

# COMPLIANCE AUDIT

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## Montour Twp. Firefighter's Relief Association

Columbia County, Pennsylvania

For the Period

January 1, 2019, to December 31, 2021

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July 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Charles Bennett, Treasurer  
Montour Twp. Firefighter's  
Relief Association  
Columbia County

We have conducted a compliance audit of the Montour Twp. Firefighter's Relief Association (relief association) for the period January 1, 2019, 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. § 7411, et seq.

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, 2019, 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.
- 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 – Failure To Conduct Annual Physical Equipment Inventories And Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Untimely Deposit Of State Aid

Finding No. 5 – Failure To Maintain Surety (Fidelity) Bond Coverage

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

Finding No. 7 – Inadequate Minutes Of Meetings

Finding No. 8 – Failure To Disclose Related Party Transaction

Finding No. 9 – Failure To Maintain A Debit Card Policy

Finding No. 10 – Inadequate Internal Controls And 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.

We recommend the results of this audit be used by Troop N of the Pennsylvania State Police for their review and whatever further action it may deem appropriate and necessary.

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor  
Auditor General  
April 28, 2023

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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<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.

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Montour Township	Columbia	\$7,667	\$7,691	\$6,914*

\* The 2021 state aid allocation received from Montour Township was not deposited by the relief association until February 11, 2022, as disclosed in Finding No. 4 in this report.

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<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.

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

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2021, were \$49,595, as illustrated below:

Cash	\$ 29,295
Fair Value of Investments	<u>20,300</u>
Total Cash and Investments	<u><u>\$ 49,595</u></u>

Based on the relief association's records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$17,922, 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:	
Relief benefits	<u>\$ 527</u>
Fire Services:	
Equipment purchased	\$ 8,502
Equipment maintenance	<u>1,223</u>
Total Fire Services	<u>\$ 9,725</u>
Administrative Services:	
Other administrative expenses	<u>\$ 720</u>
Other Expenditures:	
Undocumented expenditures	\$ 6,223
Unauthorized expenditures	<u>727</u>
Total Other Expenditures	<u>\$ 6,950</u>
Total Expenditures	<u><u>\$ 17,922</u></u>

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<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:

Montour Township Fire Company



MONTOUR TWP. FIREFIGHTER'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 Conduct Annual Physical Equipment Inventories

The relief association failed to conduct annual physical equipment inventories and also failed to maintain a complete and accurate roster of equipment owned by the relief association during the current audit period as further disclosed in Finding No. 1 of this report.

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.

MONTAUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Equipment Inventories And Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: The relief association officials failed to conduct annual physical inventories of equipment and ensure such inventory accounted for all equipment owned by the relief association. A similar condition was noted in prior audit reports.

The relief association also failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$8,502 of equipment during the current audit period and there was no equipment roster created or maintained for these purchases.

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

In addition, 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: Relief association officials indicated that multiple changes in organization leadership resulted in the failure to perform annual physical equipment inventories. The relief association officials also indicated that members failed to complete a regular equipment inventory roster but did not provide a reason why this occurred.

MONTAUR TWP. FIREFIGHTER'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 ensure they perform an annual physical inventory of all operable equipment and that the completion of the inventories be sufficiently documented. We also recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned 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: 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.

MONTOUR TWP. FIREFIGHTER'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:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
06/06/2019	308	Affiliated fire company	\$ 155
06/06/2019	309	Affiliated fire company	95
06/06/2019	310	Relief association member	240
08/30/2019	312	Training vendor	849
07/09/2020	315	Equipment vendor	10
07/23/2020	316	Insurance vendor	90
08/13/2020	317	Relief association member	215
09/10/2020	320	Relief association member	60
10/05/2020	Debit	Equipment vendor	337
10/28/2020	Debit	Equipment vendor	143
11/09/2020	Debit	Equipment vendor	63
11/30/2020	Debit	Equipment vendor	299
12/04/2020	323	Training vendor	75
12/07/2020	Debit	Equipment vendor	78
12/07/2020	Debit	Equipment vendor	80
01/21/2021	Debit	Equipment vendor	39
01/25/2021	Debit	Equipment vendor	30
02/09/2021	Debit	Equipment vendor	64
02/16/2021	Debit	Equipment vendor	49
02/17/2021	Debit	Equipment vendor	33
03/29/2021	Debit	Equipment vendor	42
03/29/2021	Debit	Equipment vendor	66
10/05/2021	Debit	Equipment vendor	111
07/16/2021	Transfer	Affiliated fire company	3,000
Total			<u>\$ 6,223</u>

