



**TAYLORSTOWN VOLUNTEER FIREMAN'S  
RELIEF ASSOCIATION**

**WASHINGTON COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2008 TO DECEMBER 31, 2012**

**AUGUST 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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

**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Glenn Huston, President  
TAYLORSTOWN VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Washington County

We have conducted a compliance audit of the Taylorstown Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2008 to December 31, 2012.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Taylorstown Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Taylorstown Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Taylorstown Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2012, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2008 to December 31, 2012, found the Taylorstown Volunteer Firefighters' Relief Association took appropriate corrective action to address two of five the findings contained in our prior audit report. However, the Taylorstown Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the three remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Taylorstown Volunteer Firefighters' Relief Association did not, in all significant respects, receive and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. Therefore, the Taylorstown Volunteer Firefighters' Relief Association will be subject to the potential withhold of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid Section of this report. The results of our tests also indicated the Taylorstown Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance of \$8,298 and no investments.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 4 – Unauthorized Expenditures

Finding No. 5 – Inappropriate Presigning of Blank Checks

Finding No. 6 – Inadequate Signatory Authority for the Disbursement of Funds

The contents of this report were discussed with the management of the Taylorstown Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

April 11, 2013

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

EUGENE A. DEPASQUALE  
Auditor General



## CONTENTS

Background.....	1
Status of Prior Findings .....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures .....	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes of Meetings .....	8
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure to Maintain a Complete and Accurate Equipment Roster.....	9
Finding No. 4 – Unauthorized Expenditures .....	11
Finding No. 5 – Inappropriate Presigning of Blank Checks .....	14
Finding No. 6 – Inadequate Signatory Authority for the Disbursement of Funds.....	15
Potential Withhold of State Aid.....	17
Accompanying Expenditure Information .....	18
Report Distribution List .....	19





## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The Taylorstown Volunteer Fireman's Relief Association, herein referred to as Taylorstown Volunteer Firefighters' 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.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality. The Taylorstown Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Blaine Township	Washington	\$10,053	\$3,399	\$3,826	\$6,529	\$3,914
Buffalo Township	Washington	\$ 6,508	\$5,905	\$6,646	\$9,970	\$5,782

BACKGROUND (Continued)

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

Taylorstown Volunteer Fire Company

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Taylorstown Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Failure to Timely Deposit State Aid

By adopting internal control procedures to ensure the timely deposit of state aid received.

- Inadequate Financial Record-Keeping and Internal Controls

By the records being adequately safeguarded, and bank statements and cancelled checks being maintained. However, deficiencies remain with regard to lack of supporting documents related to relief association expenditures, inadequate meeting minutes, and an inadequate equipment roster. See Finding Nos. 1, 2, and 3 in the Findings and Recommendations section of this report.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Taylorstown Volunteer Firefighters' Relief Association has not complied with three of the five prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Inadequate Documentation of Expenditures

While the relief association was reimbursed \$22,370 for the undocumented expenditures identified during our prior audit, the relief association was unable to provide adequate supporting documentation for \$75,783 of expenditures made during the current audit period. See Finding No. 1 in the Findings and Recommendations section of this report.

- Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings

- Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

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

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: As cited in our prior audit report, the relief association, again, was unable to provide adequate supporting documentation for the following expenditures made during the current audit period. Using bank statements and cancelled checks, we were able to determine payee information; however, invoices or other documentation was not maintained by the relief association to support the expenditures. Undocumented expenditures during the current audit period totaled \$75,783.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/14/08	1002	VFRA member	\$ 25
10/30/08	1006	Fire company	545
12/10/08	1005	Fire company	815
01/04/09	1028	Fire company	5,000
01/08/09	1030	Vendor	646
01/21/09	POS	Vendor	60
02/24/09	1031	Vendor	286
03/13/09	1012	Vendor	44
03/18/09	1013	Vendor	121
03/30/09	1014	Vendor	32
04/13/09	1015	Vendor	561
04/16/09	1044	Vendor	84
04/20/09	1016	Fire company	3,000
05/05/09	1018	Fire company	203
06/08/09	1019	Vendor	773
07/14/09	1020	Vendor	19
07/16/09	1023	Vendor	71
07/24/09	1021	Firemans association	135
09/22/09	1024	Charity	4
09/29/09	1026	Insurance company	8,553
11/17/09	1025	Fire company	110
12/01/09	POS	Vendor	308
01/21/10	POS	Vendor	106
03/10/10	1041	Fire company	1,200
04/12/10	1045	Fire company	1,000
04/15/10	POS	Vendor	95
04/23/10	1048	Fire company	960
04/26/10	1046	Vendor	304

