

# COMPLIANCE AUDIT

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## Salem Township Fire Department Fireman's Relief Association Luzerne County, Pennsylvania For the Period January 1, 2018 to December 31, 2021

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August 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Christopher Cashman, President  
Salem Township Fire Department  
Fireman's Relief Association  
Luzerne County

We have conducted a compliance audit of the Salem Township Fire Department Fireman's Relief Association (relief association) for the period January 1, 2018 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 findings contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

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

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

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$39,129 and an investment balance with a fair value of \$96,635, we were not able to verify those cash and investment balances.

Although we were able to view canceled checks from 2020-2021, we were not able to obtain copies of canceled or imaged checks from the relief association from 2018-2019. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks from 2018-2019. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by the VFRA Act.

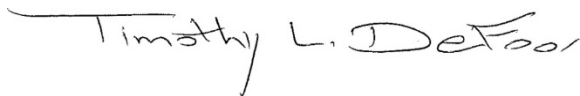
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2021:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in Finding Nos. 1, 5 and 12 below and discussed later in this report and the effects, if any, of the matters described in the two preceding paragraphs, 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 – Undocumented Expenditures
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster
- Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Record-Keeping System
- Finding No. 5 – Failure To Deposit State Aid
- Finding No. 6 – Payment Of Pennsylvania Sales Tax
- Finding No. 7 – Failure To Define Discretionary Benefits And Failure To Adhere To Relief Association Bylaws
- Finding No. 8 – Failure To Deposit Insurance Claim Proceeds
- Finding No. 9 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings
- Finding No. 10 – Inadequate Signatory Authority For The Disbursement Of Funds
- Finding No. 11 – Failure To Maintain Surety (Fidelity) Bond Coverage
- Finding No. 12 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Five of the twelve audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are very 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.



Timothy L. DeFoor  
Auditor General  
July 29, 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.

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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 (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:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Salem Township	Luzerne	\$27,173*	\$30,760	\$30,681	\$27,513*

\* The 2018 and 2021 state aid allocations received from Salem Township were not deposited by the relief association as disclosed in Finding No. 5 in this report.

Based on the relief association’s records, its total cash and investments as of December 31, 2021 were \$135,764, as illustrated below:

Cash	\$ 39,129
Fair Value of Investments	<u>96,635</u>
Total Cash and Investments	<u><u>\$ 135,764</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018, to December 31, 2021, were \$245,110, 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:	
Death benefits	<u>\$ 1,500</u>
Fire Services:	
Equipment purchased	\$ 78,829
Equipment maintenance	101,589
Training expenses	<u>2,742</u>
Total Fire Services	<u>\$ 183,160</u>
Administrative Services:	
Officer compensation	\$ 700
Other administrative expenses*	<u>4,137</u>
Total Administrative Services	<u>\$ 4,837</u>
Other Expenditures:	
Miscellaneous**	\$ 38,299
Undocumented expenditures	<u>17,314</u>
Total Other Expenditures	<u>\$ 55,613</u>
Total Expenditures	<u><u>\$ 245,110</u></u>

\* A majority of the other administrative expenses represent \$3,769 expended in calendar years 2018, 2019, 2020, and 2021 for reporting software and messaging services related to fire calls.

\*\* The miscellaneous expenditure represents a payment on a fire company truck loan on September 28, 2020. The relief association erroneously deposited two donations meant for the fire company that was intended to pay the truck loan. Instead of the relief association reimbursing the fire company for the two erroneous deposits, they applied the donations to the truck loan payment.

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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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

East Berwick Fire Company

Salem Township Fire Company

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

Although the relief association provided documentation for the \$9,247 of undocumented expenditures that were made in the prior audit period, the relief association again failed to provide adequate documentation to support all expenditures in the current audit period as further disclosed in Finding No. 1 of this report.

- Inadequate Financial Record-Keeping System

- Failure To Maintain A Complete And Accurate Equipment Roster

- Failure To Maintain A Complete And Accurate Membership Roster

- Failure To Maintain Minutes Of Meetings

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

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: Although the relief association provided documentation for the undocumented expenditures that were made in the prior audit period, 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
02/22/2018	1209	Equipment maintenance vendor	\$ 312
04/29/2018	10001	Equipment maintenance vendor	61
04/29/2018	10002	Equipment vendor	1,409
05/10/2018	1219	Equipment vendor	520
07/08/2018	10013	Equipment vendor	1,896
07/17/2018	1223	Equipment maintenance vendor	554
09/19/2018	1224	Equipment maintenance vendor	942
09/24/2018	10018	Training vendor	420
11/08/2018	10019	Administrative expense	58
01/11/2019	1176	Equipment maintenance vendor	2,800
01/11/2019	1225	Equipment maintenance vendor	3,617
03/03/2019	10024	Equipment maintenance vendor	50
04/08/2019	10025	Equipment vendor	119
04/08/2019	10027	Equipment vendor	1,073
02/17/2020	10049	Equipment maintenance vendor	50
02/17/2020	10051	Equipment maintenance vendor	35
11/11/2020	10058	Fire department	260
12/09/2020	10063	Administrative expense	1,219
12/10/2020	Debit	Online vendor	477
12/10/2020	Debit	Online vendor	159
12/10/2020	Debit	Online vendor	212
12/17/2020	Debit	Online vendor	429
05/03/2021	10070	Equipment maintenance vendor	642
Total			<u>\$ 17,314</u>

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (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: The relief association officials indicated they failed to maintain records.

