



KINGSDALE VOLUNTEER FIREMAN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

ADAMS COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO DECEMBER 31, 2007



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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, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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 Kingsdale 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 84 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 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, 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 Kingsdale Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Germany Township	Adams	\$14,097	\$14,236	\$16,167	\$16,777	\$18,072
Mount Joy Township	Adams	\$ 3,101	\$ 3,075	\$ 3,075	\$ 3,301	\$ 2,733

BACKGROUND (Continued)

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

Kingsdale Volunteer Fire Company, Inc.

Mr. Michael Reindollar, President
KINGSDALE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Adams County

We have conducted a compliance audit of the Kingsdale 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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), for the period January 1, 2003 to December 31, 2007. The audit was conducted in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States.

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 Kingsdale Volunteer Firefighters' Relief Association's administration of state aid and accumulated 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Kingsdale Volunteer Firefighters' Relief Association's cash balance as of January 1, 2003 to December 31, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2003 to December 31, 2007, found that the Kingsdale Volunteer Firefighters' Relief Association did not receive and expend state aid and accumulated funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the following findings discussed later in this report. The results of our tests indicated the Kingsdale Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$13,700 and no investments.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Misappropriation of Monetary Assets

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Minutes of Meetings

Finding No. 4 – Inadequate Signatory Authority for the Disbursement of Funds

Finding No. 5 – Inadequate Record-Keeping and Internal Controls

Finding No. 6 – Failure to Maintain Officer's Bond Coverage

Finding No. 7 – Untimely Deposit of State Aid

Finding No. 8 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 9 – Failure to Maintain a Complete and Accurate Membership Roster

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

April 17, 2008

JACK WAGNER
Auditor General

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Kingsdale Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Failure to Obtain a Pennsylvania Sales Tax Exemption Number

By obtaining a state sales tax exemption number and furnishing this number to all vendors from which the relief association purchases equipment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Kingsdale Volunteer Firefighters' Relief Association has not complied with certain prior audit findings. These issues are further discussed in the following findings noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Failure to Maintain 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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Expenditure Description</u>	<u>Amount</u>
07/25/03	368	Member reimbursement	\$ 42
01/31/04	371	Affiliated fire company	1,195
04/15/04	378	Member reimbursement	362
10/27/04	396	Payment to individual	995
01/31/05	404	Equipment vendor	104
02/09/05	RF110*	Payment to individual	1,370
06/28/05	121	Payment to individual	25
10/01/05	127	Insurance agency	4,689
10/21/05	126	Affiliated fire company	665
10/27/05	129	Equipment maintenance vendor	378
11/05/05	130	Payment to individual	983
01/17/06	134	Convenience store	53
05/19/06	150	Training material vendor	35
05/19/06	151	Equipment vendor	219
05/27/06	152	Payment to individual	50
07/25/06	156	Equipment vendor	107
Total			<u>\$ 11,272</u>

* Temporary check number; relief association opened a new checking account.

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any 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 amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Without adequate supporting documentation, such as invoices, meeting minutes and/or training certificates, where applicable, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, prudent business practices require that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, meeting minutes and/or training certificates, where applicable, and detailed minutes of meetings, made it impossible to determine the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e).

However, subsequent to the audit period, on March 24, 2008, the relief association received partial reimbursement from the affiliated fire company in the amount of \$2,733. The reimbursement received by the relief association on March 24, 2008, was a result of the erroneous duplicate reimbursement received from the affiliated fire company for an undeposited state aid check. (see Finding No. 7) The \$2,733 is being applied towards the total amount of undocumented expenditures reported above.

Recommendation: We recommend the relief association provide this department with adequate supporting documentation, such as invoices, meeting minutes and/or training certificates, where applicable, to determine the validity of the expenditures or that the relief association be reimbursed \$8,539 for the remaining 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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Misappropriation Of Monetary Assets

Condition: During the current audit we determined that a check issued by the relief association in the amount of \$2,350, was alleged to have been misappropriated by a member of the relief association. Check no. 284 issued on November 8, 2007 was made payable to an Internet equipment vendor but was allegedly diverted and deposited into the personal account of a relief association member. It could not be supported that any goods or services were rendered for this disbursement. The Pennsylvania State Police have filed legal charges against the member for the misappropriated funds. The status of the legal action is pending as of the date of this report and the likelihood of the relief association recovering the funds has not been determined.

