

COMPLIANCE AUDIT

The Firemen's Relief Association of the Dewey Fire Company, No. 1 of Hellertown, PA

Northampton County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2022

March 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. James Skibo, President
The Firemen's Relief Association of the
Dewey Fire Company, No. 1 of
Hellertown, PA
Northampton County

We have conducted a compliance audit of The Firemen's Relief Association of the Dewey Fire Company, No. 1 of Hellertown, PA (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 objectives of the audit were:

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

Our audit was limited to the areas related to the objectives identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$74,692 and an investment balance with a fair value of \$50,000, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2022:

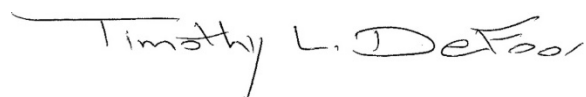
- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 – Noncompliance With Prior Audit Recommendation –
Inadequate Minutes Of Meetings And Relief Association
Bylaws

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure
To Conduct Annual Physical Equipment Inventories

Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of
Funds

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
February 16, 2024

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Findings	4
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings And Relief Association Bylaws.....	5
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Equipment Inventories	7
Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of Funds.....	8
Report Distribution List	10

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 or fire service organizations that is or are recognized as providing the service to the municipality.

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Hellertown Borough	Northampton	\$34,026	\$30,743	\$38,343

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 and investments as of December 31, 2022, were \$124,692, as illustrated below:

Cash	\$ 74,692
Fair Value of Investments	<u>50,000</u>
Total Cash and Investments	<u>\$ 124,692</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$96,400, 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>\$ 24,327</u>
Fire Services:	
Equipment purchased	\$ 34,325
Equipment maintenance	36,021
Training expenses	<u>848</u>
Total Fire Services	<u>\$ 71,194</u>
Administrative Services:	
Bond premiums	\$ 599
Officer compensation	250
Other administrative expenses	<u>30</u>
Total Administrative Services	<u>\$ 879</u>
Total Expenditures	<u>\$ 96,400</u>

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

BACKGROUND – (Continued)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Dewey Fire Company No. 1, of Hellertown, PA

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Minutes Of Meetings
- Failure To Maintain A Complete And Accurate Equipment Roster

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

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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. The meetings were only held in two months during calendar year 2020, two months during calendar year 2021, and ten months during calendar year 2022. In addition, the meeting minutes were not signed and dated by the recording officer. Furthermore, the existing bylaws of the relief association contains language to conduct business pertaining to the disbursement, investment, and purchase of funds that is based on Act 84 of June 11, 1968. The relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act.

A similar condition was noted in our prior audit report.

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 IV, Section 1 states:

The Association shall meet the last Tuesday of the month, following the regular monthly meeting of the Dewey Fire Company, at the call of the President.

In addition, the relief association's bylaws at Article VI, Section 3 states:

It shall be the duty of the Secretary to keep a true record of the proceedings of every meeting in a Minute Book. The minutes shall note authorization by the membership of all financial transactions and other pertinent business discussed at the meetings.

Also, the relief association's bylaws at Article VI, Section 6 states:

It shall be the duty of the Secretary to keep all minutes and records of the Association as required by the State of Pennsylvania.

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Furthermore, the relief association's bylaws at Article VI, Section 10 states, in part:

Funds for this Association shall not be expended for any purpose other than those authorized by the provisions of Act 84, and the By-Laws of this Association. Expenditures must be approved by the membership and duly recorded in the minutes.

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

Funds of this Association provisions may be invested in any security as authorized by Act 84. All purchases and sales of investments shall be made in a prudent manner, 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 the Secretary of the Relief Association did not sign and date the meeting minutes, why all required meetings were not held, 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 again recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. The minutes should include an adequate record of all financial-related business conducted by the relief association. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. In addition, we recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
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 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. 2 – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Equipment Inventories

Condition: Although the relief association provided a cumulative equipment roster in the current audit period, they failed to provide evidence that it conducted annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association.

A similar condition was noted in our prior audit report.

Criteria: Sound business practice dictates that annual inventories are conducted to ensure the accuracy of the relief association's equipment roster.

Cause: The current group of relief association officials did not know that annual physical inventories needed to be performed.

Effect: The continued failure to perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association owned equipment.

Recommendation: We again recommend that the relief association officials ensure they perform an annual physical inventory of all operable equipment and that the completion of the inventories 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.

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified seven checks out of 38 checks drawn on the relief association's checking account that did not contain the proper signatory authority. Specifically, for the seven checks, we found:

- Six checks only contained one signature. The signature was that of an individual who was not a relief association member (accountant).
- One check contained only one signature and according to a relief association officer, was illegible and could not be determined if it was an authorized signature.

In addition, all seven checks identified in the post audit period did not contain the proper signatory authority. Specifically, for the seven checks, we found:

- Six checks contained only one relief association officer's signature (President), even though two signatures are required by the VFRA Act and the relief association's bylaws.
- Again, one check contained only one signature and according to a relief association officer, was illegible and could not be determined if it was an authorized signature.

Two authorized signatures are required by the VFRA Act and the relief association's bylaws. Furthermore, issuing checks with the signature of only one relief association officer or a non-member negates the relief association's internal control over the disbursement process.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association's bylaws at Article X, Section 1 states, in part:

The signature of the Treasurer and President or Secretary and Treasurer and President or Secretary shall be required for the issuance of all Association checks or other financial transactions.

THE FIREMEN'S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Furthermore, 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: The current relief association officials were unaware two authorized signatures are required on each check before disbursement.

Effect: Issuing checks with the signature of only one relief association officer, without the signature of the disbursing officer, and/or without any relief association officer's signatures negates the relief association's internal control over the disbursement process. As a result, assets were placed at greater risk as expenditures were being made without the disbursing officer and/or a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of appropriate authorized signatures ensures the propriety of the expenditure, reduces the risk of misappropriation of funds, and reduces 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 authorized relief association officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management 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.

THE FIREMEN’S RELIEF ASSOCIATION OF THE DEWEY FIRE COMPANY, NO. 1 OF
HELLERTOWN, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Firemen’s Relief Association of the Dewey Fire Company, No. 1 of Hellertown, PA
Governing Body:

Mr. James Skibo
President

Mr. Michael McKenna
Vice President

Ms. Taylor Simkovic
Secretary

Ms. Vicki Delmore
Treasurer

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

Ms. Cathy Hartranft
Secretary
Hellertown 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.