

COMPLIANCE AUDIT

Klecknersville Rangers Volunteer Firemen's Relief Association Northampton County, Pennsylvania For the Period January 1, 2020, to December 31, 2023

November 2024



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. Erik Resch, President
Klecknersville Rangers Volunteer
Firemen's Relief Association
Northampton County

We have conducted a compliance audit of the Klecknersville Rangers Volunteer Firemen's 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"), 35 Pa.C.S. § 7418 *et seq.*

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 took appropriate corrective action to address one of the eight findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the seven remaining findings contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, 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.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 6 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws

Finding No. 7 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Equipment

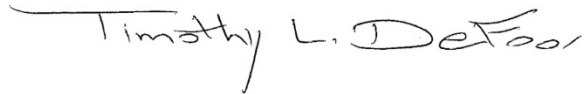
Finding No. 8 – Untimely Receipt And Deposit Of State Aid

Finding No. 9 – Alleged Misappropriation Of Relief Association Assets

Seven of the nine audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected 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.

We are providing a copy of this report to the Northampton County District Attorney's Office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may be deemed appropriate and necessary.

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
October 21, 2024

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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 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 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Chapman Borough	Northampton	\$ 1,153*	\$ 997*	\$ 1,301	\$ 1,266*
Moore Township	Northampton	\$60,078	\$53,569**	\$66,071	\$65,919

* The 2020, 2021, and 2023 state aid allocations received from Chapman Borough were not deposited by the relief association until July 29, 2024, as disclosed in Finding No. 8 in this report.

** The 2021 state aid allocation received from Moore Township was not deposited by the relief association until February 16, 2022, as disclosed in Finding No. 8 in this report.

Based on the relief association’s records, its total cash as of December 31, 2023, was \$39,345, as illustrated below:

Cash \$ 39,345

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$296,280, 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	\$ 14,128
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Fire Services:

Equipment purchased	\$ 80,124
Equipment maintenance	21,016
Training expenses	2,049
Total Fire Services	<u>\$ 103,189</u>

Administrative Services:

Bond premiums	\$ 100
Other administrative expenses	45
Total Administrative Services	<u>\$ 145</u>

Other Expenditures:

Payments on loan	\$ 152,500
Alleged misappropriation of assets – See Finding No. 9	15,393
Undocumented expenditures – See Finding No. 4	6,473
Unauthorized expenditures – See Finding No. 3	4,452
Total Other Expenditures	<u>\$ 178,822</u>

Total Expenditures	<u><u>\$ 296,280</u></u>
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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:

Klecknersville Rangers Volunteer Fire Company

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

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Inappropriate Presigning Of Blank Checks

By prohibiting the presigning of blank checks.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with seven of the eight 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 Equipment Roster
- Failure To Maintain Minutes Of Meetings
- Unauthorized Expenditures

Although the relief association received reimbursement of \$1,077 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by the VFRA Act as further disclosed in Finding No. 3 of this report.

- Undocumented Expenditures

Although the relief association received reimbursement of \$264 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period, the relief association again failed to provide adequate documentation to support all expenditures in the current audit period as further disclosed in Finding No. 4 of this report.

- Failure To Maintain A Complete And Accurate Membership Roster
- Inadequate Relief Association Bylaws

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

- Failure To Secure Ownership Interest In Jointly Purchased Equipment

Although the relief association executed formal agreements with the affiliated fire company that adequately secured its proportional ownership interest in the equipment that was jointly purchased during the prior audit period, the relief association again failed to execute a formal agreement with the affiliated fire company to adequately secure its proportional ownership interest in equipment purchased for a fire company owned vehicle during our current audit period as further disclosed in Finding No. 7 of this report.

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

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – 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, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$80,124 was recorded. In addition, there was no documentation to support 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 two audit reports.

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: The relief association officials stated that a lack of discipline resulted in inadequate maintenance of the equipment roster including the lack of documentation or completion of a physical inventory.

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 to perform and maintain documentation of the completion of an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (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. 2 – Noncompliance With Prior Audit Recommendation – 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 financial-related transactions that occurred during the audit period. In addition, meetings were only held in four months during calendar year 2020, three months during calendar year 2021, and five months during calendar year 2023. No meetings were held in calendar year 2022. The meeting minutes did not contain an attendance record, or a sign-in sheet of members present, to verify those members who participated in the meeting ensured a quorum of membership was present and the relief association business was conducted before the membership for approval. Furthermore, the meeting minutes were not signed and dated by the recording officer to validate the meeting minutes.

A similar condition was noted in our prior two audit reports.

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.⁵

⁵ 35 Pa.C.S. §7415.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Section 7415(c)(2) of the VFRA Act States in part, that the bylaws of the relief association shall state the notice requirements and procedures to be followed by calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee.⁶

The relief association's bylaws at Article III, Section 3 states, in part:

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

In addition, 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.

Prudent business practice dictates that meeting minutes be signed to ensure the validity of the meeting minutes and that enough members attend the meeting to establish a quorum.