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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is in compliance.

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 \$17,314 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain  
A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

A similar condition was noted in our prior audit report.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they failed to maintain their database.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to non-members or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We again recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – 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. Specifically, the relief association purchased \$78,829 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.

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: Relief association officials indicated they failed to maintain a database.

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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – 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:

- Ledgers were not utilized to record the transactions of the relief association accounts.
- Documentation to support a deposit.
- Expenditures were not available for examination at the time of the audit.
- Numerous invoices were not marked as paid to prevent duplicate payments.

A similar condition was noted in our prior audit report.

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 they failed to maintain records.

Effect: The continued failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Recommendation: We again 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 5 – Failure To Deposit State Aid**

Condition: The relief association did not deposit the 2018 and 2021 state aid distributed by Salem Township in the amounts of \$27,173 and \$27,513, respectively, into a relief association account. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 17, 2018, and September 21, 2021, respectively, who forwarded the state aid to the relief association on October 16, 2018, and September 30, 2021, respectively, 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).

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 ensure the funds are deposited in a timely manner.



SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Cause: Relief association officials indicated that they erroneously deposited the 2018 and 2021 state aid funds into the general account of the fire company.

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is in compliance.

Recommendation: We recommend that the relief association officials immediately deposit the 2018 and 2021 state aid allocations totaling \$54,686 it received from Salem Township. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into 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: 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.

**Finding No. 6 – Payment Of Pennsylvania Sales Tax**

Condition: The relief association paid \$411 of Pennsylvania sales tax to vendors from which the relief association purchased equipment. This payment would not have been required if the relief association had provided its sales tax exemption number to the vendor.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Cause: Relief association officials indicated that they failed to provide their sales tax exemption information to the vendors.

Effect: As a result of the relief association's failure to provide its sales tax exemption number to all vendors, the relief association was required to pay Pennsylvania sales tax on its purchase, which reduced the funds otherwise available for general operating expenditures and for investment purposes.

Recommendation: We recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$411, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, relief association officials furnish its state sales tax exemption number to all vendors from which the relief association purchases equipment. 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 – Failure To Define Discretionary Benefits And Failure To Adhere To Relief Association Bylaws**

Condition: The relief association did not formally define and approve discretionary benefits that were being offered to its members. During the current audit period, the relief association paid \$700 in officers' compensation. Although these expenditures were authorized by the VFRA Act, the types, amounts, and criteria to be met before receiving the benefits were not described in a formal policy approved by the relief association membership.

In addition, the relief association did not adhere to a provision in the association's bylaws. Specifically, the relief association did not abide by the death benefit payment amount of \$500 for all deceased members. Two beneficiaries were paid in 2018 and only one was paid the correct amount set forth in the bylaws.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Criteria: Section 7413 of the VFRA Act states that funds shall be available:

- (3) For payment, either by insurance or by operation of a beneficial fund, of a sum certain to designated beneficiaries of a participating member following the death of a member for any cause and to establish criteria which members must meet in order to qualify as participants in a death benefit fund. (Emphasis added.)
- (5) Financial assistance to volunteer firefighters who, after having actively participated in the fire service for a specified minimum term, are no longer physically able to continue participation and are in need of financial assistance. (Emphasis added.)

Prudent business practice dictates that when a relief association offers death benefits, disability benefits, officer compensation, or any other type of discretionary benefit provided by the VFRA Act, it should establish a precedent for those benefits being offered. Such a precedent should be documented in the bylaws, a formal relief association policy, or in the official meeting minutes. The formal approval is necessary to clarify the types and amounts of benefits offered to its membership as well as the criteria to be met in order to receive the benefits.

The relief association's bylaws at Article VI, Section IV – Death Benefit Payment Amount, states:

The amount of the death benefit payment shall be Five Hundred (\$500.00) Dollars, subject to an annual review.

Furthermore, prudent business practice also 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 the officers' compensation benefits were not listed in their current bylaws, and they need to ensure that the bylaws reflect the accurate death benefit payout.

Effect: The relief association's failure to formally define discretionary benefits prevents the membership from being aware of the types and amounts of benefits offered to its membership. The absence of formal approval increases the risk of unauthorized expenditures and could also lead to benefits not being applied equally to all members of the relief association. 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Recommendation: We recommend that the relief association officials formally define and document the criteria of the discretionary benefits being offered to its membership. The formal approval of benefits and related criteria should be documented in the bylaws, a policy statement, or in the official meeting minutes, and should be maintained for an indefinite period of time so as to afford the membership of the relief association with a formal document defining the benefits offered and the criteria to be met before receiving the benefit. Furthermore, all approved discretionary benefits should be in accordance with provisions of the VFRA Act. We also 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. 8 – Failure To Deposit Insurance Claim Proceeds**

Condition: In 2021, proceeds in the amount of \$1,391 for an insurance claim filed on behalf of the relief association for damaged boots and nozzles 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.

