

COMPLIANCE AUDIT

Coolbaugh Township Firemen's Relief Association

Monroe County, Pennsylvania

For the Period

January 1, 2019, to December 31, 2022

March 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Charles Baker, II, President
Coolbaugh Township Firemen's
Relief Association
Monroe County

We have conducted a compliance audit of the Coolbaugh Township Firemen's Relief Association (relief association) for the period January 1, 2019, to December 31, 2022. 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 association 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 a portion of the cash balance and a portion of 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, 2022, the relief association had a cash balance of \$311,123 and an investment balance with a fair value of \$192,936, we were not able to verify portions of those cash and investment balances.

Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2022:

- 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.
- Except for the effects, if any, of the matter described in the preceding paragraph, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

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

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

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Duplicate Payment

Finding No. 5 – Failure To Monitor Investment Activity

Finding No. 6 – Inadequate Investment Records

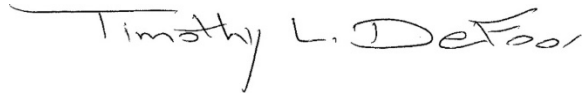
Finding No. 7 – Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 8 – Failure To Maintain A Debit Card Policy

Finding No. 9 – Inadequate Internal Controls

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

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

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

Timothy L. DeFoor
Auditor General
February 21, 2024

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("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 Law³ (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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Coolbaugh Township	Monroe	\$112,395	\$112,935	\$99,730	\$122,755

Based on the relief association’s records, its total cash and investments as of December 31, 2022, was \$504,059, as illustrated below:

Cash	\$ 311,123
Fair Value of Investments	<u>192,936</u>
Total Cash and Investments	<u>\$ 504,059</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$416,918, 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.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:	
Insurance premiums	\$ 12,590
Fire Services:	
Equipment purchased	\$ 165,172
Equipment maintenance	56,532
Training expenses	66,656
Fire prevention materials	31,540
Total Fire Services	<u>\$ 319,900</u>
Administrative Services:	
Bond premiums	\$ 1,488
Officer compensation	6,600
Other administrative expenses *	10,661
Total Administrative Services	<u>\$ 18,749</u>
Other Expenditures:	
Miscellaneous **	\$ 350
Undocumented expenditure – See Finding No. 1	53,370
Unauthorized expenditures – See Finding No. 3	7,065
Duplicate expenditures – See Finding No. 4	4,894
Total Other Expenditures	<u>\$ 65,679</u>
Total Expenditures	<u><u>\$ 416,918</u></u>

* A majority of the other administrative expenses represent \$4,203 for accountant services, \$3,350 for a broker service fee for the sale of a relief association owned apparatus and \$570 for new checks.

** A majority of the miscellaneous expenditures was disputed debit card charges amounting to \$313. Once the errors were found, the relief association was reimbursed \$313 by the financial institution.

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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

Coolbaugh Township Volunteer Fire Company

COOLBAUGH TOWNSHIP FIREMEN'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:

- Failure To Maintain A Complete And Accurate Equipment Roster
- Undocumented Expenditures

Although the relief association received reimbursement of \$434 from the affiliated fire company for the 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.

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.

COOLBAUGH TOWNSHIP FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

Condition: Although the relief association received reimbursement from the affiliated fire company for the undocumented expenditures that were made in the prior audit period, the relief association was unable to provide adequate supporting documentation for 226 expenditures made during the current period and one expenditure subsequent to the audit period. All but five of the 227 expenditures were made with a relief association debit card. The total dollars and number of transactions by category are summarized in the table below for the current audit period undocumented expenditures.

Number of Expenses	Category	Amount
68	Equipment/maintenance vendors	\$ 28,699
18	Training/membership vendors	8,185
140	Food/lodging vendors	16,486
	Total	\$ 53,370

In addition, subsequent to the audit period, the relief association was unable to provide adequate supporting documentation for an expenditure amounting to \$10 to a vendor on January 17, 2023.

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 official stated that in most cases individuals did not turn in receipts for food and other expenses incurred during fire service-related trainings/meetings. In other cases, the treasurer received order confirmations rather than invoices detailing what was actually purchased and this was allowed to happen due to the relief association not having a debit card policy in place. (Addressed in Finding No. 8)

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$53,380 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$53,380 for the undocumented expenditures with reimbursements totaling \$37,604 on September 19, 2022, and \$15,776 on April 14, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursements of \$53,380 were received. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

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

Condition: As cited in our previous five audit reports, the relief association again failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, and cost of equipment to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$165,172 was recorded. Additionally, the listing of equipment provided included both relief association and fire company owned equipment. 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.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association and perform and document an annual physical inventory of all operable equipment in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

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

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 that the relief association equipment inventory is maintained separate from the fire company's equipment inventory and that it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. Failure to take action to comply with the recommendation may result in the withholding of future state aid funds. 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.

COOLBAUGH TOWNSHIP FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Unauthorized Expenditures

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

Number Unauthorized Expenditures	Category	Amount
67	Payment of sales tax	\$ 4,387
3	Dollhouses/Little Annie mannequins	2,678
	Total	\$ 7,065

In addition, subsequent to the audit period, the relief association expended \$156 for the unauthorized payment of sales tax to a vendor on January 4, 2023.