Cause: The relief association officials stated that they were not disciplined in maintaining minutes of the meetings. In addition, the relief association officials did not provide a reason why all financial transactions were not addressed within the meeting minutes, why the Secretary of the Relief Association did not sign the meeting minutes, why all required meetings were not held, and why the meeting minutes did not document attendance and existence of a meeting quorum despite the relief association being notified of this condition during our prior audit. However, relief officials did indicate that a lack of formal procedures contributed to the omissions.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings that are signed and dated, document membership attendance, and address all financial transactions occurring during the period, evidence that relief association business was presented before the membership for approval does not exist.

⁶ 35 Pa.C.S. §7415(c)(2).

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We again 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 and whether quorum requirements were met. We also recommend that the relief association officials ensure that all meeting minutes are signed and dated by the Secretary of the Relief Association to ensure the validity of the meeting minutes. 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 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Condition: Although the relief association received reimbursement from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds for the following items in 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>
02/11/2021	1159	Sales tax paid	\$ 25
04/02/2021	1164	Sales tax paid	18
07/01/2021	1167	Sales tax paid	87
07/30/2021	1168	Radios and antennas for non-affiliated ambulance	4,234
05/04/2023	1195	Speaker for a non-affiliated ambulance	88
Total			<u>\$ 4,452</u>

A similar condition was noted in our prior two audit reports.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S 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.

- (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.⁷

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.⁸

Costs associated with unauthorized sales tax paid and the purchase of equipment for an ambulance that is not owned by the relief association and is for public use only 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 attributed a lack of discipline to the relief association paying for expenditures that 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.

⁷ 35 Pa.C.S. §7416(f).

⁸ 35 Pa.C.S. §7418(b).

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN’S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$4,452 for the unauthorized expenditures 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 \$4,452 for the unauthorized expenditures on July 29, 2024.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$4,452 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Condition: Although the relief association received reimbursement from the affiliated fire company for the undocumented expenditures that were made in the prior audit period, the relief association again failed 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>
02/03/2020	1140	Affiliated volunteer fire company	\$ 1,280
05/31/2020	1147	Insurance provider	4,489
12/15/2020	1152	Software vendor	256
12/21/2020	1153	Equipment provider	448
Total			<u>\$ 6,473</u>

A similar condition was noted in our prior two audit reports.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (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.⁹

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

Cause: The relief association officials stated that a lack of discipline resulted in their failure to maintain invoices.

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.

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 \$6,473 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 relief association provided this department with adequate supporting documentation to ensure the propriety of \$4,937 of the expenditures on July 10, 2024, and the affiliated fire company reimbursed the relief association \$1,536 for the remaining undocumented expenditures on July 29, 2024.

⁹ 35 Pa.C.S. §7418(a).

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Auditor's Conclusion: We reviewed the supporting documentation verifying the propriety of \$4,937 of expenditures and the reimbursement of the remaining \$1,536 was received. Compliance for maintaining appropriate documentation expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 5 – 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. While the relief association provided an updated membership roster, it was inconsistent and lacked some of the required criteria such as dates of membership and membership classifications.

A similar condition was noted in our prior two audit reports.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. 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: The relief association officials stated that a lack of discipline resulted in the lack of detail on the membership roster.

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.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

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.

Finding No. 6 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the relief association do not contain all the provisions required by Section 7415(c) of the VFRA Act. Specifically, the bylaws do not address the specific procedures of calling meetings, when and how often regular meetings will be held and the quorum requirements. Furthermore, the existing bylaws of the relief association contain language to conduct business pertaining to the disbursement and investment of funds that is based on Act 84 of June 11, 1968. The relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act.

A similar condition was noted in our prior two audit reports.

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.¹⁰

¹⁰ 35 Pa.C.S. §7415(c).

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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

Funds of this association shall not be expended for purpose other than those authorized by provisions of Act 84 and the association bylaws.

In addition, the relief association's bylaws at Article VI, Section 6(e) states, in part:

Section 6(e) of Act 84 provides for various types of expenditures which can be made with relief association funds at the discretion of the membership.

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

Funds of this association may be invested in any security authorized by the provisions of Section 6 (c) of Act 84.

Prudent business practice dictates that the relief association updates and maintains its bylaws to reflect the current requirements of the VFRA Act.

Cause: The relief association officials did not provide a reason why the bylaws were not updated to properly authorize the operating procedures of the relief association including specific procedures of calling meetings, when and how often regular meetings will be held, and the quorum requirements, or meet the current requirements of the VFRA Act.

Effect: As a result of the mandatory provision not being included in the bylaws, along with the not amending the bylaws to meet the requirements of the VFRA Act, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of 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.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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. 7 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Condition: Although the relief association executed formal agreements with the affiliated fire company that adequately secured its proportional ownership interest in the equipment that was jointly purchased during the prior audit period, the relief association failed to execute a formal written agreement with the affiliated fire company to adequately secure its proportional ownership interest in equipment purchased for a fire company owned vehicle during our current audit period. On June 16, 2022, the relief association expended \$10,000 on equipment for a fire company owned vehicle without properly securing its ownership interest.

