultaneously served as the treasurer of the affiliated fire company to which the undocumented disbursements of relief association monies were transferred.

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.

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

Cause: Relief association officials stated it was theft by previous treasurer which caused these undocumented expenditures, which resulted in criminal proceedings against the former relief association treasurer, who is being charged with stealing funds from the relief association and from the affiliated fire department. In addition, this deficiency occurred due to a lack of internal controls over the disbursement of funds via electronic funds transfer to the affiliated fire company.

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.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$132,557 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. The relief association received \$136,430 from the insurance agency for the undocumented expenditures on July 7, 2023.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$136,430 was received from the insurance agency because of a claim filed by the relief association for the alleged criminal activity of the former relief association treasurer. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit. Auditors had not received information from the bond company explaining the difference of \$3,873 in additional reimbursement provided to the relief association as of the completion of audit fieldwork.

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: In 2010, the relief association had expended \$30,301 towards the joint purchase of a 1994 Pierce Rescue Pumper with the affiliated fire company which had a total cost of \$135,000. The relief association entered into an agreement with the affiliated fire company dated July 10, 2012, where the relief association would receive the pro-rata share percentage of 22.40% if the vehicle was ever sold. In 2019, the jointly purchased vehicle was sold for \$79,000; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

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.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials did execute a formal written agreement with the fire company; however, failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of a jointly purchased vehicle with the affiliated fire company into a relief association account. In addition, relief association officials stated it was the failure of the previous treasurer to obtain the proceeds from the fire company.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$17,696 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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. The relief association received \$17,696 from the affiliated fire company for the sale of the jointly purchased vehicle on September 29, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$17,696 from the affiliated fire company was received and deposited into a relief association account. Compliance for maintaining internal control procedures to ensure that all future proceeds are timely deposited in a relief association account will be subject to verification through our next audit.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Condition: On February 16, 2022, the relief association expended \$19,582 on equipment that was purchased with a grant obtained through the affiliated fire company without properly securing its ownership interest.

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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the equipment. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold. Further, prudent business practice dictates that the relief association be listed on the title of the vehicle if possible.

Cause: The relief association officials stated it was the failure of the previous treasurer to secure proper documentation.

Effect: The failure to adequately secure the proportional share of ownership interest in the relief association purchased equipment 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 fire company that enumerates the relief association's proportional ownership interest in the equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$19,582. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and the relief association entered into an agreement with the affiliated fire company for the purchase of the jointly purchased equipment on September 23, 2023.

Auditor’s Conclusion: We reviewed documentation verifying that the formal written agreement with the fire company enumerates the relief association’s proportional ownership interest. Compliance for executing agreements for all future jointly purchased equipment will be subject to verification through our next audit.

Finding No. 4 – 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 minutes did not address all financial-related transactions that occurred during the audit period. Meetings were only held in two months during calendar year 2020, four months during calendar year 2021, and two months during calendar year 2022. In addition, the meeting minutes were not signed and dated by the recording officer. The existing bylaws of the relief association contains language directing the conduct of business including memorialization of financial transactions pursuant to prior law Act 84 of June 11, 1968. The relief association has not updated their 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 first Sunday of each month immediately preceding the regular meeting of the Birdsboro-Union Fire Department.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

In addition, 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.

Furthermore, the relief association’s bylaws at Article V, Section 1 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: The relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by the VFRA Act and the relief association’s bylaws. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes, why all required meetings were not held, why the minutes were not signed, or why the bylaws were not updated to meet the requirements of the VFRA Act.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, 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 signed, 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. We also 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.

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.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Inadequate Internal Controls

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

- Membership meetings were not conducted in accordance with the relief association bylaws. Refer to Finding No. 6.
- 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.
- Undocumented expenditures. Refer to Finding No. 1.
- Periodic physical inventories of equipment owned were not performed.

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.

In addition, Article V, Section 1 and 2 of the relief association's bylaws states, in part:

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

All expenditures must be made through a relief association account and recorded, in detail, in the association journals and ledgers.