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

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

In addition, prudent business practice dictates that the relief association shall have sufficient internal controls in place to ensure the propriety of all relief association expenditures. Such internal controls should include procedures to ensure the disbursement has been approved by the relief association membership and that the goods or services have actually been received prior to making payment.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure the propriety of all relief association expenditures. The numerous internal control weaknesses that contributed to this check being allegedly misappropriated are discussed in Finding No. 5 of this report.

Effect: As a result of the alleged misappropriation of funds by the relief association member, relief association funds were not available for purposes authorized by Act 84.

Recommendation: We recommend that the relief association aggressively pursue collection of the alleged \$2,350 misappropriated from the relief association. We further recommend the relief association immediately establish sufficient internal controls to ensure the propriety of all future relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management agreed with the finding and indicated they will take action to comply with the recommendation.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Minutes of Meetings

Condition: As cited in the prior audit report, the relief association did not maintain minutes of meetings, as required by Act 84 and the relief association's bylaws. During the current audit, the relief association did not provide any minutes of meetings for the current or prior audit periods. Although relief association meetings are required to be held monthly, it was impossible to determine if any meetings were held during the current audit period.

Criteria: Act 84 at 53 P.S. § 8505(a) states, in part, that the relief association:

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

In addition, Article III, Section 3, of the relief association's bylaws stipulates in part:

The Secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at meetings.

The Secretary shall also maintain an updated copy of the association bylaws and make it available for review by the membership. The Secretary is responsible for providing representatives of the Department of the Auditor General with the association's minutes of meetings and bylaws in connection with their auditing duties.

Furthermore, Article II, Section 1, of the relief association's bylaws stipulates:

Section 1: Regular meetings of this association shall be held on the last Monday of each month immediately following the regular meeting of the Kingsdale Volunteer Fire Company Inc. Four members shall constitute a quorum.

Cause: While notified of this condition in the prior audit report, relief association officials neglected to maintain minutes of meetings required by Act 84 and the relief association's bylaws.

Effect: The failure to maintain minutes of meetings prevented the verification as to whether relief association business was presented before the membership for approval.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Recommendation: We again recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 84 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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Inadequate Signatory Authority for the Disbursement of Funds

Condition: The signature of only one relief association officer was used to disburse relief association funds from the relief association's checking accounts, although the signatures of at least two relief association officers are required. Specifically, during the current audit we detected that 99 of the 122 checks drawn on the relief association's checking accounts only contained one signature.

In addition, although the check reported in Finding No. 2 as being misappropriated did contain the signatures of two officers, we were informed by one of the relief association officers that the misappropriated check had been presigned. It was not possible to determine how many of the other 22 checks issued by the relief association during the current audit period that contained two signatures had been presigned.

Criteria: Act 84 at 53 P.S. § 8505(c) 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 in order to bind the association by formal contract or to issue any 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.

Also, prudent business practice dictates that the relief association should have sufficient procedures in place to ensure the signatures of at least two officers on all negotiable instruments, as well as controls to prohibit the presigning of blank checks. Checks should be signed and cosigned only after each authorized person has reviewed and approved the nature, purpose, and propriety of each expenditure.

Cause: Relief association officials were unaware of the Act 84 and relief association bylaw provisions, which require the signatures of at least two officers for the disbursement of funds.

