

COMPLIANCE AUDIT

The Relief Association of Colwyn Fire Company No. 1 Delaware County, Pennsylvania For the Period January 1, 2010 to December 31, 2014

October 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Angela Smith, Municipal Secretary
COLWYN BOROUGH

RE: COLWYN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

We attempted to conduct a compliance audit of the Colwyn Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2010 to December 31, 2014.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Colwyn Volunteer Firefighters' 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. Volunteer firefighters' 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. Because of the matter described in the next paragraph, however, we were not able to obtain sufficient, appropriate audit evidence to provide a basis for conclusions.

We were able to determine that Colwyn Volunteer Firefighters' Relief Association did not receive state aid during our audit period. In addition, by decree of the Court of Common Pleas, Delaware County, dated July 7, 2014, the Colwyn Volunteer Firefighters' Relief Association was required to liquidate its funds and transfer all proceeds to the Colwyn Borough Fire Company Relief Association (CBFCRA). The decree also required Colwyn Borough (municipality) to transfer Colwyn Firefighters' Relief Association assets held in a Pennsylvania Local Government Investment Trust Account to the (CBFCRA). The borough was required to transfer the cash balance of approximately \$13,000; however, as of July 30, 2015, the transfer has not occurred.

As detailed in our prior audit report, as of December 31, 2009, the Colwyn Volunteer Firefighters' Relief Association had a cash balance of \$13,915 and an investment balance with a fair value of \$144,920. Information from external sources indicate that the Colwyn Volunteer Firefighters' Relief Association expended \$525 during the period of January 1, 2010 through March 31, 2013 and that it held a cash balance of \$13,410 and an investment balance with a fair value of \$213,606 as of December 31, 2013. The investment balance was comprised of two investment accounts and 100 shares of certificated stock.

In accordance with the decree of the Court of Common Pleas, Delaware County, dated July 7, 2014, we determined that one of the Colwyn Volunteer Firefighters' Relief Association's investment accounts was sold in 2014 and the proceeds of \$117,943 were transferred to the CBVFRA. The financial institution holding the Colwyn Volunteer Firefighters' Relief Association's remaining assets declined to respond to either of our two requests to confirm the balances of these assets as of December 31, 2014.

In 2015, subsequent to the audit period, a portion of the second investment account was sold and the proceeds of \$109,042 were transferred to the CBVFRA. As of May 28, 2015, the Colwyn Volunteer Firefighters' Relief Association still held 100 shares of certificated stock.

During this audit, we were unable to locate the officials charged with governance (Management) of the Colwyn Volunteer Firefighters' Relief Association. The Colwyn Volunteer Firefighters' Relief Association did not provide us with any documentation to support expenditures ~~in~~ from years 2010 and 2011 totaling \$525. We were therefore unable to perform our audit as mandated by Act 118. The Colwyn Volunteer Firefighters' Relief Association also did not provide us with any supporting documentation for the 2014 calendar year expenditures. Finally, due to absence of Colwyn Volunteer Firefighters' Relief Association officers, we were precluded from obtaining an understanding of the Colwyn Volunteer Firefighters' Relief Association's internal controls related to applicable state laws, contracts, bylaws and administrative procedures and assessing whether significant controls were properly designed and implemented to assess fraud risk.

As of the date of this report, we found no evidence that the Colwyn Volunteer Firefighters' Relief Association was officially dissolved in accordance with the court's decree. Because of the lack of documentation, we also could not determine whether the equipment owned by the Colwyn Volunteer Firefighters' Relief Association was transferred to the CBFCRA.

Because of the significance of the matters described in the paragraphs above, we were not able to obtain sufficient appropriate audit evidence to provide a basis for a conclusion related to whether

the Colwyn Volunteer Firefighters' Relief Association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. Accordingly, we do not express a conclusion.

We could not discuss the contents of this report with management of the Colwyn Volunteer Firefighters' Relief Association due to being unable to locate management officials.

July 29, 2015

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE

Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The Relief Association of Colwyn Fire Company No. 1, herein referred to as the Colwyn Volunteer Firefighters' Relief Association, is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

BACKGROUND

The Colwyn Volunteer Firefighters' Relief Association was not allocated state aid from any municipality during the audit period. The Colwyn Volunteer Firefighters' Relief Association previously received state aid from Colwyn Borough, Delaware County.

On or about May 8, 2008, the Borough of Colwyn advised the Colwyn Fire Company No. 1 that it would no longer have the authority to provide firefighting services to the Borough of Colwyn. As a result, the municipality of Colwyn Borough did not allocate state aid to Colwyn Volunteer Firefighters' Relief Association since 2008 and through the end of the current audit period.

In addition, by decree of the Court of Common Pleas, Delaware County, dated July 7, 2014, the Colwyn Volunteer Firefighters' Relief Association was required to liquidate its funds and transfer all proceeds to the CBFCRA. However, the decree also required Colwyn Borough (municipality) to transfer Colwyn Firefighters' Relief Association assets, held in a Pennsylvania Local Government Investment Trust Account, to the CBFCRA. Colwyn Borough was required to transfer the cash balance of approximately \$13,000; however, as of July 30, 2015, the transfer has not occurred.

The Colwyn Volunteer Firefighters' Relief Association and the affiliated fire service organization are separate, legal entities. The Colwyn Volunteer Firefighters' Relief Association was affiliated with the following fire service organization:

Colwyn Fire Company No. 1

COLWYN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
CASH BALANCE RECONCILIATION
FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 2014

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

CASH BALANCE RECONCILIATION

Cash Balance December 31, 2009	\$ 13,915
* 2010-2013 Interest Income	<u>20</u>
Total Receipts	<u>\$ 13,935</u>
Total Identified Expenditures	<u>\$ (525)</u>
Cash Balance as of December 31, 2013	<u>\$ 13,410</u>

*Records for 2014 were not made available.

COLWYN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

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

Ms. Angela Smith Secretary
Colwyn 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.