Cause: Relief association officials indicated that they deposited the funds into the fire company regular fund.

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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – (Continued)**

Recommendation: We recommend that the relief association be reimbursed \$1,391 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. 9 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings**

Condition: 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, meetings were only held and/or provided in one month during calendar years 2018, 2019 and 2020 and, two months during calendar year 2021.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(a) of the VFRA Act states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

The relief association's bylaws at Article I, Section VII states:

The Board of Directors shall meet monthly at a time and place established by the Board of Directors.

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**Finding No. 9 – (Continued)**

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

It shall be the responsibility of the Secretary to keep a permanent record of the minutes of all meetings of the Association. He/she shall be custodian of all official records of the Association. He/she shall keep attendance records of all official meetings of the Association.

Furthermore, the relief association's bylaws at Article I, Section IV states, in part:

No funds shall be appropriated or paid out of any Association fund accounts without the approval of the majority of the assembled Board of Directors at a regular meeting. Expenditures shall be approved by the Board of Directors before any request for funds shall be made.

Cause: The relief association officials indicated that they failed to document when meetings were not held.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, 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 a permanent record of all relief association meetings as required by the VFRA Act and the relief association's bylaws. 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
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**Finding No. 10 – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: During the current audit engagement, we identified three checks out of the 35 checks obtained on the relief association's checking account that only contained one signature, even though the signatures of two relief association officers are required by the VFRA Act and the relief association's bylaws. The checks did not contain signatures of any current relief association officers. One check contained the signature of a prior audit Relief Association Treasurer, one check contained the signature of a prior audit Relief Association President, and the other check contained the signature of a prior audit Relief Association Vice President.

In addition, it appears that numerous checks written between January 1, 2019, to April 30, 2022, were signed by two other former Relief Association Treasurers rather than by the current Relief Association Treasurer. Issuing checks with the signatures of unauthorized individuals and without the signature of the disbursing officer 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.

The relief association's bylaws at Article I, Section IV states:

The funds of the Association shall be deposited in a bank designated by the Board of Directors, and shall be withdrawn only with the signatures of at least two (2) officers of three (3) which will be President, Vice President and Treasurer, one of which has to be the Treasurer.

In addition, the relief association's bylaws at Article III, Section IV states:

The Treasurer shall sign all orders for the disbursement of funds, along with the President or in the absence of the president the Vice President, which has been ordered by the Board of Directors. (*Sic*)

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**Finding No. 10 – (Continued)**

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: Relief association officials indicated that they failed to abide by current bylaws.

Effect: As a result of the relief association issuing checks without two authorized signatures and issuing checks without the signature of the current Treasurer, assets were placed at greater risk as expenditures were being made without two current relief association officers having the opportunity to verify the propriety of the expenditures. The application of the two signatures, including one of the current Treasurer, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected. Also, the assets were placed at greater risk due to the check signers not being covered by the Surety (Fidelity) bond.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two current 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.

**Finding No. 11 – 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 January 1, 2021. As of December 31, 2021, the relief association's cash assets totaled \$39,129.



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**Finding No. 11 – (Continued)**

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 official indicated that they had a lapse in coverage.

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, as a result of our audit, the relief association increased the bond coverage to \$100,000 to comply with the recommendation on May 17, 2022.

Auditor's Conclusion: We reviewed the documentation verifying the increase in bond coverage on May 17, 2022. Compliance for bond coverage will be subject to verification through our next audit.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 12 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle**

Condition: The relief association entered into an agreement, signed on November 15, 2010, with the Salem Township Fire Company for a 2005 KME Kovatch Rescue Truck. Although the vehicle was titled jointly in both the names of the relief association and the fire company, the agreement stated that the relief association would receive all of the proceeds if the vehicle was ever sold. The fire company also purchased a 2018 Spartan Truck in 2018 and used the 2005 KME Kovatch Rescue Truck as collateral for a bridge loan because the fire company's name was also on the title. In 2018, the jointly purchased vehicle was sold for \$150,000. Since the truck was sold, the fire company had to pay off its bridge loan in order to obtain the title for the sale of the truck and used the proceeds to pay off the bridge loan. As a result, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

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 the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Although the relief association officials did execute a formal written agreement with the fire company, the fire company used the proceeds from the sale of the vehicle to pay the bridge loan off.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is in compliance.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 12 – (Continued)**

Recommendation: We recommend that the relief association be reimbursed \$150,000 for the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle 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: 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'S RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. Furthermore, conditions such as those reported by Finding Nos. 5 and 12 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action 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.

SALEM TOWNSHIP FIRE DEPARTMENT FIREMAN'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

Salem Township Fire Department Fireman's Relief Association Governing Body:

**Mr. Christopher Cashman**  
President

**Mr. Richard Eyer**  
Secretary

**Ms. Amy Evans**  
Treasurer

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

**Ms. Amy Evans**  
Secretary  
Salem 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).