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.¹¹

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the vehicle that has equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the vehicle. 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.

Cause: The relief association's officials stated they were unaware of the documentation necessary to protect the relief association's financial interest in the vehicle.

¹¹ 35 Pa.C.S. §7418(a).

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FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Effect: The failure to adequately secure the proportional share of ownership interest in the vehicle for which relief association purchased equipment was installed 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 vehicle as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$10,000. 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 \$10,000 for the equipment on July 29, 2024, negating the need for a formal written agreement to secure ownership interest in the fire company owned vehicle.

Auditor's Conclusion: We reviewed documentation verifying that the total reimbursement of \$10,000 was received.

Finding No. 8 – Finding – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not deposit the 2020, 2021 and 2023 state aid allocations it received from Chapman Borough, in the amounts of \$1,153, \$997, and \$1,266, respectively, until July 29, 2024. The foreign fire insurance tax allocations were distributed to the municipal treasurer on September 22, 2020, September 21, 2021, and September 21, 2023, respectively. The municipal treasurer forwarded the 2020 and 2023 state aid to the relief association on October 5, 2020, and October 31, 2023, respectively, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984. The municipal treasurer did not forward the 2021 state aid to the relief association until March 11, 2022, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984. The 2020, 2021 and 2023 state aid allocations were erroneously deposited into the affiliated fire company's account. Therefore, the relief association did not ensure the funds were received and deposited timely into a relief association account. As a result of our audit, on July 29, 2024, the relief association deposited \$3,416 into a relief association account.

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Finding No. 8 – (Continued)

Furthermore, the relief association did not deposit the 2021 state aid allocation it received from Moore Township, in the amount of \$53,569, until February 16, 2022. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2021; however, municipal officials failed to forward the state aid allocation to the relief association until February 16, 2022, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984. The relief association had no documentation that it had attempted to obtain the funds from the township.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, 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.¹²

Furthermore, prudent business practice dictates that the relief association officials should be questioning the municipality about their state aid if only one relief association is in the fire service area and upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure state aid funds are obtained and deposited in a timely manner.

Cause: The relief association officials did not establish adequate internal controls to ensure that all state aid was received in a timely manner and deposited into a relief association account.

Effect: As a result of the untimely receipt and deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

¹² 53 P.S. §895.706(b)(2).

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Finding No. 8 – (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. 9 – Alleged Misappropriation Of Relief Association Assets

Condition: During and after the current audit period, the former relief association treasurer allegedly misappropriated \$15,393 from the relief association account. Based on documentation reviewed by our auditors, the former relief association treasurer wrote the following seven checks from the relief association’s checking account to pay a supply company for personal expenses incurred by the former fire chief of the affiliated fire company:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
06/30/2021	1166	Personal expenditure for the former fire chief	\$ 164
09/03/2021	1173	Personal expenditure for the former fire chief	1,887
06/24/2022	1183	Personal expenditure for the former fire chief	201
01/02/2023	1185	Personal expenditure for the former fire chief	2,570
01/19/2023	1191	Personal expenditure for the former fire chief	310
05/05/2023	1197	Personal expenditure for the former fire chief	2,959
08/14/2024	1201	Personal expenditure for the former fire chief	7,302
Total			<u>\$ 15,393</u>

Relief association minutes were inconsistent, so we were unable to confirm if the expenditures were authorized by the relief association membership, but it appears the membership was not aware that the payments were for the former fire chief’s personal expenses.

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.¹³

¹³ 35 Pa.C.S. §7416(f).

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FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

In addition, 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.¹⁴

Furthermore, Article V Section 1, of the relief association bylaws states:

Funds of this association shall not be expended for the purpose other than those authorized by the provisions of Act 84 and the association bylaws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Finally, prudent business practice dictates that the relief association shall have sufficient internal controls in place to ensure the propriety of all expenditures and that relief association monetary assets were adequately protected.

Cause: Relief association officials failed to establish and monitor internal control procedures to ensure the propriety of all expenditures and that relief association monetary assets were adequately protected.

Effect: As a result of the alleged misappropriation of relief association assets, 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 officials establish internal control procedures in order to verify the propriety of all future expenditures and to protect the relief association's monetary assets. Relief association officials should 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.

¹⁴ 35 Pa.C.S. §7418(a).

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FINDINGS AND RECOMMENDATIONS

Finding No. 9 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and on November 21, 2023, the affiliated fire company partially reimbursed the relief association \$14,824 for the unauthorized expenditures due to the alleged misappropriation of assets. The remaining balance of \$569 was reimbursed on July 29, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$15,393 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Stephen Baratta
Northampton County District Attorney

Klecknersville Rangers Volunteer Firemen's Relief Association Governing Body:

Mr. Erik Resch
President

Mr. Austin Kocher
Vice President

Mr. Lenny Salines
Secretary

Mr. Robert M. Hindley
Treasurer

Mr. Ray Reeder
Financial Secretary

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

Mr. John J. Defassio, CPA
Secretary
Chapman Borough

Ms. Katherine Yost
Secretary
Moore Township

KLECKNERSVILLE RANGERS VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
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