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

05/03/10	1062	Vendor	284
05/10/10	1047	Vendor	146
06/15/10	1049	Vendor	88
07/30/10	1053	Vendor	65
08/02/10	1063	Vendor	375
08/09/10	1054	Vendor	125
08/28/10	1055	Cash	3,600
08/30/10	1067	Vendor	310
09/01/10	EFT	Vendor	1,801
10/12/10	POS	Vendor	21
10/26/10	POS	Vendor	94
11/12/10	POS	Vendor	12
11/15/10	1069	Vendor	406
11/26/10	POS	Vendor	12
12/09/10	1091	Insurance company	2,002
12/11/10	POS	Vendor	12
12/15/10	1060	Vendor	5
12/27/10	POS	Vendor	12
01/10/11	1094	Vendor	30
01/12/11	1095	Insurance company	2,001
06/01/11	1096	Fire company	1,800
07/09/11	1097	Firemans Association	135
10/14/11	Debit memo	Fire company	1,693
11/04/11	Debit memo	Fire company	4,800
11/27/11	1100	Fire company	1,200
12/05/11	1070	Insurance company	1,984
12/11/11	1115	Fire company	2,500
12/13/11	1105	Fire company	2,500
01/20/11	1099	Vendor	161
02/06/12	1102	Fire academy	80
02/10/12	1121	VFRA member	405
02/15/12	1104	Fire company	1,800
03/04/12	1122	Fire company	2,944
03/05/12	1074	Fire company	1,800
03/12/12	Debit memo	Vendor	30
03/16/12	1073	Vendor	1,611

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

04/25/12	POS	Vendor	422
05/07/12	1077	Fire company	3,600
06/04/12	1079	Fire company	3,600
07/02/12	1080	Fire company	2,300
08/06/12	1082	Firemans Association	120
09/12/12	1084	Vendor	368
11/07/12	1088	Vendor	254
11/07/12	1089	Vendor	415
11/19/12	1108	Fire company	1,000
12/02/12	1109	Fire company	\$ 1,800
Total			<u>\$ 75,783</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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), [FN1] 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.

Without adequate supporting documentation, such as invoices, and detailed minutes of meetings (as noted in Finding No. 2) this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Even though notified of this condition during our prior audit, relief association officials, again, neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). 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, these unauthorized expenditures may lead to a total withholding of state aid, as detailed on page 17 of this report.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We, again, recommend the relief association provide this department with adequate supporting documentation, such as invoices, to determine the validity of the expenditures or that the relief association be reimbursed \$75,783 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation, including board minutes evidencing that all expenditures were approved by the board, 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.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings

Condition: As cited in our two prior audit reports, the relief association, again, failed to maintain detailed minutes of meetings as required by Act 118. Specifically, the relief association's minutes did not adequately address all of the financial-related transactions that occurred during the audit period.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

Cause: Even though notified of this condition during our two prior audits, relief association officials, again, neglected to maintain detailed minutes of meetings as required by Act 118. There was a turnover in officer's during the current audit period, and the new President/Treasurer, stated that he was unaware that the minutes were deemed inadequate during our two prior audits.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist, nor is there evidence that the board approved the significant amount of undocumented expenditures detailed in Finding No. 1. Furthermore, inadequate minutes of meetings may lead to a total withholding of state aid, as detailed on page 17 of this report.

Recommendation: We, again, recommend the relief association maintain detailed minutes of meetings, evidencing the discussion and approval 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.



TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in our two prior audit reports, the relief association officials, again, did not maintain a complete and accurate roster of equipment owned by the relief association. While a listing of relief association owned equipment was provided, it was incomplete and did not accurately identify all equipment owned by the relief association. Specifically, the list of equipment that was provided did not contain all dates of purchases, unit costs, names of suppliers, serial numbers, or final dispositions of sold or damaged items. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: Sound business practice dictates 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 fixed assets. A cumulative equipment roster of all relief association equipment should include 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; and
- Evidence of the performance and results of an annual physical inventory.

Cause: Even though notified of this condition during our prior audit, relief association officials, again, neglected to establish adequate internal control procedures over fixed assets requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of all equipment.

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 fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets. Furthermore, the continued failure to maintain a complete and accurate equipment roster may lead to a total withholding of state aid, as detailed on page 17 of this report.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

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

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items that are not authorized by Act 118:

Date	Check No.	Description	Amount
03/02/10	1036	Fire company fundraising supplies	\$ 362
03/04/10	1039	Fire company fundraising supplies	122
03/05/10	1038	Fire company food service equipment	965
04/12/10	1043	Fire company vehicle repairs	270
09/08/10	1066	Dress uniforms	1,274
11/23/11	1107	Fire company building improvement	751
02/25/12	1103	Coal for fire company	290
03/26/12	1123	Fire company insurance	1,500
05/06/12	1078	Fire company vehicle repairs	293
09/06/12	1081	Fire company vehicle repairs	161
11/07/12	1087	Fire company vehicle repairs	\$ 173
Total			<u>\$ 6,161</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1, 2, 8, 9, 11, and 12) states:

The 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.
- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining volunteer firefighters who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation.
  
