

COMPLIANCE AUDIT

The Dauntless Hook & Ladder Company Firefighters' Relief Association Snyder County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

November 2019



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Jason Kaufman, President
The Dauntless Hook & Ladder Company
Firefighters' Relief Association
Snyder County

We have conducted a compliance audit of The Dauntless Hook & Ladder Company Firefighters' 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, 2017 to December 31, 2018.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The relief association, in all significant respects, 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, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Overpayment Of Relief Association’s Financial Contribution For Fire Company’s Grant Purchase

Finding No. 2 – Duplicate Payment

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

October 8, 2019



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. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Penn Township	Snyder	\$24,947	\$22,751
Selinsgrove Borough	Snyder	\$23,783	\$21,700

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:

Dauntless Hook and Ladder Company

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of Act 118.

- Failure To Adhere To Relief Association Bylaws

By establishing guidelines and procedures to meet the provisions contained in the relief association bylaws.

- Inadequate Minutes Of Meetings And Approvals Of Financial-Related Business Of The Relief Association

By maintaining detailed minutes of all relief association meetings held during the period and by evidencing the approval of all financial-related business.

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

- Failure To Disclose Related Party Transaction

By adopting internal control procedures to ensure that any related party situation and/or transaction is voted on by the membership and documented in the meeting minutes.

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Overpayment Of Relief Association’s Financial Contribution For Fire Company’s Grant Purchase

Condition: On May 22, 2017, the relief association overpaid for its share of invoices on the affiliated Fire Company’s grant purchase of units of Self-Contained Breathing Apparatus (SCBA) cylinders, water rescue gear, and training. The relief association’s share of the grant purchases was \$16,628; however, the relief association erroneously disbursed \$18,983 for the equipment. As such, the \$2,355 overpayment is considered an unauthorized expenditure.

Criteria: Adequate accounting and internal controls should include procedures to prevent the overpayment of expenses.

Cause: The relief association failed to establish adequate internal control procedures that would prevent overpayment of expenses.

Effect: As a result of the erroneous overpayment, the relief association was unable to use the funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association officials seek reimbursement for the \$2,355 erroneous overpayment. In addition, the relief association officials should establish sufficient accounting and internal control procedures to monitor future association 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: Compliance will be subject to verification through our next audit.

Finding No. 2 – Duplicate Payment

Condition: On March 13, 2017, the relief association expended \$328 for the payment of legal services. On May 22, 2017, the relief association erroneously made a duplicate payment for the same legal services. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices and to ensure duplicate payments are recouped.

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The relief association failed to establish adequate internal control procedures that require all invoices or other billing documents to be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of the erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$328 for the erroneous duplicate payment. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association 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, as a result of our audit, the vendor reimbursed the relief association \$328 for the unauthorized expenditure on August 15, 2019.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$328 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 137,164
Fair Value of Investments	<u>44,496</u>
Total Cash and Investments	<u>\$ 181,660</u>

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 15,088
Fire Services:	
Equipment purchased	\$ 79,240
Equipment maintenance	16,900
Training expenses	8,066
Total Fire Services	\$ 104,206
Administrative Services:	
Other administrative expenses	\$ 5,536
Bond premiums	400
Total Administrative Services	\$ 5,936
Other Expenditures:	
Unauthorized/Duplicate expenditures	\$ 2,683
Total Expenditures	\$ 127,913

THE DAUNTLESS HOOK & LADDER FIRE COMPANY FIREFIGHTERS'
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Dauntless Hook & Ladder Company Firefighters' Relief Association Governing Body:

Mr. Jason Kaufman
President

Mr. Colin Rice
Vice President

Mr. Sean Christine
Secretary

Mr. Monty L. Anders
Treasurer

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

Ms. Kathy Wendt
Secretary
Penn Township

Mr. Paul A. Williams
Secretary
Selinsgrove Borough

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.