In addition, subsequent to the audit period, the relief association was unable to provide adequate supporting documentation for an expenditure amounting to \$1,150 to a training vendor on May 15, 2022.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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 indicated that relief association members failed to maintain appropriate receipts and documentation. The relief association officials did not provide a reason why other supporting documentation was not provided.

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.

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 \$7,373 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$7,373 for the undocumented expenditures on December 12, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$7,373 was received. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Unauthorized Expenditures**

**Condition:** The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
06/06/2019	307	Voice recorder and payment of sales tax	\$ 45
07/08/2020	314	Reimbursement for invoice 3+ years old	120
08/18/2020	318	Payment of sales tax	3
09/21/2020	Debit	Payment of sales tax	1
09/22/2020	Debit	Payment of sales tax	1
09/26/2020	Debit	Payment of sales tax	1
10/02/2020	Debit	Payment of sales tax	2
10/16/2020	Debit	Payment of sales tax	1
10/29/2020	Debit	Ink for fire company's printer	70
11/09/2020	Debit	Payment of sales tax and candy purchase	5
11/26/2020	Debit	Gas	15
12/04/2020	Debit	Purchased equipment item/unable to be located	169
12/07/2020	Debit	Payment of sales tax	1
12/11/2020	Debit	Payment of sales tax	1
03/11/2021	Debit	Payment of sales tax	12
04/05/2021	Debit	Payment of sales tax	3
04/16/2021	Debit	Ink for fire company's printer/payment of sales tax	254
08/05/2021	Debit	Payment of sales tax	23
Total			<u>\$ 727</u>

In addition, the relief association expended funds for the following items, subsequent to the current audit period, that were not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/04/2022	332	Maintenance on non-relief owned equipment	\$ 56
03/18/2022	334	Payment of sales tax	25
05/13/2022	336	Maintenance on non-relief owned equipment	151
05/13/2022	337	Maintenance on non-relief owned equipment	2,000
Total			<u>\$ 2,232</u>

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: Section 7416(f) of the VFRA Act states:

Use.- Funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.
- (23) To purchase equipment used for emergency response.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the Auditor General, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the payment of sales tax, purchase of unauthorized items, and for maintenance on non-relief owned equipment do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: Relief association officials indicated that negligence resulted in the payment of unauthorized expenditures.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$2,959 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MONTOUR TWP. FIREFIGHTER'S 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$2,959 for the unauthorized expenditures on December 12, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$2,959 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

**Finding No. 4 – Untimely Deposit Of State Aid**

Condition: The relief association did not deposit the 2021 state aid allocation it received from Montour Township, in the amount of \$6,914 until February 11, 2022. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2021, who forwarded this state aid to the relief association on September 22, 2021, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

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

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

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Municipal officials indicated that the original 2021 state aid allocation check was not cashed by the relief association that resulted in the municipality issuing a replacement check in February 2022. The relief association officials indicated that changes in the organization's leadership resulted in the 2021 state aid allocation check being deposited late.



MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Effect: As a result of the untimely deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. 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. 5 – 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 was canceled effective December 6, 2020, and the relief association did not obtain Surety (Fidelity) bond coverage until after the audit period on January 26, 2022.

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 changes in the organization's leadership resulted in the failure to consistently maintain Surety (Fidelity) bond coverage on the relief association's 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.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

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.

Auditor's Conclusion: Compliance for maintaining bond coverage during the next audit period will be subject to verification through our next audit.

**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 abide by the following bylaw stipulations:

- The relief association officer positions of President, Vice President and two Trustees were not occupied at the time we performed the current audit.
- The relief association did not receive membership dues.

Criteria: The relief association's bylaws stipulate the following:

- Article Three, Section 1 – The officers of this association shall be a President, Vice President, Secretary, Treasurer and 3 Trustees. The officers except Trustees, shall be responsible for the management of the association business upon the direction received by the membership at association meetings. The Trustees shall be responsible for all association property.
- Article Eight, Section 7 – The Montour Twp. Fire Co. shall pay \$0.50 dues to the Relief Association for each members dues collected.