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

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

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

Costs associated with the payment of sales tax and the purchase of dollhouses and Little Annie mannequins do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: The relief association officials indicated that they did not realize the unauthorized expenditures occurred and indicated that the payments of sales tax occurred due to the relief association not realizing that the tax was applied to purchases from new vendors.

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

Recommendation: We recommend that the relief association be reimbursed \$7,221 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$7,221 for the unauthorized expenditures on April 14, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$7,221 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 4 – Duplicate Payment

Condition: On August 2, 2020, the relief association expended \$4,894 for the purchase of two sets of turnout gear and a pair of boots. On October 7, 2020, the relief association erroneously made a duplicate payment for the same two sets of turnout gear and a pair of boots. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment. The relief association failed to obtain reimbursement for the duplicate payment during the current audit period.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices and to ensure duplicate payments are recouped.

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

Effect: As a result of the erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$4,894 for the erroneous duplicate payment. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association 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, and on April 14, 2023, the relief association received and deposited a \$4,894 reimbursement from the affiliated fire company for the duplicate payment.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$4,894 was received. Compliance for maintaining appropriate documentation for expenditures to refrain from making duplicate payments during the next audit period will be subject to verification through our next audit.

Finding No. 5 – Failure To Monitor Investment Activity

Condition: Relief association officials failed to monitor their investment activity. Specifically multiple stocks and dividends payments were considered dormant and were escheated to the Pennsylvania Department of Treasury. As of June 5, 2023, the reported value by the Pennsylvania Department of Treasury amounted to \$2,819. The relief association was unaware of this condition prior to the conduct of this engagement.

Criteria: The relief association's governing body has ultimate authority and the fiduciary responsibility for the financial management of relief association funds which includes an obligation to monitor the activity of relief association's investments on a periodic basis which is a prerequisite for sound administration of relief association accounts.

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

Effect: The relief association's failure to adequately monitor investment activity resulted in a potential loss of funds to pay general operating expenses or for other investment purposes and any future interest income from this investment.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend the relief association contact the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury to obtain the funds from their dormant investment accounts. In addition, the management of the relief association should monitor all future investments to ensure they are maximizing their investment return and safeguarded from loss. 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. 6 – Inadequate Investment Records

Condition: Relief association officials did not maintain adequate records of investments purchased and sold, as well as the source of investment income. Specifically, investment statements were not maintained for stocks held by the relief association, nor were they identified in the minutes of the relief association's meetings.

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.

Additionally, sound accounting procedures for investment purchases and sales should include the recording of the following:

- Date of purchase or sale of the security
- Identification of the investment
- Amount and date of receipt of proceeds (dividends, interest, etc.)

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

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Effect: The failure to maintain an adequate record-keeping system for investment transactions prevents officials from effectively monitoring the relief association's financial position.

Recommendation: We recommend that the relief association officials take the necessary steps to record all investments purchased and sold, and identify the source and amount of investment income, so that all investment transactions are 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 7 – 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 7, 2022. As of December 31, 2022, the relief association's cash assets totaled \$311,123.

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

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.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association purchased bond coverage in an amount greater than the relief association's maximum cash balance on June 1, 2023.

Auditor's Conclusion: We reviewed documentation verifying that bond coverage was obtained on June 1, 2023. Compliance for maintaining bond coverage during the next audit period will be subject to verification through our next audit.

Finding No. 8 – Failure To Maintain A Debit Card Policy

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

- Debit card policy was not maintained.
- Detailed receipts were not maintained for all debit card purchases.

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

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

Furthermore, prudent business practice dictates that:

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

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

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

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

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

- A debit card policy stating the requirements for the pre and/or post approval of expenditures by authorized relief association officials, storage location, authorized users, and proper documentation of authorization and approval of the debit card payment by appropriate relief association officials.
- Maintaining detailed receipts to support debit card expenditures.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 9 – Inadequate Internal Controls

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

- Original invoices were not required prior to the payment of purchases. (See Finding No. 1)
- Equipment purchases were not adequately recorded on the equipment roster. (See Finding No. 2)
- Periodic physical inventories of equipment owned were not performed. (See Finding No. 2)
- Invoices were not marked to prevent duplicate payment. (See Finding No. 4)
- Investments were not monitored. (See Finding No. 5)
- Investment statements were not obtained/maintained. (See Finding No. 6)

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

Criteria: Prudent business practice dictates that:

- Original invoices shall be required prior to payment of purchases.
- Equipment purchases shall be recorded on the relief association's cumulative equipment roster.
- Annual physical inventories of equipment owned are performed.
- Invoices should be adequately marked to prevent duplicate payment.
- Investments should be monitored.
- Investment statements need to be received and monitored.

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

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

Recommendation: We recommend that the relief association officials adopt internal control procedures which will require the following:

- Payment of purchases only from original invoices.
- Recording of equipment on the relief association's cumulative equipment roster.
- Annual physical inspections of equipment owned.
- Invoices marked to prevent duplicate payment.
- Monitoring of investments.
- Maintenance of investment statements.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

COOLBAUGH TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Coolbaugh Township Firemen's Relief Association Governing Body:

Mr. Charles Baker, II
President

Mr. Joseph Wicmandy
Vice President

Ms. Michele Schlegel
Secretary

Mr. William Weimer, Jr.
Treasurer

Mr. George Dobson
Purchasing Agent

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

Ms. Erin Masker
Secretary
Coolbaugh Township

This report is a matter of public record and is available online at 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.