Effect: As a result of the relief association not obtaining two signatures for all disbursements, assets were placed at greater risk of misappropriation.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend the relief association officials adopt procedures which would require the signatures of at least two officers on all relief association negotiable instruments, as required by Act 84 and the relief association's bylaws. We also recommend that the relief association ensure that checks are signed and cosigned only after each authorized person has reviewed and approved the nature, purpose, and propriety of each expenditure. 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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Inadequate Record-Keeping and Internal Controls

Condition: The relief association failed to establish adequate internal controls and maintain pertinent financial records. The following material internal control weaknesses and record-keeping deficiencies existed during the period under review:

- Invoices were not required prior to payment of purchases.
- Checks were not made payable to and mailed directly to vendors.
- Bank reconciliations were not performed.
- Financial-related activities were not presented, discussed, and approved at relief association meetings.
- Minutes of meetings were not maintained.
- A roster of relief association owned equipment was not maintained nor were annual inventories of the equipment performed.
- Documentation to support various receipts and expenditures was not maintained.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- A journal was not maintained to record the receipts and disbursements of the relief association for financial transactions that occurred in 2007.
- The signature of only one officer was used to disburse funds from the relief association checking account.
- Checks were presigned by one of the two authorized disbursing officers.

Criteria: Act 84 at 53 P.S. § 8505 (a) states, in part, that the relief association:

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

In addition, Article V, Sections 1 and 2 of the relief association's bylaws states, in part:

All expenditures must be approved by a majority vote at an association's meeting and duly recorded in the minutes. All expenditures must be made through a relief association account and recorded, in detail, in the association's ledger. Supporting documentation such as invoices, canceled checks, etc. shall be maintained to verify all disbursements.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Furthermore, prudent business practices dictate that:

- Original invoices be required prior to payment of purchases.
- Checks be made and mailed directly to vendors.
- Monthly bank reconciliations be performed.
- All purchases be presented to the association membership for discussion and approval.
- Detailed meeting minutes be maintained to accurately document relief association business.
- A roster of all relief association owned equipment be maintained, an annual inventory of the equipment be performed.
- Supporting documentation of receipts and expenditures be maintained.
- Ledgers be maintained to record all transactions of the relief association accounts.
- Journal's be maintained to record all receipts and disbursements of the relief association.
- The signatures of at least two officers be required to disburse funds.
- Checks be signed and co-signed only after each authorized person has reviewed and approved the nature, purpose, and propriety of each expenditure.

Cause: The relief association failed to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions. The relief association officials were unaware of the relief association's ineffective internal control system, and their various record-keeping responsibilities.

Effect: The failure to establish adequate internal controls prevents the relief association from adequately safeguarding its assets, and the lack of effective internal controls placed the relief association funds at greater risk for misappropriation. During the current audit, a check in the amount of \$2,350, was misappropriated by a member of the relief association. This misappropriation may have been prevented had the relief association established the controls stated above. This misappropriation is discussed in Finding No. 2 of this report. The failure of relief association officials to maintain adequate records prevented the verification as to whether relief association business was presented before the membership for discussion and approval and prohibits the membership from effectively monitoring the relief association's financial operations.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend the relief association establish and maintain a financial record-keeping system, which meets the minimum record-keeping requirements of this department and also adopts internal control procedures which will require the following:

- Payment of purchases only from original invoices.
- Mailing of checks directly to vendors.
- Performance of monthly bank reconciliations.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of detailed meeting minutes.
- Maintenance of an equipment roster and periodic physical inventories of equipment owned.
- Maintenance of supporting documentation of all receipts and expenditures.
- Maintenance of ledgers to record all transactions of the relief association accounts.
- Maintenance of journals to record all receipts and disbursements of the relief association.
- The signatures of at least two officers to disburse funds.
- Prohibition of the practice of presigning checks.

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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Failure to Maintain Officer's Bond Coverage

Condition: The relief association failed to maintain bond coverage on the disbursing officer, as required by Act 84 and the relief association bylaws. The relief association's bond coverage lapsed on March 15, 2006, and the relief association was without bond coverage from March 16, 2006 through December 10, 2007.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such 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 such bond shall be a proper charge against the funds of the association.

In addition, Section 2, of the relief association's bylaws states in part:

Section 2: The association shall maintain an officer's bond on the Treasurer and President. 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.

Cause: Relief association officials were aware of the Act 84 and relief association bylaw provisions regarding the maintenance of officer's bond coverage but neglected to timely renew the policy when it expired on March 15, 2006.

