

COMPLIANCE AUDIT

Community Fire Company of Cornwall Borough Volunteer Firefighters' Relief Association

Lebanon County, Pennsylvania

For the Period

January 1, 2020, to December 31, 2023

February 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Logan Tiffany, President
Community Fire Company of Cornwall
Borough Volunteer Firefighters'
Relief Association
Lebanon County

We have conducted a compliance audit of the Community Fire Company of Cornwall Borough Volunteer Firefighters' Relief Association (relief association) for the period January 1, 2020, to December 31, 2023. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

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

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

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

Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2023:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below, and discussed in the Status of Prior Findings section of this report.
- 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 Maintain A Complete And Accurate Membership Roster

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

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Undocumented Expenditures

Finding No. 5 – Failure To Deposit Proceeds From A Reimbursement

Finding No. 6 – Inadequate Internal Controls

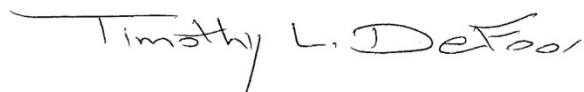
Finding No. 7 – Inadequate Minutes Of Meetings And Relief Association Bylaws

Finding No. 8 – Failure To Disclose Related Party Transactions

Finding No. 9 – Inadequate Signatory Authority For The Disbursement Of Funds

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

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



Timothy L. DeFoor
Auditor General
December 9, 2024

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

The VFRA Act governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, it is the responsibility of relief associations to choose investments in a proper and prudent manner.

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

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

¹ Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cornwall Borough	Lebanon	\$28,616	\$25,549	\$33,353	\$33,616

Based on the relief association’s records, its total cash as of December 31, 2023, was \$24,359, as illustrated below:

Cash	<u>\$ 24,359</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$141,201, 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.⁵ **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	\$ 55,581
Relief benefits	966
Total Benefit Services	<u>\$ 56,547</u>
Fire Services:	
Equipment purchased	\$ 18,977
Equipment maintenance	8,711
Training expenses	5,907
Total Fire Services	<u>\$ 33,595</u>
Administrative Services:	
Bond premiums	\$ 555
Other administrative expenses	616
Total Administrative Services	<u>\$ 1,171</u>
Other Expenditures:	
Payments on loan	\$ 20,221
Miscellaneous *	20,000
Undocumented expenditures – See Finding No. 4	3,293
Unauthorized expenditures – See Finding No. 3	6,374
Total Other Expenditures	<u>\$ 49,888</u>
Total Expenditures	<u><u>\$ 141,201</u></u>

* The miscellaneous expenditure was an erroneous deposit on January 6, 2022, of \$20,000 from the affiliated fire company into the relief association account. Once the relief association found the error, the affiliated fire company was reimbursed \$20,000 on July 12, 2022.

⁵ 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:

Community Fire Company of Cornwall Borough

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Membership Roster
- Failure To Maintain A Complete And Accurate Equipment Roster

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

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

A similar condition was noted in our prior audit report.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they had poor maintenance of their roster despite the relief association being notified of this condition during our prior audit.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We again recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**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. Although a listing of relief association owned equipment was provided during the current audit, this listing was incomplete and did not accurately identify all the equipment owned by the relief association. The relief association purchased \$18,977 of equipment during the current audit period, but the equipment for \$18,078 of those purchases was not properly accounted for on the relief association's equipment roster. 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.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association and perform and document an annual physical inventory of all operable equipment in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all 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: Relief association officials indicated that they had poor maintenance of their roster despite the relief association being notified of this condition during our prior audit.

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.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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.

Finding No. 3 – Unauthorized Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
11/03/2020	1750	Pediatric AED supplies	\$ 285
12/09/2022	1827	Pediatric AED supplies	300
09/11/2022	1820	Commercial insurance premium	227
11/26/2022	1826	Commercial insurance premium *	1,854
02/16/2023	1829	Commercial insurance premium *	3,708
Total			<u>\$ 6,374</u>

* The April 2023 minutes of meetings and the relief association's journal state that the relief association received an insurance premium reimbursement check in the amount of \$3,753 for a portion of the premiums that were paid. (See Finding No. 5.)

