

# COMPLIANCE AUDIT

---

## Gregg Township Firemen's Relief Association Centre County, Pennsylvania For the Period January 1, 2017 to December 31, 2021

---

June 2022



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. Doug Leitch, President  
Gregg Township Firemen's  
Relief Association  
Centre County

We have conducted a compliance audit of the Gregg Township Firemen's Relief Association (relief association) for the period January 1, 2017 to December 31, 2021. 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 finding 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 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, 2021:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Because of the significance of the matters described in Finding Nos. 2 and 3 below and discussed later in this report, 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. Therefore, the relief association may be subject to the potential 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 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Unknown Withdrawals

Finding No. 4 – Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 5 – Failure To Maintain Minutes Of Meetings And Inadequate Minutes Of Meetings

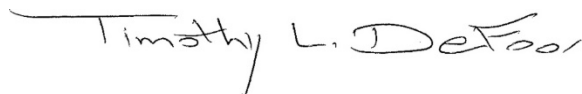
Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 7 – Inadequate Documentation Of Income

Finding No. 8 – Inadequate Financial Record-Keeping System

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.



Timothy L. DeFoor  
Auditor General  
April 13, 2022

CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Finding.....	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster .....	6
Finding No. 2 – Undocumented Expenditures .....	8
Finding No. 3 – Unknown Withdrawals .....	11
Finding No. 4 – Failure To Maintain Surety (Fidelity) Bond Coverage.....	13
Finding No. 5 – Failure To Maintain Minutes Of Meetings And Inadequate Minutes Of Meetings .....	14
Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds.....	15
Finding No. 7 – Inadequate Documentation Of Income .....	17
Finding No. 8 – Inadequate Financial Record-Keeping System.....	18
Potential Withhold of State Aid.....	20
Report Distribution List.....	21

## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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 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.

---

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

**BACKGROUND – (Continued)**

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

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Gregg Township	Centre	\$15,924	\$14,565	\$15,550*	\$15,633	\$13,750*

\* Although Gregg Township prepared and returned a Certification Form AG 385 for 2019 and 2021, the township failed to submit the 2019 and 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Forms 706-B to this department as required by the instructions accompanying Form 706-B and the instructions accompanying the 2019 and 2021 state aid allocations received by the township disclosing this information.

**Gregg Township is still required to complete the 2019 and 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Forms 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.**

Based on the relief association’s records, its total cash and investments as of December 31, 2021, were \$96,850, as illustrated below:

Cash	\$ 26,293
Fair Value of Investments	<u>70,557</u>
Total Cash and Investments	<u><u>\$ 96,850</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2017 to December 31, 2021, were \$95,516, 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.<sup>4</sup> **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>\$ 12,362</u>
--------------------	------------------

#### Fire Services:

Equipment purchased	\$ 15,015
---------------------	-----------

Equipment maintenance	782
-----------------------	-----

Training expenses	905
-------------------	-----

Total Fire Services	<u>\$ 16,702</u>
---------------------	------------------

#### Administrative Services:

Other administrative expenses	\$ 226
-------------------------------	--------

Bond premiums	250
---------------	-----

Total Administrative Services	<u>\$ 476</u>
-------------------------------	---------------

#### Other Expenditures:

Miscellaneous*	\$ 25,910
----------------	-----------

Undocumented expenditures	40,066
---------------------------	--------

Total Other Expenditures	<u>\$ 65,976</u>
--------------------------	------------------

Total Expenditures	<u><u>\$ 95,516</u></u>
--------------------	-------------------------

\* The miscellaneous expenditures represent multiple withdrawals of funds from the relief association’s savings account in calendar years 2019 and 2020 without any supporting documentation provided to evidence the use of the funds. We disclosed this issue to relief association officials during the conduct of our audit. Additional information is included in Finding No. 3.

---

<sup>4</sup> 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:

Gregg Township Fire Company



GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association, since it only included items purchased in the current audit period and not previously purchased items. In addition, the listing provided for items purchased in 2019, 2020, and 2021 was inadequate due to the roster failing to include the type of equipment purchased and serial numbers, where applicable. The listing provided also failed to include a radio that was donated to the relief association in 2018. Furthermore, the relief association included non-equipment items such as training and insurance on the equipment roster which are not to be included on the listing.

Due to the relief association failing to provide invoices for any equipment items that may have been purchased in 2019, 2020, and 2021, as further explained in Finding No. 2, it was impossible to determine if all equipment purchased was recorded. 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.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials were notified numerous times to provide a reason why the finding occurred and no response was received despite the relief association being notified of this condition during our prior audit.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

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

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

Auditor's Conclusion: 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.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Undocumented Expenditures**

