

COMPLIANCE AUDIT

The Relief Association of the Kutztown Fire Company No. 1 Berks County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

August 2023



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. George Kusterer, President
The Relief Association of the Kutztown
Fire Company No. 1
Berks County

We have conducted a compliance audit of The Relief Association of the Kutztown Fire Company No. 1 (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 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.

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$131,407 and an investment balance with a fair value of \$145,265, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, because of the significance of the matters described in Finding Nos. 1, 2, and 3 below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the relief association did not, in all significant respects, comply 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, collectively as a whole, for the period January 1, 2019 to December 31, 2021. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Failure To Deposit Insurance Claim Proceeds

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

Finding No. 4 – Inadequate Minutes Of Meetings

Finding No. 5 – Inadequate Investment Records

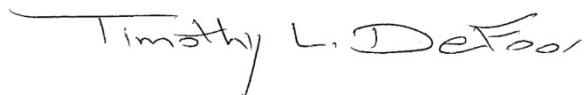
Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds

Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 8 – Inadequate Financial Record-Keeping System

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.



Timothy L. DeFoor
Auditor General
June 27, 2023

CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Undocumented Expenditures	3
Finding No. 2 – Failure To Deposit Insurance Claim Proceeds.....	4
Finding No. 3 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle	5
Finding No. 4 – Inadequate Minutes Of Meetings.....	7
Finding No. 5 – Inadequate Investment Records	8
Finding No. 6 – Inadequate Signatory Authority For The Disbursement Of Funds.....	9
Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment Roster.....	10
Finding No. 8 – Inadequate Financial Record-Keeping System.....	12
Potential Withhold of State Aid.....	13
Report Distribution List	14

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.

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Greenwich Township	Berks	\$ 8,142	\$ 8,154	\$ 7,380
Kutztown Borough	Berks	\$25,744	\$26,005	\$23,132
Maxatawny Township	Berks	\$27,584	\$27,985	\$25,650

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)

Based on the relief association’s records, its total cash, and investments as of December 31, 2021, were \$276,672, as illustrated below:

Cash	\$ 131,407
Fair Value of Investments	<u>145,265</u>
Total Cash and Investments	<u>\$ 276,672</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$286,458, 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	<u>\$ 9,617</u>
Administrative Services:	
Bond premiums	\$ 500
Other administrative expenses	<u>123</u>
Total Administrative Services	<u>\$ 623</u>
Other Expenditures:	
Miscellaneous – uncategorized	\$ 153,371
Undocumented expenditures	<u>122,847</u>
Total Other Expenditures	<u>\$ 276,218</u>
Total Expenditures	<u>\$ 286,458</u>

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:

Kutztown Fire Company No. 1

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

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
03/26/19	1488	Insurance vendor	\$ 775
06/27/19	1492	Equipment vendor	2,950
08/02/19	1496	Vehicle vendor	77,419
09/26/19	1498	Training vendor	880
12/23/19	1502	Equipment vendor	9,916
02/20/20	1505	Healthcare vendor	1,109
02/18/20	1506	Training vendor	165
03/10/20	1508	Equipment vendor	20,357
04/15/20	1513	Insurance vendor	775
06/05/20	1516	Member	350
07/15/20	1517	Equipment vendor	149
07/15/20	1518	Equipment vendor	1,882
09/08/20	1520	Affiliated fire company	195
11/17/20	1524	Equipment maintenance vendor	800
03/25/21	1527	Member	548
05/10/21	1532	Equipment vendor	2,912
05/10/21	1534	Individual	250
05/28/21	1535	Training vendor	400
05/28/21	1536	Training vendor	250
07/20/21	1540	Equipment vendor	227
11/15/21	1005	Training vendor	320
12/24/21	1006	Equipment maintenance vendor	218
Total			<u>\$ 122,847</u>

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.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials indicated that the reason why this occurred is that the prior treasurer resigned the position.