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

Cause: Relief association officials indicated that due to multiple changes in leadership led to members leaving and dues not being turned in and documented.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Effect: As a result of the relief association not following the mandatory provisions stipulated 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 assure 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 Minutes Of Meetings**

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 provided did not address all financial-related transactions that occurred during the audit period. In addition, meetings were only held in three months during calendar year 2019, and no meetings were held in the calendar years 2020 and 2021. Furthermore, the meeting minutes were not signed by the recording officer.

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 Two, Section 1 states:

Regular meetings of this association shall be held the third Thursday of the month as needed to conduct business, directly following regular Fire Co. meetings. Six members shall form a quorum. There shall be at least 4 meetings per calendar year.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

In addition, the relief association's bylaws at Article Three, 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.

Cause: Although relief association officials indicated that meetings were not held regularly, minutes were not taken as required, and financial reports were not provided, no reason was provided. The relief association officials also did not provide a reason why the Secretary of the Relief Association did not sign the meeting minutes.

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.

Recommendation: We 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. In addition, 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. 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 Disclose Related Party Transaction**

Condition: Relief association officials failed to disclose a related party transaction to the relief association membership. The relief association did business with a local vendor that employs a relief association officer. During the current audit period, the relief association purchased \$2,207 with this vendor for equipment.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – (Continued)**

A related party transaction occurs when the relief association does business with a vendor that employs or is owned by a relief association officer or a member of an officer's immediate family. Such a transaction may provide a less than arm's length financial benefit to such officer or member of such officer's immediate family through a commission or a profit from a sale.

Criteria: Best business practices dictate that all potential related party transactions should be disclosed to the membership and recorded in the minutes of relief association meetings. In addition, all officers and/or members involved with a business that is party to the related party transaction should abstain from all votes concerning such transactions.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: The failure to properly disclose a related party transaction may create potential conflicts of interest which could result in the relief association being involved in less than arm's length financial transactions.

Recommendation: We recommend that the relief association officials take the actions necessary to eliminate the appearance of conflicts of interests. Actions should include, but are not limited to, written notification to the relief association membership for each related party transaction, and the abstention from decisions and voting rights by the relief association officials who are involved owners or employees of businesses that have business dealings with the relief association. These actions should be documented in the relief association's minutes. Furthermore, the relief association officials should closely review all related party transactions to ensure that all transactions are at arm's length, i.e., the cost of the services rendered by the firm is competitive.

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.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 9 – Failure To Maintain A Debit Card Policy**

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

- Debit card policy was not maintained.
- Detailed receipts were not maintained for all debit card purchases.
- Approval for expenditures was not documented in the meeting minutes.
- Debit card was not in the name of the relief association.

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.

Furthermore, prudent business practice dictates that:

- A debit card policy be maintained that states the procedures that require pre and/or post approval of expenditures by authorized VFRA officials, the location where the card is to be kept, the authorized users of the card, and the evidence (e.g. initials) of the proper review and approval of transactions contained on the receipts for payment.
- Detailed receipts to support debit card expenditures be maintained. (A detailed receipt must list each item purchased and not simply be a debit card statement that only contains the purchase date and amount.)
- Detailed meeting minutes must be maintained to accurately document relief association membership's approval of debit card transactions.
- The debit card be issued in the relief association's name.

Cause: Relief association officials indicated that changes in the organization's leadership resulted in poor record-keeping and failure to maintain adequate documentation for the expenditure transactions. The relief association officials did not provide a reason why the debit card was not in the name of the relief association, why a debit card policy was not maintained and why the approval for expenditures was not documented in the meeting minutes.

Effect: The failure to establish a debit card policy prevented the relief association from adequately safeguarding its assets, maintaining sufficient documentation for purchases, and verifying approvals by relief association members. Furthermore, the lack of a debit card policy places the relief association funds at greater risk for misappropriation.

MONTAUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 9 – (Continued)**

**Recommendation:** We recommend that the relief association officials adopt a debit card policy which will require the following:

- A debit card policy stating the requirements for the pre and/or post approval of expenditures by authorized relief association officials, storage location, authorized users, and proper documentation of authorization and approval of the debit card payment by appropriate relief association officials.
- Maintaining detailed receipts to support debit card expenditures.
- The maintenance of detailed meeting minutes to support the membership's approval for debit card transactions.
- A debit card appropriately issued in the name of the relief association.

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.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 10 – Inadequate Internal Controls And Inadequate Financial Record-Keeping System**

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:

- Five checks were written to relief association members for reimbursement instead of directly to vendors.
- Online banking was only accessible by the Relief Association Treasurer. With only one relief association officer having access to online banking, two required approvals were not obtained or documented.
- The relief association did not have any written procedures in place for electronic banking/bill paying.
- An online transfer of \$3,000 was made to the affiliated fire company with no documentation (See Finding No. 2).
- Bank reconciliations were not performed.
- Meetings were conducted infrequently (See Finding No. 7).
- Detailed minutes of meetings were not maintained (See Finding No. 7).
- Financial related activities were not presented, discussed, and approved at relief association meetings (See Finding No. 7).
- A roster of relief association owned equipment was not maintained since 2019 (See Finding No. 1).
- Periodic physical inventories of equipment owned were not performed (See Finding No. 1).
- Debit card policy was not maintained (See Finding No. 9).

In addition, 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:

- Financial activity was not included on the journal. Specifically, Check Nos. 313 thru 321 and 33 debit transactions were not recorded on the journal.
- Documentation to support various receipts and expenditures were not maintained (see Finding No. 2).

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.



MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 10 – (Continued)**

The relief association's bylaws at Article Two, Section 1 states:

Regular meetings of this association shall be held the third Thursday of the month as needed to conduct business, directly following regular Fire Co. meetings. Six members shall form a quorum. There shall be at least 4 meetings per calendar year.

In addition, the relief association's bylaws at Article Three, 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.

Treasurer: The Treasurer shall keep account of all money belonging to the association and they shall not expend monies or enter into investment transactions without authorization of the membership. The Treasurer shall keep a journal and ledger which details all financial transactions of the association and shall maintain all documents supporting the receipts and disbursements made by the association.

Furthermore, prudent business practice dictates that:

- Checks should be mailed directly to vendors.
- Complete and accurate journals of all receipts and disbursements of the relief association shall be maintained.
- Guidelines for online banking and segregation of payment and reconciliation duties should be established and followed.
- Practice of transferring funds to the affiliated fire company should be discontinued.
- Performing monthly bank reconciliations.
- Meetings are held at the frequency called for in the bylaws.
- All purchases shall be presented to the association membership for discussion and approval.
- Detailed meeting minutes must be maintained to accurately document relief association business.
- Complete and accurate equipment roster should be maintained.
- Performing of yearly physical inventories of equipment owned.
- Maintaining supporting documentation of all receipts and expenditures.
- Debit card policy should be adopted.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 10 – (Continued)**

Cause: The relief association officials did not provide a reason why this occurred except for the previously provided responses included in Finding No. 1 through No. 9.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations. In addition, 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 establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations which includes completing/maintaining accurate journals of all receipts and disbursements of the relief association and maintaining supporting documentation for all receipts and expenditures. We also recommend that the relief association officials adopt internal control procedures which will require the following:

- Mailing checks directly to vendors.
- Maintenance and adherence to the guidelines for online banking and segregation of payment and reconciliation duties.
- Discontinuance of the practice of transferring funds to the affiliated fire company.
- Performance of monthly bank reconciliations.
- Holding meetings at the frequency called for in the bylaws.
- Recording and retention of detailed meeting minutes.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of a complete and accurate equipment roster.
- Annual physical inspections of equipment owned.
- Adoption of and adherence to debit card policy.

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.

MONTOUR TWP. FIREFIGHTER'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**Commander Ryan V. Stefanick**  
Criminal Investigation Section  
Pennsylvania State Police  
Troop N - Bloomsburg

Montour Twp. Firefighter's Relief Association Governing Body:

**Ms. Ashley Ebright**  
Secretary

**Mr. Charles Bennett**  
Treasurer

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

**Ms. Lori Ebright**  
Secretary  
Montour 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).