

COMPLIANCE AUDIT

Relief Association of the Community Fire Company of Virginville Berks County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

July 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. Steve Kreisher, President
Relief Association of the Community
Fire Company of Virginville
Berks County

We have conducted a compliance audit of the Relief Association of the Community Fire Company of Virginville (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 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 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 an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$38,990, we were not able to verify this cash balance.

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, 2018 to December 31, 2020:

- The relief association took appropriate corrective action to address three of the five findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this 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, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Deposit State Aid

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

Finding No. 3 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

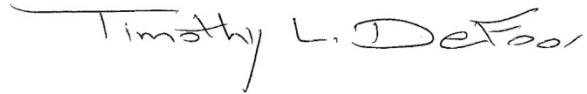
Finding No. 4 – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Finding No. 5 – Undocumented Expenditures

Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds

The six findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. 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.

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.

June 23, 2021

Timothy L. DeFoor
Auditor General

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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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Greenwich Township	Berks	\$ 4,465	\$ 4,839	\$ 4,846
Lenhartsville Borough	Berks	\$ 286*	\$ 309**	\$ 314**
Perry Township	Berks	\$ 2,968	\$ 3,242*	\$ 3,300*
Richmond Township	Berks	\$11,218	\$11,916	\$11,963
Windsor Township	Berks	\$ 6,927	\$ 7,545	\$ 7,590***

* The 2018, 2019 and 2020 state aid allocations received from Lenhartsville Borough; and the 2019 and 2020 state aid allocations received from Perry Township were not deposited into a relief association account as disclosed in Finding No. 1 in this report.

** Although Lenhartsville Borough prepared and returned a Certification Form AG 385 for 2019 and 2020, the date and amount the borough distributed the 2019 and 2020 state aid to the relief association could not be determined because the borough failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the instructions accompanying the 2019 and 2020 state aid allocation received by the borough disclosing this information. In addition, the relief association did not deposit any funds related to these allocations.

Lenhartsville Borough is still required to submit a 2019 and 2020 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this Department as soon as possible.

*** Although Windsor Township prepared and returned a Certification Form AG 385 for 2020, the date the borough distributed the 2020 state aid to the relief association could not be determined because the borough failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the instructions accompanying the 2020 state aid allocation received by the borough disclosing this information.

Windsor Township is still required to submit a 2020 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this Department as soon as possible.

Based on the relief association’s records, its total cash as of December 31, 2020 was \$38,990, as illustrated below:

Cash	\$ 38,990
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$102,260, 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	\$ 11,765
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Fire Services:

Equipment purchased	\$ 63,493
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Equipment maintenance	17,314
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Training expenses	888
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Total Fire Services	<u>\$ 81,695</u>
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Administrative Services:

Other administrative expenses*	\$ 2,830
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Bond premiums	750
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Total Administrative Services	<u>\$ 3,580</u>
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Other Expenditures:

Undocumented expenditures	<u>\$ 5,220</u>
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Total Expenditures	<u><u>\$ 102,260</u></u>
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* The majority of the other administrative expenditures represent penalties paid to the U. S. Treasury in the amount of \$2,814.

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:

Community Fire Company of Virgenville

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with three of the five prior audit findings and recommendations, as follows:

- Undocumented Loan

By liquidating a fire company loan.

- Untimely Deposit Of State Aid

By timely depositing all income received.

- Duplicate Payments

By receiving reimbursement of \$186 and \$250 from the affiliated fire company for the duplicate payments.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with two of the five prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Deposit State Aid

- Failure To Maintain A Complete And Accurate Equipment Roster

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

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Deposit State Aid

Condition: The relief association did not deposit the 2018, 2019, and 2020 state aid distributed by Lenhartsville Borough, in the amounts of \$286, \$309, and \$314, respectively. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 17, 2018, September 16, 2019 and September 22, 2020, who forwarded the state aid to the relief association on October 15, 2018, July 15, 2020 and November 15, 2020, respectively. The 2018 and 2020 state aid allocations were forwarded to the relief association as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, Lenhartsville Borough failed to forward the 2019 state aid allocation to the relief association until July 15, 2020, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

In addition, the relief association did not deposit the 2019 and 2020 state aid distributed by Perry Township, in the amounts of \$3,242 and \$3,300, respectively, into a relief association account. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 16, 2019 and September 22, 2020, who forwarded the state aid to the relief association on October 8, 2019 and October 9, 2020, respectively, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205).