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

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

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

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Costs associated with the purchase of pediatric AED supplies and the affiliated fire company commercial insurance package policies do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials indicated they were not aware of the Management Guidelines and indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act.

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

Recommendation: We recommend that the relief association be reimbursed the remaining \$2,621, which represents the total unauthorized expenditures minus the reimbursement check of \$3,753 (See Finding No. 5) and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. 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 \$3,753 for the unauthorized insurance proceeds (See Finding No. 5) and the remaining balance of \$2,621 on October 16, 2024, for the unauthorized expenditures.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$6,374 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – 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>
05/15/2020	1732	Administrative vendor	\$ 660
08/05/2020	1737	Equipment vendor	794
08/05/2020	1741	Maintenance vendor	144
10/06/2020	1745	Training vendor	495
03/25/2022	1801	Training vendor	1,200
Total			<u>\$ 3,293</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.

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

Cause: The relief association officials indicated the prior officers did not maintain good business practices.

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

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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 \$3,293 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 partially reimbursed the relief association \$761 on October 16, 2024 and the remaining balance of \$2,532 on December 30, 2024 for the undocumented expenditures.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$3,293 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. 5 – Failure To Deposit Proceeds From A Reimbursement

Condition: In April 2023, proceeds in the amount of \$3,753 from the affiliated fire company for fire company property insurance that was paid in error during the current audit period were never deposited into the relief association's bank account.

Criteria: Prudent business practice dictates that the relief association should closely monitor all income to make sure all reimbursement proceeds are received and timely deposited into a relief association account.

Cause: The relief association officials indicated that the bank deposited the funds into the fire company bank account rather than the fire relief bank account.

Effect: The failure to deposit the proceeds from a reimbursement can lead to a greater risk that funds could be lost or misappropriated. As a result of the proceeds from a reimbursement 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.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$3,753 for the erroneous deposit. We also recommend the relief association officials establish accounting and internal control procedures to ensure that the proceeds from all reimbursements are timely 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 \$3,753 for the improper deposit on October 16, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$3,753 was received. Compliance for deposits and expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 6 – Inadequate Internal Controls

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

- Relief association meetings were conducted infrequently, and all financial related activities were not presented, discussed, and approved at relief association meetings. (See Finding No. 7.)
- Voided checks were unable to be examined at the time of the onsite audit.
- Bank reconciliations were not performed.
- A journal was not maintained through the audit period to record all receipts and disbursements of the relief association.
- The classification number for each financial transaction was not completed on the journal.
- 31 of 117 checks drawn on the relief association's checking account only contained the signature of one officer. (See Finding No. 9.)
- 7 of 117 checks were signed by an officer that the check was made payable to.
- 18 of 18 checks in the post audit period that were drawn on the relief association's checking account only contained the signature of one officer. (See Finding No. 9.)
- Documentation to support various expenditures was not available for examination at the time of the audit. (See Finding No. 4.)
- Annual physical inventories of equipment owned were not performed. (See Finding No. 2.)

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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.

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

The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership and all association financial transactions, and all other pertinent business discussed at meetings.

The 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 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.

Furthermore, prudent business practice dictates that:

- More frequent relief association meetings be held as needed for presentation, discussion, and approval of financial activities.
- Voided checks be retained.
- Monthly bank reconciliations be performed.
- A journal detailing receipts and disbursements be maintained.
- The journal should include the classification of receipts and expenses.
- Checks include signatures of at least two authorized relief association officers, one of whom shall be the Treasurer.
- Checks have the two authorized relief association officer signatures that are different than the payee on the check.
- Documentation of all expenditures be retained.
- Annual physical inventories of equipment owned be performed and documented.

