

COMPLIANCE AUDIT

Safety First Volunteer Fire Company No. 1 Relief Association Northampton County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Robert A. Reiss, President
Safety First Volunteer Fire Company
No. 1 Relief Association
Northampton County

We have conducted a compliance audit of the Safety First Volunteer Fire Company No. 1 Relief Association (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, 2018 to December 31, 2020.

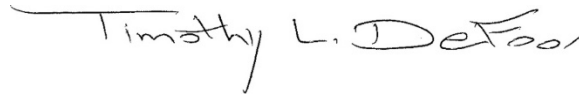
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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.

Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020, 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 finding listed below and discussed later in this report.

Finding – Failure To Segregate Relief Association Officers’ Duties And
Inadequate Relief Association Bylaws

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



Timothy L. DeFoor
Auditor General

May 25, 2021

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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, 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 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 volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 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.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipality:

Municipality	County	2018	2019	2020
West Easton Borough	Northampton	\$5,477	\$5,938	\$5,993

Based on the relief association’s records, its total cash and investments as of December 31, 2020 were \$40,046, as illustrated below:

Cash	\$ 4,209
Fair Value of Investments	35,837
Total Cash and Investments	\$ 40,046

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$24,941, 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.¹ **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	\$ 20,751
Fire Services:	
Training expenses	\$ 2,540
Administrative Services:	
Officer compensation	\$ 1,350
Bond premiums	300
Total Administrative Services	\$ 1,650
Total Expenditures	\$ 24,941

¹ 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:

Safety First Volunteer Fire Company No. 1

SAFETY FIRST VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Segregate Relief Association Officers’ Duties And Inadequate Relief Association Bylaws

Condition: Subsequent to the current audit period, we detected that the same individual holds the position of both secretary and treasurer. Furthermore, the most recent edition of the relief association’s bylaws, dated February 22, 2021, authorize the combination of the secretary and treasurer’s offices.

Criteria: Prudent business practice dictates that the duties of the secretary and treasurer be sufficiently segregated. An adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of errors or irregularities.

The minimum requirements of the secretary’s position, pertaining to a relief association, are to maintain detailed minutes of meetings authorizing the relief association’s financial operations. The secretary should review and coordinate the amending of the bylaws governing the relief association so that the bylaws meet the minimum requirements of Act 118.

The minimum requirements of the treasurer’s position, pertaining to a relief association, are to maintain an account of all funds belonging to the relief association. The treasurer shall maintain a journal and ledger detailing all financial transactions of the relief association along with documentation supporting the receipts and disbursements. The treasurer should co-sign all negotiable instruments along with another relief association officer. Also, financial statements should be prepared at least on an annual basis by the treasurer.

Section 7415(c) of Act 118 states that the relief association’s bylaws shall:

- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

The relief association’s bylaws at Article 3, Section 1 states, in part:

The officers of this association shall consist of a President, Vice President, and Secretary/Treasurer.

SAFETY FIRST VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

In addition, the relief association's bylaws at Article 7, Section 3 states, in part:

Secretary/Treasurer – The Secretary/Treasurer shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of the association financial transactions and all other pertinent business discussed at meetings... The Secretary/Treasurer shall keep account of all money belonging to the association and he shall not expend monies or enter into investment transactions without authorization of the membership. The Secretary/Treasurer shall keep a journal and ledger, which details all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the association. The Secretary/Treasurer shall, at least on an annual basis, present to the membership a written financial statement summarizing the financial transactions of the association. The Secretary/Treasurer is responsible for maintaining relief association financial records...

Cause: The offices of secretary and treasurer were combined due to low membership and no one other than the current Secretary/Treasurer of the relief association being interested in serving in either office.

Effect: An inadequate segregation of duties could prevent relief association officials and members from effectively monitoring the relief association's financial transactions. Additionally, it negates the checks and balances necessary to detect and correct financial errors or irregularities in the relief association's accounting system. Finally, the bylaws authorization of the combined offices may result in the relief association conducting its affairs without proper authorization.

Recommendation: We recommend that the relief association officials ensure that there is adequate segregation of duties between the relief association's secretary and treasurer. We also recommend that the relief association officials review its accounting and internal control procedures to ensure that the duties being performed by the secretary and treasurer are sufficiently segregated so that relief association assets are adequately safeguarded. Finally, we recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

SAFETY FIRST VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated “the combined office of secretary/treasurer was created in February 2021 and the relief association does not plan to segregate the offices since their duties would be unfulfilled.”

Auditor's Conclusion: We understand the difficulty in filling positions within the relief associations; however, as stated in the criteria, prudent business practice dictates that the duties of the secretary and treasurer be sufficiently segregated and the adequate segregation of duties is the primary internal control intended to prevent or decrease the risk of potential misappropriation of assets. Therefore, the finding remains as stated. Compliance will be subject to verification through our next audit.

SAFETY FIRST VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Safety First Volunteer Fire Company No. 1 Relief Association Governing Body:

Mr. Robert A. Reiss
President

Mr. Richard J. Nagy
Vice President

Mr. Thomas A. Bogari
Secretary/Treasurer

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

Ms. Joan Heebner
Secretary
West Easton Borough

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.