A similar condition was noted in our prior audit report.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The relief association officials stated that the allocations were erroneously deposited into the affiliated fire company's account. Consequently, the relief association officials failed to establish procedures to ensure that all state aid received is deposited into a relief association account.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials immediately deposit the \$909 of the 2018, 2019 and 2020 state aid allocations it received from Lenhartsville Borough and the \$6,542 of the 2019 and 2020 state aid allocations it received from Perry Township. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into a relief association account. 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 \$7,451 for the state aid allocations that were originally deposited into the affiliated fire company account on June 9, 2021.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$7,451 was received. Compliance for ensuring timely deposits of state aid are 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: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$63,493 of equipment during the current audit period and there was no equipment roster created or maintained for these purchases. 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.

A similar condition was noted in our prior audit report.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
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 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 stated the reason why this occurred was due to a high turnover rate of personnel available or assigned to perform the duties.

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 it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

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.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: In 2010, the relief association had expended \$52,500 towards the joint purchase of a ladder truck with the affiliated fire company which had a total cost of \$211,000. The relief association entered into an agreement with the affiliated fire company dated May 26, 2010 where the relief association would receive the pro-rata share percentage of 24.88% if the vehicle was ever sold. In 2017, the jointly purchased vehicle was sold for \$84,218; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

Criteria: Section 7418(a) of Act 118 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 the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials stated that they were unaware of the agreement with the fire company when they assumed their new roles within the relief association subsequent to the establishment of the agreement by prior relief association officials.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$20,953 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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 \$20,953 for the proceeds from the sale of the jointly purchased vehicle on June 8, 2021.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$20,953 was received. Compliance for ensuring deposits of proceeds are made during the next audit period will be subject to verification through our next audit.

Finding No. 4 – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Condition: On December 29, 2020, the relief association expended \$12,919 for the purpose of jointly purchasing air packs with the affiliated fire company. However, the relief association did not adequately secure its ownership interest in this jointly purchased equipment by executing a formal written agreement.

Criteria: Section 7418(a) of Act 118 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.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased equipment by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

Cause: The relief association officials stated the reason why this occurred was due to high turnover rate of relief association officers.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased equipment places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the jointly purchased equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$12,919. 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, on June 8, 2021, the affiliated fire company and relief association entered into a formal written agreement that enumerates the relief association's proportional ownership in the jointly purchased equipment.

Auditor's Conclusion: We reviewed documentation verifying the formal written agreement. Compliance for securing ownership in jointly purchased equipment made during the next audit period will be subject to verification through our next audit.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
01/09/2018	795	Equipment maintenance vendor	\$ 290
01/09/2018	797	Equipment maintenance vendor	660
02/13/2018	793	Training vendor	150
02/20/2018	794	Equipment vendor	449
02/23/2018	EFT	Administrative vendor	256
05/08/2018	803	Equipment vendor	247
07/09/2018	804	Equipment maintenance vendor	708
07/09/2018	805	Training vendor	175
07/09/2018	807	Equipment maintenance vendor	1,055
08/14/2018	808	Training vendor	105
08/14/2018	810	Training vendor	91
08/14/2018	811	Equipment maintenance vendor	379
05/18/2019	824	Equipment vendor	405
09/30/2020	870	Affiliated fire company	250
Total			\$ 5,220

Criteria: Section 7418(a) of Act 118 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 officials indicated this occurred due to a high turnover rate of relief association officials, resulting in the lack of oversight of these functions.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (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 Act 118. 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 \$5,220 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 \$5,220 for the undocumented expenditures on June 9, 2021.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$5,220 was 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. 6 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 24 checks out of 74 checks drawn on the relief association's checking account that only contained the signature of one officer, even though two signatures are required by Act 118 and the relief association bylaws. Issuing checks with the signature of only one officer negates the relief association's internal control over the disbursement process.

Criteria: Section 7415(c)(3) of Act 118 states, in part:

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

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

In addition, the relief association's bylaws at Article VIII, Section 1 states, in part:

The signatures of at least 2 officers, preferably one of whom shall be the treasurer, shall be required for the issuance of relief association checks...

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials stated the reason why this occurred was due to improper checks and balances.

Effect: As a result of the relief association officer issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

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

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Relief Association of the Community Fire Company of Virginville Governing Body:

Mr. Steve Kreisher
President

Ms. Kelly Peter
Vice President

Ms. Jody Detwiler
Secretary

Mr. Andrew Jason Galley
Treasurer

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
REPORT DISTRIBUTION LIST

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

Ms. Jane Werley
Secretary
Greenwich Township

Mr. Mark R. Sprow
Secretary
Lenhartsville Borough

Ms. Sandra J. Madara
Secretary
Perry Township

Ms. Sharon D. Harrison
Secretary
Richmond Township

Mr. Craig A. Long
Secretary
Windsor 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.