- 9) To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of a fire company to the extent that the bills are not covered by insurance provided by the relief association.
  
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
  
- (12) To secure insurance against the legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.

Costs associated with expenditure of relief association funds for fire company fundraising, food service equipment, fire company vehicle repairs, dress uniforms, coal for the fire company, and fire company insurance, do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, these unauthorized expenditures may lead to a total withholding of state aid, as detailed on page 17 of this report.

Recommendation: We recommend the relief association be reimbursed \$6,161 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) 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.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (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.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding – No. 5 Inappropriate Presigning of Blank Checks

Condition: A review of the relief association's checkbook, at the time of the audit engagement, revealed that three blank checks were presigned by only one of the two relief association officers who are authorized to sign checks. The three presigned checks were signed by the former treasurer, who resigned on December 31, 2012. In addition, the new relief association officers failed to remove the prior treasurer as an authorized signer with the relief association bank. The pre signing of blank checks negates the relief association's internal control over the disbursement process.

Criteria: Prudent business practice dictates that the relief association have sufficient internal control procedures in place to prohibit the pre signing of blank checks. Good 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 signing the checks.

Cause: The relief association's officers were aware of the necessity for two signatures but did not realize that applying the first signature prior to evaluating the propriety of the expenditure negated the relief association's internal controls over the disbursement process.

Effect: As a result of one of the two authorized relief association officers presigning the blank checks, assets were placed at greater risk of misappropriation since the officer who pre signed the blank checks did not have the opportunity to verify the propriety of the expenditures. Furthermore, the presigning of blank checks constitutes a control weakness that could have led to the conditions detailed in Finding No. 1 and Finding No. 4, beginning on pages 4 and 11, respectively, of this report. Finally, this inappropriate presigning of blank checks may lead to a total withholding of state aid, as detailed on page 17 of this report.

Recommendation: We recommend that the practice of presigning blank checks be immediately discontinued. We also recommend that all of the relief association officers ensure that checks are signed and co-signed only after the propriety of the expenditures have been determined and the payees, dates, and amounts to be paid have been confirmed. 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.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Inadequate Signatory Authority for the Disbursement of Funds

Condition: During the current audit engagement, we identified three checks out of 101 drawn on the relief association's checking account that only contained the signature of one officer, although two signatures are required, pursuant to Act 118 and the relief association bylaws. Issuing checks with the signature of only one officer negates the relief association's internal control over the disbursement process.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) states, in part:

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

In addition, Article VII Section 1, of the relief association's bylaws states:

The signatures of at least two officers, one of whom shall be the Treasurer, shall be required for the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association have sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Good internal control procedures require that checks be signed only after the propriety of the expenditures have 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, contract, etc., prior to approving the checks.

Cause: Relief association officials neglected to establish adequate internal control procedures which require the signatures of at least two officers on all negotiable instruments.

Effect: As a result of the relief association officer issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk for errors occurring and going undetected, and reduces the risk of misappropriation. An error rate of less than 5% would normally not require the issuance of this finding. However, the finding was included in this report due to the other deficiencies noted in this report, especially Finding Nos. 1 and 4, related to undocumented and unauthorized expenditures, beginning on pages 4 and 11, respectively, of this report. Furthermore, the inadequate signatory authority for the disbursement of funds may lead to a total withholding of state aid, as detailed on page 17 of this report.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Recommendation: We recommend the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. 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.



TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings, such as those reported in Finding Nos. 1, 2, and 3, may lead to a total withholding of state aid in the future unless these findings are corrected. Furthermore, conditions such as those reported in Finding Nos. 4, 5, and 6, may lead to a total withholding of state aid in the future unless these findings are corrected. However, such action will not be considered if sufficient documentation is provided immediately to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2012

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 1,725
Tokens of sympathy and goodwill	1,450
Total Benefit Services	\$ 3,175
Fire Services:	
Equipment purchased	\$ 38,597
Equipment maintenance	3,101
Training expenses	931
Total Fire Services	\$ 42,629
Administrative Services:	
Miscellaneous administrative expenses	\$ 144
Total Administrative Services	\$ 144
Total Investments Purchased:	\$ 3,000
Other Expenditures:	
Undocumented expenditures	\$ 75,783
Total Other Expenditures	\$ 75,783

TAYLORSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Taylorstown Volunteer Firefighters' Relief Association Governing Body:

Mr. Glenn Huston, President/Treasurer

Mr. Robert Lawton, Vice President

Mr. Robert Strain, Secretary

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

Ms. Lisa Stasiowski, Secretary  
Blaine Township

Stephanie Gallagher, Secretary  
Buffalo Township

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).