Effect: As a result of the disbursing officer of the relief association not being bonded for a certain period of time, the relief association's cash assets were not adequately safeguarded during this period. Due to the lapse of bond coverage for the period March 16, 2006 to December 10, 2007, the relief association did not have bond coverage at the time a check in the amount of \$3,258, was misappropriated from the relief association. (see Finding No. 2) Therefore, the relief association was not able to pursue recovery of misappropriated funds from the bond policy.

Recommendation: We recommend the relief association maintain officer's bond coverage in an amount greater than the maximum cash balance, as required by Act 84 and the relief association bylaws. The relief association should monitor the bond policy expiration dates to ensure there is no lapse in bond coverage. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Untimely Deposit of State Aid

Condition: The volunteer firefighters' relief association did not deposit the 2007 state aid allocation it received from Mount Joy Township, in the amount of \$2,733, until February 22, 2008. On March 17, 2008, during the current audit we inquired of the relief association as to the status of the undeposited 2007 state aid allocation from Mount Joy Township. At the time of our inquiry, the relief association was unsure of whether the state aid allocation had been deposited and did not have any documentation available to support that the funds had been deposited by the relief association. Although the state aid funds had previously been deposited on February 22, 2008, the relief association was not aware of status of the outstanding state aid and had the affiliated fire company make an additional deposit in the amount of \$2,733 on March 24, 2008, into the relief association's account. The erroneous second deposit of \$2,733 is being applied towards the undocumented expenditures reported in Finding No. 1 of this report.

Criteria: The foreign fire insurance tax allocation was distributed to the municipal treasurer, who forwarded this state aid to the volunteer firefighters' relief association on October 3, 2007, which is within the 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The relief association failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner. The 2007 state aid allocation was timely distributed to the relief association. However, according to the prior relief association treasurer the allocation was not timely deposited into a relief association account because the check was not timely delivered to the relief association's financial institution.

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

Recommendation: We recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in the prior audit report, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. The relief association did not provide a copy of its equipment roster during the current audit. As such, there was no indication that the relief association has recorded its equipment purchase and that an annual inventory of the equipment was performed to account for the relief association's fixed assets.

Criteria: 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 roster of all relief association equipment should include the following:

- Type of equipment purchased.
- Date of purchase.
- Unit cost.
- Name of supplier.
- Serial number, if applicable.
- Current location of item.
- Final disposition of sold or damaged equipment.
- Notation of the annual inventory.

Cause: While notified of this condition in the prior audit report, relief association officials neglected to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster and the performance of an annual equipment inventory.

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 equipment inventory prevents adequate accountability and safeguarding of relief association assets.

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

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – 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. An updated roster of the relief association membership was not provided during the current audit.

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:

- Name of each member.
- Member's mailing address.
- Date of birth.
- Date of membership.
- Membership classification.

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

Cause: Relief association officials were unaware that they should maintain an updated, comprehensive roster of relief association members.

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

Recommendation: We recommend 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.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported in Finding Nos. 1 and 2 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 within 30 days 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, 406 Finance Building, Harrisburg, PA 17120.

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2003 TO DECEMBER 31, 2007

Act 84 at 53 P.S. § 8502(1) states, in part, that:

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. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, 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. 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	\$ 22,865
Tokens of sympathy and goodwill	309
Total Benefit Services	\$ 23,174
Fire Services:	
Equipment purchased	\$ 40,875
Equipment maintenance	14,443
Training expenses	2,327
Fire prevention materials	196
Total Fire Services	\$ 57,841
Administrative Services:	
Miscellaneous administrative expenses	\$ 583
Total Administrative Services	\$ 583
Other Expenditures:	
Undocumented expenditures	\$ 14,522
Misappropriated monetary assets	2,350
Total Other Expenditures	\$ 16,872

KINGSDALE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

The Honorable Shawn Wagner
Adams County District Attorney

Kingsdale Volunteer Firefighters' Relief Association Officers:

Mr. Michael Reindollar, President

Ms. Heather Parrish, Secretary

Ms. Joan Werderbaugh, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Mr. David H. Krebs, Secretary
Germany Township

Ms. Brenda J. Constable, Secretary
Mount Joy Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.