Furthermore, prudent business practice dictates that:

- Meetings should be conducted in accordance with the relief association bylaws.
- Monthly bank reconciliations should be performed.
- All purchases/expenditures 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.
- Maintenance of documentation supporting the propriety of expenditures made.

Cause: The relief association officials stated it was the failure of the previous treasurer to keep proper records.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

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.

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

- Meetings are held in accordance with the relief association bylaws.
- Monthly bank reconciliations should be performed.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of detailed meeting minutes.
- Periodic physical inspections of equipment owned.
- Documentation supporting the propriety 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.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to numerous provisions in the association’s bylaws. Specifically, the relief association did not comply with their bylaws as noted below:

- Membership meetings were not held monthly and there was no indication that the quorum requirements for meetings were being met.
- Relief association funds were expended without the proper authorization of membership.
- There was no secretary in office from February 2021 to February 2023.
- The relief association did not appoint three members to serve as auditors, or appoint an outside accounting firm, to make an annual written report of the association accounts.

Criteria: The relief association’s bylaws state the following:

- Article II, Section 1 – Regular meetings of this association shall be held on the first Sunday of each month immediately preceding the regular meeting of the Birdsboro-Union Fire Department. Seven (7) members shall constitute a quorum, two (2) of which shall be Officers of the Association.
- Article V, Section 1 – Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 84 or 1968 and the association bylaws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.
- Article III, Section 1 – The officers of this association shall consist of a president, vice president, secretary, and treasurer. The officers shall be responsible for the management of association business upon direction received by the membership at association meetings.
- Article VIII, Section 3 – The president shall appoint three members to serve as auditors, or appoint an outside accounting firm, at the regular meeting of the association in January who shall audit the accounts of the association and make a written report of the audit to the members of the association within 60 days.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Furthermore, prudent business practice dictates that the relief association should adhere to all mandated provisions of the relief association’s bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials did not indicate a reason why this occurred; however, they did state that changes are in the process of being made to adhere to their bylaws.

Effect: As a result of the relief association not following the mandatory provisions in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to ensure that the association conducts its affairs with proper authorization. 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. 7 – 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.
- Documentation to support various expenditures and deposits were not available for examination at the time of the audit.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

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.

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

Cause: Relief association officials stated it was the failure of the previous treasurer to maintain proper records.

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 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 – 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. Specifically, the relief association purchased \$53,727 of equipment during the current audit period and there was no equipment roster created or maintained for these purchases. 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.

BIRDSBORO-UNION 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 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 stated it was the failure of the previous treasurer.

Effect: The 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 recommend that the relief association officials maintain a detailed 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.

BIRDSBORO-UNION RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – Insufficient Surety (Fidelity) Bond Coverage

Condition: The relief association did maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association’s authorized disbursing officer from January 1, 2020, to December 31, 2022. However, subsequent to the period under review, the relief association’s Surety (Fidelity) bond coverage amount was decreased to \$100,000; and, as of September 30, 2023, the relief association’s cash assets totaled \$204,348.

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.

Cause: Relief association officials failed to monitor the relief association’s cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer was in compliance with the VFRA Act provisions and did not provide a reason why this occurred.

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

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association’s authorized disbursing officer, as required by the VFRA Act. This requirement may be accomplished by increasing the Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer to an amount greater than the expected maximum balance of the relief association’s cash assets, or by decreasing the relief association’s cash assets to an amount anticipated to remain below the policy coverage amount. In addition, relief association officials should monitor the relief association’s cash balance to ensure that unexpected events affecting the relief association’s current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer. 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.

BIRDSBORO-UNION RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Birdsboro-Union Relief Association Governing Body:

Ms. Michele Katzin
President

Mr. Jon Matthews
Vice President

Mr. Mark Derer
Secretary

Mr. Steven Dragon
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Bonnie L. Frisco
Secretary
Birdsboro Borough

Ms. Deborah Olivieri
Secretary
Union 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.