

COMPLIANCE AUDIT

North Whitehall Township Volunteer Firemen's Relief Association of Lehigh County, State of Pennsylvania For the Period January 1, 2019 to December 31, 2021

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General
Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Kenneth Reimert, President
North Whitehall Township Volunteer
Firemen's Relief Association of Lehigh
County, State of Pennsylvania

We have conducted a compliance audit of the North Whitehall Township Volunteer Firemen's Relief Association of Lehigh County, State of Pennsylvania (relief association) for the period January 1, 2019 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

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

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

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

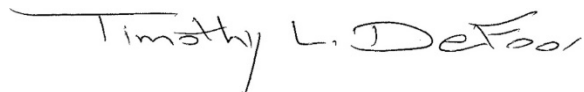
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019 to December 31, 2021:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- 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.

We have issued the observation below as detailed in the Observation section of this report.

Observation – FDIC Coverage Limits Exceeded

The contents of this report were discussed with the management of the relief association. 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
September 26, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	5
Observation:	
Observation – FDIC Coverage Limits Exceeded	6
Report Distribution List	7

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 association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Lowhill Township	Lehigh	\$ 3,443	\$ 3,465	\$ 3,056
North Whitehall Township	Lehigh	\$104,331	\$104,532	\$93,108

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$269,480, as illustrated below:

Cash	\$ 212,896
Fair Value of Investments	<u>56,584</u>
Total Cash and Investments	<u>\$ 269,480</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$350,567, 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	\$	32,838
Relief benefits		104
Tokens of sympathy and goodwill		81
Total Benefit Services	\$	<u>33,023</u>

Fire Services:

Equipment purchased	\$	209,308
Equipment maintenance		87,326
Training expenses		4,328
Fire prevention materials		2,085
Total Fire Services	\$	<u>303,047</u>

Administrative Services:

Bond premiums	\$	1,053
Other administrative expenses *		13,205
Total Administrative Services	\$	<u>14,258</u>

Other Expenditures:

Unauthorized expenditures **	\$	156
Unauthorized sales tax payments ***		83
Total Other Expenditures	\$	<u>239</u>

Total Expenditures	\$	<u><u>350,567</u></u>
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* A majority of the other administrative expenses represent \$10,997 expended for accounting services and computer reporting services.

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

BACKGROUND – (Continued)

- ** During calendar years 2019 and 2021, the relief association made insignificant disbursements in the amounts of \$57 and \$99, respectively, which were not authorized by the VFRA Act. We disclosed these issues to relief association officials on September 6, 2022, but we did not include a finding in this report due to the relatively low dollar amounts.
- *** During calendar year 2021, the relief association made two insignificant Pennsylvania sales tax disbursements in the total amount of \$83. We disclosed these issues to relief association officials on September 6, 2022, but we did not include a finding in this report due to the relatively low dollar amount.

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

Community Fire Company No. 1

Laury's Station Volunteer Fire Company No. 1

Neffs Fire Company

Tri-Clover Fire Company

NORTH WHITEHALL TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LEHIGH COUNTY, STATE OF PENNSYLVANIA
STATUS OF PRIOR AUDIT FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Undocumented Expenditure

By providing adequate documentation to evidence the propriety of the undocumented expenditure that was made in the prior audit period.

NORTH WHITEHALL TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LEHIGH COUNTY, STATE OF PENNSYLVANIA
OBSERVATION

Observation – FDIC Coverage Limits Exceeded

As disclosed in the written observation in the prior audit report, the relief association again failed to ensure that all cash deposits were below the FDIC coverage limits per account ownership in one institution. As of December 31, 2021, the relief association's ending cash and investment balances with the financial institution amounted to \$269,480.

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United State government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit

FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities and securities. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

Section 7413 of the VFRA Act states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonably permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly bank reconciliations, the relief association should ensure the relief association's cash balance does not exceed FDIC limits set by banking regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for FDIC insurance and ensure the balance of those assets per banking institution does not exceed FDIC coverage limits.

NORTH WHITEHALL TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LEHIGH COUNTY, STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

North Whitehall Township Volunteer Firemen's Relief Association of Lehigh County, State of
Pennsylvania Governing Body:

Mr. Kenneth Reimert
President

Mr. Chad McCauley
Secretary

Mr. Christopher Greb
Treasurer

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

Ms. Jill Seymour
Secretary
Lowhill Township

Ms. Brenda Norder
Secretary
North Whitehall Township

NORTH WHITEHALL TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
LEHIGH COUNTY, STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

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