**Condition:** The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
02/06/2019	701	Training vendor	\$ 825
02/06/2019	702	Training vendor	185
02/05/2019	703	Equipment vendor	95
02/06/2019	704	Equipment vendor	320
02/05/2019	705	Training vendor	20
02/10/2019	706	Relief association member	1,196
03/16/2019	707	Equipment vendor	701
03/29/2019	708	Administrative vendor	56
04/06/2019	709	Equipment vendor	1,868
*	710	Relief association member	225
05/30/2019	761	Training vendor	100
05/30/2019	762	Training vendor	335
05/30/2019	763	Equipment vendor	749
05/30/2019	764	Equipment vendor	1,985
06/18/2019	765	Insurance vendor	2,321
06/18/2019	767	Equipment vendor	1,851
06/20/2019	768	Unknown (payee illegible)	92
06/20/2019	769	Equipment vendor	72
07/22/2019	770	Relief association officer	239
08/12/2019	771	Equipment vendor	1,778
11/05/2019	772	Equipment vendor	2,227
11/20/2019	773	Insurance vendor	5,794
11/20/2019	774	Equipment vendor	277
11/20/2019	775	Training vendor	525
01/14/2020	776	Equipment vendor	2,846
02/13/2020	778	Equipment vendor	376
02/13/2020	780	Equipment vendor	148
03/27/2020	781	Administrative vendor	56
04/25/2020	782	Individual (unsure of payee's last name)	130
07/03/2020	783	Insurance vendor	2,321
10/08/2020	784	Insurance vendor	881
10/26/2020	785	Training vendor	180
12/29/2020	786	Equipment vendor	5,809

\*Date on check only had number '5' written on the date line.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
No Date	787	Equipment vendor	\$ 1,080
03/29/2021	788	Administrative vendor	56
**	789	Insurance vendor	2,347
Total			<u>\$ 40,066</u>

\*\*Date on check only had 'June 11<sup>th</sup>' written on the date line.

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: The relief association officials did not provide a reason why this occurred. When the Relief Association Treasurer was asked why the relief association was unable to provide supporting documentation, he indicated that he had the documentation; however, no documentation was provided by the Treasurer.

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. The sheer number of expenditures which are improperly documented and, therefore, unverifiable, are very troubling. Without documentation establishing the basis of these expenditures, there is no way the association or subsequent auditing authority can determine whether they were in accordance with laws, regulations, and policies. It is particularly concerning that after indicating that the Treasurer possessed the requested verification documents, no documents were ever produced. The Treasurer's refusal, whether intentional or not, to provide the requested documents, purportedly in the Treasurer's possession, creates a presumption of suspicious spending activity. 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (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 \$40,066 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 through our next audit of the relief association.

GREGG TOWNSHIP FIREMEN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Unknown Withdrawals**

**Condition:** The relief association had a total of \$25,910 in funds withdrawn from its savings account without providing adequate supporting documentation for the use or location of these funds as shown below:

<u>Date</u>	<u>Description</u>	<u>Amount</u>
03/14/2019	Withdrawal from Savings Account	\$ 1,300
04/09/2019	Withdrawal from Savings Account	1,500
05/08/2019	Withdrawal from Savings Account	1,300
05/16/2019	Withdrawal from Savings Account	800
07/15/2019	Withdrawal from Savings Account	310
07/30/2019	Withdrawal from Savings Account	2,500
08/08/2019	Withdrawal from Savings Account	800
08/20/2019	Withdrawal from Savings Account	1,500
09/12/2019	Withdrawal from Savings Account	900
10/10/2019	Withdrawal from Savings Account	600
12/06/2019	Withdrawal from Savings Account	1,200
01/10/2020	Withdrawal from Savings Account	1,200
02/14/2020	Withdrawal from Savings Account	1,200
03/12/2020	Withdrawal from Savings Account	1,500
05/11/2020	Withdrawal from Savings Account	3,000
07/17/2020	Withdrawal from Savings Account	2,000
08/26/2020	Withdrawal from Savings Account	1,800
11/03/2020	Withdrawal from Savings Account	2,500
	Total	<u>\$ 25,910</u>

In addition, the signature of only one relief association officer (the Relief Association Treasurer) was used for the withdrawal of funds from the savings account despite the signatures of at least two relief association officers are required in accordance with the VFRA Act.

**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.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions. In addition, adequate accounting and internal controls should include procedures to prevent unknown withdrawals of relief association funds.

Cause: The relief association officials did not provide a reason for why these funds were withdrawn or why two signatures were not present as required by the VFRA Act. When asked what happened, the Relief Association Treasurer indicated that the documentation from the financial institution was obtained; however, no documentation was provided by the Treasurer.

Effect: As a result of the unknown withdrawal of funds, the relief association was unable to use the funds for other general operating expenses or for investment purposes. In addition, the failure to maintain adequate supporting documentation for relief association withdrawals can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until they comply with this finding recommendation.

Recommendation: We recommend that the relief association provide this department with adequate supporting documentation, such as withdrawal receipts, to ensure the propriety of the withdrawals or be reimbursed \$25,910 for the unknown withdrawals. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association withdrawals, ensure proper documentation is maintained, and ensure that the signatures of at least two officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act. 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 through our next audit of the relief association.



GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on March 8, 2021. As of December 31, 2021, the relief association's cash assets totaled \$26,293.