Cause: The relief association officials indicated the prior officers did not maintain good business practices.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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

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

- More frequent relief association meetings be held as needed for presentation, discussion, and approval of financial activities.
- Voided checks be retained.
- Monthly bank reconciliations be performed.
- A journal detailing receipts and disbursements be maintained.
- The journal should include the classification of receipts and expenses.
- Checks include signatures of at least two authorized relief association officers, one of whom shall be the Treasurer.
- Checks have the two authorized relief association officer signatures that are different than the payee on the check.
- Documentation of all expenditures be retained.
- Annual physical inventories of equipment owned be performed and documented.

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

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

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

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Inadequate Minutes Of Meetings And Relief Association Bylaws

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 financial-related transactions that occurred during the audit period. Although the prior secretary stated that she had the meeting minutes for calendar years 2020, 2021 and 2022, the minutes were never provided. In addition, meetings were only held nine of the twelve months during calendar year 2023. Furthermore, the existing bylaws of the relief association contains language to conduct business based on Act 84 of June 11, 1968 rather than the most up to date requirements set forth in the VFRA Act.

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 II, Section 1 states, in part:

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

In addition, the relief association's bylaws at Article III, Section 3 states:

The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership and all association financial transactions, and all other pertinent business discussed at meetings.

Furthermore, the relief association's bylaws at Article V, Section 1 states, in part:

All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Cause: The relief association officials indicated an officer left and they were unable to locate the meeting minutes.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that address all financial-related transactions, evidence that relief association business was presented before the membership for approval does not exist. As a result of the relief association not updating the bylaws to meet the appropriate requirements, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. In addition, we recommend that the relief association officials remove the language referring to Act 84 by updating the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and 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. 8 – Failure To Disclose Related Party Transactions

Condition: Relief association officials failed to disclose related party transactions to the relief association membership. The relief association did business with a vendor owned by a relief association officer. During the current audit period, the relief association expended \$4,131 with this vendor for supplies.

Criteria: A related party transaction occurs when the relief association does business with a vendor that employs or is owned by a relief association officer or a member of an officer's immediate family. Such a transaction may provide a less than arm's length financial benefit to such officer or member of such officer's immediate family through a commission or a profit from a sale.

Best business practices dictate that all potential related party transactions should be disclosed to the membership and recorded in the minutes of relief association meetings. In addition, all officers and/or members involved with a business that is party to the related party transaction should abstain from all votes concerning such transactions.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

Cause: Relief association officials indicated that they were unaware that related party transactions should be disclosed to the membership.

Effect: The failure to properly disclose related party transactions may create potential conflicts of interest which could result in the relief association being involved in less than arm's length financial transactions.

Recommendation: We recommend that the relief association officials take the actions necessary to eliminate the appearance of conflicts of interests. Actions should include, but are not limited to, written notification to the relief association membership for each related party transaction, and the abstention from decisions and voting rights by the relief association officials who are involved owners of businesses that have business dealings with the relief association. These actions should be documented in the relief association's minutes. Furthermore, the relief association officials should closely review all related party transactions to ensure that all transactions are at arm's length, i.e., the cost of the services rendered by the firm is competitive.

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

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

Finding No. 9 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 31 checks out of 117 checks, and 18 checks out of 18 checks in the post audit period, 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. Issuing checks with the signature of only one relief association 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.

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FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

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

The signatures of two officers, the President and 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 did not provide a reason why this occurred.

Effect: As a result of the relief association officers 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.

COMMUNITY FIRE COMPANY OF CORNWALL BOROUGH VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Community Fire Company of Cornwall Borough Volunteer Firefighters' Relief Association
Governing Body:

Mr. Logan Tiffany
President

Mr. Derrick Miller
Vice President

Ms. Amanda Nein
Secretary

Mr. Rich Stichter
Treasurer

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

Mr. Cody Rhoads
Secretary
Cornwall 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.