

# COMPLIANCE AUDIT

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## The Volunteer Firefighter's Relief Association of North Coventry Township Chester County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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March 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Ronald Whalen, President  
The Volunteer Firefighter's Relief  
Association of North Coventry Township  
Chester County

We have conducted a compliance audit of The Volunteer Firefighter's Relief Association of North Coventry Township (relief association) for the period January 1, 2018 to December 31, 2020. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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

Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020, 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 – Undocumented Expenditures

Finding No. 2 – Inadequate Minutes Of Meetings

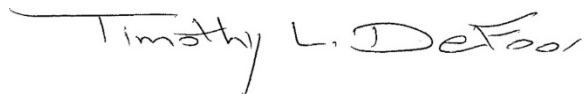
Finding No. 3 – Failure To Deposit Insurance Claim Proceeds

Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 5 – Inadequate Internal Controls

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

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

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor  
Auditor General  
March 1, 2022

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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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
North Coventry Township	Chester	\$48,140	\$52,051	\$52,090
Warwick Township	Chester	\$ 1,904	\$ 2,037	\$ 2,026

<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)

Based on the relief association’s records, its total cash as of December 31, 2020 was \$155,015, as illustrated below:

Cash	<u>\$ 155,015</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$160,118, 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>\$ 38,127</u>
Fire Services:	
Equipment purchased	\$ 68,246
Equipment maintenance	37,303
Training expenses	9,464
Fire prevention materials	<u>625</u>
Total Fire Services	<u>\$ 115,638</u>
Administrative Services:	
Other administrative expenses	\$ 1,054
Bond premiums	<u>653</u>
Total Administrative Services	<u>\$ 1,707</u>
Other Expenditures:	
Undocumented expenditures	<u>\$ 4,646</u>
Total Expenditures	<u><u>\$ 160,118</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:

North Coventry Fire Company

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – 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
02/23/2018	N/A	Purchases using the fire company's credit card	\$ 737
03/13/2018	1441	Equipment vendor	1,249
03/14/2018	N/A	Purchases using the fire company's credit card	426
04/11/2018	ETF	Equipment vendor	506
06/18/2018	870001	Equipment vendor	226
02/22/2019	975006	Equipment maintenance vendor	137
06/17/2019	975007	Equipment vendor	30
09/23/2019	870020	Equipment vendor	1,335
Total			<u>\$ 4,646</u>

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

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

Cause: Relief association officials stated the reason why this occurred is that it was an oversight with the former 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. 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.



THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$4,646 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: Compliance will be subject to verification through our next audit.

**Finding No. 2 – 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. In addition, the following deficiencies were found:

- The minutes addressed most, but not all financial-related transactions
- The minutes were maintained as part of the fire company minutes
- The minutes did not document the names of the relief association members attending the meeting to document proof of the quorum requirement
- The meeting minutes included a computer generated/electronic signature and date for the secretary, instead of a hand written signature.

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 5, Section 3 states, in part:

The Recording Secretary shall keep accurate minutes and attendance of the proceedings of all meetings of the Corporation; attest all orders drawn upon the Treasurer by order of the Corporation.

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Further, prudent business practice dictates that the application of a hand written signature and a date of when the minutes were prepared assists in validating the authenticity of the authorized recording officer's signature and in the authenticity of the relief association's meeting minutes.

Cause: Relief association officials indicated that they were unaware that maintaining detailed relief association minutes separate from the fire company meeting minutes was required by the VFRA Act and the relief association's bylaws. Relief officials did not provide a reason for why the other noted deficiencies occurred.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist. The commingling of the minutes with those of the affiliated fire company reduces the ability of relief association members to easily review relief association decisions and activity. The lack of documentation of attendance prevents verification of attendees and of meeting quorum requirements. Finally, the lack of handwritten signatures reduces evidence of the authenticity of the minutes.

Recommendation: We recommend that the relief association ensures that detailed meeting minutes including a dated hand written signature by the relief association secretary are maintained, evidencing the discussion and approval of all financial-related business conducted by the relief association, including the names of the meeting attendees. 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. 3 – Failure To Deposit Insurance Claim Proceeds**

Condition: During 2020, proceeds in the amount of \$3,844 for an insurance claim filed on behalf of the relief association for damaged portable equipment were erroneously deposited into the fire company's bank account.

Criteria: Prudent business practice dictates that the relief association should closely monitor all insurance claims filed to make sure all insurance claim proceeds are received and timely deposited into a relief association account.

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: The relief association officials stated the reason this occurred was that it was an oversight by the former treasurer. Relief officials further noted that the deposit went into the general account by the financial officer in error and that funds will be transferred from the general account to the relief association account.

Effect: The failure to deposit all relief association insurance claim proceeds in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the proceeds from the insurance claim being deposited into a fire company account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$3,844 for the erroneous deposit. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all insurance claim proceeds are timely deposited in a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference 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. 4 – Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$68,246 of equipment during the current audit period and there was no equipment roster created or maintained for these purchases. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association 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 stated the reason this occurred was the chief engineer responsible for providing this information was suspended and when contacted did not provide the needed documents.

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

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association and ensure that such information is also accessible and ready to be provided to auditors when requested. 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 and readily available to be provided to auditors when requested. 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 VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – Inadequate Internal Controls**

Condition: During the audit period, the relief association used the affiliated fire company's credit card to make purchases. However, the relief association has failed to establish adequate internal controls concerning the use of the affiliated fire company's credit card to make relief association purchases. The relief association failed to enter into a written agreement with the fire company that authorizes guidelines for such purchases, including guidelines to address issues such as:

- The person or persons authorized to make purchases.
- Type of approval needed for the purchases and the necessity to document the approved expenditures in the minutes of the meetings.
- Original detailed invoices need to be retained in the relief association's records.
- Types of entities to whom the relief association's checks will be made payable and prohibiting payments to individuals.

Criteria: Prudent business practice dictates that:

- Internal control over the disbursement of funds must be authorized and documented.
- Detailed meeting minutes must be maintained to accurately document relief association business.
- Original invoices shall be required prior to payment of purchases
- Payment should not be made to individuals for purchases made by credit card.

Cause: The relief association officials indicated the reason this occurred was the former treasurer allowed fire relief purchases on the fire company card, but failed to establish appropriate controls.

Effect: The failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

Recommendation: If the relief association continues to utilize the fire company credit card to make relief association purchases, we recommend that the relief association and the affiliated fire company enter into a written agreement that clearly identifies the procedures the relief association needs to follow while making purchases using the fire company's credit card. Any such procedures should include, at a minimum:

- Person/persons authorized to make purchases.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Retention of original detailed invoices.
- Payments should not be made to individuals.

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

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.

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Thomas Cook**  
Acting State Fire Commissioner

The Volunteer Firefighter's Relief Association of North Coventry Township Governing Body:

**Mr. Ronald Whalen**  
President

**Mr. Kevin Schutt**  
Vice President

**Ms. Kathleen Scully**  
Secretary

**Ms. Tracey Shaner**  
Treasurer

**Mr. Daniel Coyle**  
Assistant Treasurer

THE VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION OF  
NORTH COVENTRY TOWNSHIP  
REPORT DISTRIBUTION LIST

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

**Ms. Erica L. Batdorf**  
Secretary  
North Coventry Township

**Ms. Joan Grimley**  
Secretary  
Warwick 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).