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 indicated that they were unaware of the cancellation of the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act. 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.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – Failure To Maintain Minutes Of Meetings And Inadequate Minutes Of Meetings**

Condition: For calendar years 2017 and 2018, the relief association did not maintain 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. In addition, 11 of the 16 meeting minutes provided for 2017 and 2018 were not signed by the recording officer and the relief association officials did not respond to our emails to confirm the validity of the meeting minutes to ensure the meeting minutes are not fraudulent, altered, etc.

For calendar years 2019, 2020, and 2021, we could not verify whether any meetings were held, because no meeting minutes were provided despite requesting the meeting minutes numerous times.

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, the relief association's bylaws at Article III, Section 3 states, in part:

The Secretary's duties shall involve keeping minutes which are accurate accounts of the proceedings of every meeting and shall contain all authorizations by the membership for all business transactions to be conducted by the association.

Cause: Relief association officials did not provide any response for our numerous requests for meeting minutes. Nor did relief association officials provide a reason as to why meeting minutes were not signed or why they did not respond to our emails verifying the validity of the meeting minutes.

Effect: Without holding regular meetings and maintaining detailed and signed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. This lack of evidence may have allowed the undocumented expenditures and unknown withdrawals described in Finding Nos. 2 and 3 to occur without the knowledge of members of the relief association. In addition to noncompliance with the VFRA Act, this represents a deficiency in the relief association's internal controls and increases the risk of waste, abuse and fraud.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Recommendation: We recommend that the relief association officials hold all required meetings and maintain a permanent record of all relief association meetings as required by the VFRA Act and the relief association's bylaws. We also recommend that the relief association officials ensure that all meeting minutes are signed by the secretary of the relief association to ensure the validity of the meeting minutes. In addition, the minutes should include an adequate record of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: During the current audit, we identified 13 checks out of 62 checks drawn on the relief association's checking account which only contained one signature, despite the signatures of two officers being required by the VFRA Act and the relief association bylaws as described below. Issuing checks without the proper signatures is in violation of the VFRA Act and 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 VII, Section 7 states, in part:

All association checks shall require two signatures for disbursement of funds. One of the two required signatures must be the treasurer.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Furthermore, prudent business practice dictates that the relief association have 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 relief association officials indicated that due to mistakes, the two required signatures were not present on all expenditure transactions.

Effect: As a result of the relief association issuing checks with only one signature, assets were placed at greater risk, as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

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

GREGG TOWNSHIP FIREMEN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – Inadequate Documentation Of Income**

**Condition:** During the current audit period, the relief association deposited the following funds into the relief association’s accounts without providing evidence that the funds were intended for the relief association:

Date	Payee Description	Amount
02/21/2019	Three checks payable to the affiliated fire company	\$ 2,605
06/17/2019	One check payable to the affiliated fire company	6,551
10/21/2019	One check payable to a fire company member	15
01/10/2020	Proceeds from the sale of a non-relief owned apparatus	7,000
08/26/2020	Reimbursement for repair without documentation that expense was originally paid with relief funds	2,846
Total		<u>\$ 19,017</u>

We could not verify whether the funds were intended for the relief association but, as noted above, they appear to be ineligible funds deposited into the account.

**Criteria:** Relief association funds should not be commingled with any other organization’s funds in order to maintain effective control of its assets. In addition, adequate accounting and internal controls should include procedures to prevent erroneous transfers.

**Cause:** The relief association officials were notified numerous times to provide a reason why the funds were deposited into the relief association’s account or provide documentation verifying that the funds were actually relief funds but no response was received.

**Effect:** Without documentation, the relief association or auditing authority has no way of verifying whether the funds were actually intended for the relief association. As a result of the inadequate documentation of income, the relief association may have deposited funds intended for the fire company which resulted in a commingling of funds. 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 provide documentation as verification that the funds were indeed intended for deposit into the relief association’s account instead of the affiliated fire company’s account. In addition, the relief association officials should establish accounting and internal control procedures to monitor future deposits into the relief association’s account. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (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: Compliance will be subject to verification through our next audit.

**Finding No. 8 – 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 for 2019, 2020 and 2021.
- Ledgers were not utilized to record the transactions of the relief association accounts for 2019, 2020 and 2021.
- Investment rosters were not maintained to record the activity of the relief association investments.
- Documentation to support various expenditures was not available for examination at the time of the audit.

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 indicated that this was due to lack of better record-keeping.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – (Continued)**

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations and represents a deficiency in the relief associations internal controls, which inhibits the relief association's ability to ensure its assets are properly safeguarded and increases the likelihood that waste, abuse and/or fraud may occur and remain undetected. This deficiency may have contributed to the relief association not having adequate documentation related to the expenditures and withdrawals described in Finding Nos. 2 and 3.

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.

GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions reported by Finding Nos. 2 and 3 in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. Such action, however, may 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 relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.



GREGG TOWNSHIP FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. Charles J. McGarvey, Sr.**  
State Fire Commissioner

Gregg Township Firemen's Relief Association Governing Body:

**Mr. Doug Leitch**  
President

**Ms. Katelynn Tischler**  
Secretary

**Mr. Darin Bressler**  
Treasurer

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

**Ms. Pamela Hackenburg**  
Secretary  
Gregg Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).