Effect: Lack of supporting documentation, such as invoices, itemized receipts, and detailed minutes of meetings (see Finding No. 4), 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

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 \$122,847 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 2 – Failure To Deposit Insurance Claim Proceeds

Condition: In 2004, the relief association had expended \$70,000 towards the joint purchase of a 2004 Spartan Tanker truck with the affiliated fire company which had a total cost of \$356,340. The relief association entered into an agreement with the affiliated fire company dated August 1, 2005, where the relief association would receive the pro-rata share percentage of 19.64% if the vehicle was ever sold. In 2020, the jointly purchased vehicle was totaled in an accident and proceeds from an insurance claim in the amount of \$246,766 were received by the fire company; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the insurance claim of the jointly purchased vehicle.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Prudent business practice dictates that the relief association should closely monitor all insurance claims filed to make sure all insurance claim proceeds due to the relief association are received and timely deposited into a relief association account.

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

Effect: The failure to deposit all relief association insurance claim proceeds in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the proceeds from the insurance claim being deposited into a fire company account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$48,465 for the portion of the insurance proceeds. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all insurance claim proceeds 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

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

Condition: In 2015, the relief association had expended \$13,436 towards the joint purchase of a 2016 Ford Explorer with the affiliated fire company which had a total cost of \$40,237. The relief association entered into an agreement with the affiliated fire company dated May 1, 2017, where the relief association would receive the pro-rata share percentage of 33.39% if the vehicle was ever sold. During the current audit period, according to relief association officials, this vehicle was sold; however, due to poor record-keeping, it is unknown what proceeds the fire company received for this sale.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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 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 did execute a formal written agreement with the fire company but failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of the jointly purchased vehicle into a relief association account and did not provide a reason why this occurred.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association provide documentation for the sale of the vehicle and be reimbursed for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. If documentation cannot be obtained to support the sale of the vehicle, we recommend the relief association be reimbursed the original amount they contributed towards the vehicle in the amount of \$13,436. 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.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 4 – Inadequate Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period.

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.

The relief association's bylaws at Article IV, Section 1 states, in part:

Regular meetings of the Association shall be held on the third Tuesday of each month.

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

The minutes shall note authorization by the membership of all Association financial transaction [*sic*] and other pertinent business discussed at meetings.

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

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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

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

Finding No. 5 – 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, some of the investment transactions were not recorded in the relief association's journal, nor were they identified in the minutes of the relief association's meetings. In addition, bank advices for certificate of deposit rollovers were not maintained.

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 number of the security
- Rate of interest
- Date of receipt of interest income
- Date of maturity

Cause: The relief association officials indicated that the reason why this occurred is that the prior treasurer resigned the position.

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

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

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. 6 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified eight checks out of 61 checks drawn on the relief association’s checking account that only contained the signature of one officer rather than the two signatures required by the VFRA Act and the relief association’s bylaws. Three of the eight checks contained the signature of the prior Relief Association Treasurer. The other five checks contained the signature of the Vice President of the relief association. Issuing checks with the signature of only one relief association officer or without the signature of the disbursing officer negates the relief association’s internal control over the disbursement process.

Criteria: Section 7415(c)(3) of the VFRA Act 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.

In addition, the relief association’s bylaws at Article X, Section 2 states, in part:

The signatures of at least two Officers shall be required for all Association transactions. One of the signatures shall be the Treasurer.

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.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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

Effect: As a result of the relief association 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 relief association officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. 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 A Complete And Accurate Equipment Roster

Condition: The relief association did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (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 indicated that poor record-keeping was the reason why this occurred. Relief association officials did not provide a reason why an annual physical inventory was not conducted.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We 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: Compliance will be subject to verification through our next audit.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Inadequate Financial Record-Keeping System

Condition: The relief association’s financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association’s financial operations. The following are the noted deficiencies:

- A journal was not maintained to record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Documentation to support various expenditures was not available for examination at the time of the audit (see Finding No. 1).

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.

In addition, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: The relief association officials indicated that the reason why this occurred is that the prior treasurer resigned the position.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association’s financial operations.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association’s financial operations. 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.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported in Finding Nos. 1, 2, and 3 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Relief Association of the Kutztown Fire Company No. 1 Governing Body:

Mr. George Kusterer
President

Mr. Matthew Riegel
Vice President

Mr. Kyle Moyer
Secretary

Mr. Gregory Kuhn
Treasurer

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

Ms. Diane Hollenbach
Secretary
Greenwich Township

Ms. Gina Wiand
Secretary
Kutztown Borough

Ms. Jerilyn Wehr
Secretary
Maxatawny Township

THE RELIEF ASSOCIATION OF THE KUTZTOWN FIRE COMPANY NO. 1
REPORT DISTRIBUTION LIST

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.