

COMPLIANCE AUDIT

Eastern Derry Township Volunteer Firemen's Relief Association Westmoreland County, Pennsylvania For the Period January 1, 2011 to December 31, 2014

July 2015



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DEPASQUALE
AUDITOR GENERAL

Mr. David Diffenderfer, President
EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Westmoreland County

We have conducted a compliance audit of the Eastern Derry Township 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, 2011 to December 31, 2014.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the 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. Our audit was limited to the areas related to the objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Eastern Derry Township 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Eastern Derry Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Eastern Derry Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2014, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period January 1, 2011 to December 31, 2014, found the Eastern Derry Township Volunteer Firefighters' Relief Association did not, in all significant respects, receive state aid and expend state aid and accumulate relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report. Therefore, the Eastern Derry Township Volunteer Firefighters' Relief Association may be subject to the total withholding of its upcoming state aid distribution as discussed in the Potential Withhold of State Aid section of this report.

- Finding No. 1 – Undocumented Expenditures
- Finding No. 2 – Failure To Deposit State Aid
- Finding No. 3 – Inadequate Financial Record-Keeping System
- Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 5 – Failure To Maintain Minutes Of Meetings
- Finding No. 6 – Failure To Maintain A Membership Roster
- Finding No. 7 – Failure To Maintain Surety (Fidelity) Bond Coverage

The results of our tests also indicated the Eastern Derry Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$1,283 and no investments.

Additionally, we found no evidence that the Eastern Derry Township Volunteer Firefighters' Relief Association was officially dissolved and equipment on hand transferred to another relief association. We will be forwarding a copy of this audit report to the Office of Attorney General so that it can initiate any legal proceedings to dissolve the VFRA and ensure appropriate transfer of assets.

This Department has been cooperating with the Pennsylvania State Police (PSP) during an ongoing investigation into alleged illegal VFRA activities. The results and findings of this audit report are being forwarded to the PSP for review and whatever further action it may deem appropriate and necessary.

June 8, 2015



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Undocumented Expenditures	3
Finding No. 2 – Failure To Deposit State Aid	7
Finding No. 3 – Inadequate Financial Record-Keeping System.....	8
Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster.....	9
Finding No. 5 – Failure To Maintain Minutes Of Meetings	11
Finding No. 6 – Failure To Maintain A Complete And Accurate Membership Roster	11
Finding No. 7 – Failure To Maintain Surety (Fidelity) Bond Coverage.....	13
Potential Withhold of State Aid.....	14
Accompanying Expenditure Information	15
Report Distribution List	16

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 Eastern Derry Township Volunteer Firemen's Relief Association, herein referred to as the Eastern Derry Township 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 – (Continued)

The Eastern Derry Township Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Derry Township	Westmoreland	\$45,974 *	\$26,123	\$29,649 *	\$0

* The full amount of the 2011 and 2013 state aid allocations received from Derry Township was not deposited into an Eastern Derry Township Volunteer Firefighters’ Relief Association account as disclosed in Finding No. 2 and discussed later in this report.

Derry Township did not allocate state aid to the Eastern Derry Township Volunteer Firefighters’ Relief Association in 2014.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The Eastern Derry Township Volunteer Firefighters’ Relief Association is affiliated with the following fire service organization:

Eastern Derry Township Volunteer Fire Department

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/14/2011	EFT	Debit memo	\$ 140
02/16/2011	1583	Individual	125
02/24/2011	1585	Vendor	245
03/07/2011	1586	Vendor	447
03/14/2011	1590	Vendor	296
03/14/2011	1589	Vendor	284
03/14/2011	1588	Vendor	60
03/14/2011	1587	Vendor	92
04/02/2011	1591	Financial Institution	130
04/11/2011	1594	Vendor	644
08/26/2011	1595	Individual	200
08/26/2011	1596	Individual	70
10/05/2011	1597	Vendor	8,000
10/10/2011	1600	Vendor	336
10/10/2011	1598	Vendor	357
10/10/2011	1599	Vendor	485
11/09/2011	bank check	Vendor	2,216
11/09/2011	bank check	Individual	370
11/09/2011	bank check	Vendor	219
11/09/2011	bank check	Vendor	1,327
11/09/2011	bank check	Vendor	101
11/09/2011	bank check	Vendor	1,299
11/09/2011	bank check	Vendor	966
11/09/2011	bank check	Vendor	595
11/09/2011	bank check	Vendor	427
11/14/2011	bank check	Vendor	1,334
11/16/2011	1602	Vendor	810
11/15/2011	bank check	Vendor	1,000
11/15/2011	bank check	Vendor	360
11/15/2011	bank check	Vendor	289
11/27/2011	1605	Vendor	414
11/27/2011	1604	Vendor	414
11/28/2011	1607	Vendor	15
11/27/2011	1606	Vendor	838
11/27/2011	1603	Insurance Company	718
12/01/2011	1609	Vendor	64

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Date	Check No.	Payee Description	Amount
12/01/2011	1610	Vendor	128
12/01/2011	1608	Vendor	249
12/13/2011	1611	Vendor	141
12/13/2011	1612	Insurance Company	250
01/02/2012	1613	Vendor	92
01/02/2012	1614	Vendor	81
01/12/2012	1616	Unknown Payee	130
01/30/2012	1617	Unknown Payee	200
01/24/2012	1618	Unknown Payee	150
01/27/2012	1619	Unknown Payee	2,294
01/26/2012	EFT	Debit memo	25
01/27/2012	EFT	Debit memo	255
01/26/2012	EFT	Debit memo	2,412
02/07/2012	1628	Unknown Payee	766
02/08/2012	1627	Vendor	550
02/08/2012	1624	Unknown Payee	259
02/09/2012	1623	Vendor	76
02/09/2012	1625	Unknown Payee	99
02/10/2012	1626	Vendor	796
04/01/2012	1051	Firemen's Association	58
05/08/2012	1052	Vendor	1,000
09/12/2012	1053	Vendor	5,000
11/14/2012	EFT	Withdrawal	28
11/23/2012	1057	Vendor	1,000
11/21/2012	1058	Vendor	610
11/26/2012	EFT	Withdrawal for loan fees	55
11/26/2012	1070	Individual	4,334
11/26/2012	1071	Individual	110
11/25/2012	1059	Vendor	82
11/27/2012	1060	Vendor	98
11/25/2012	1069	Vendor	800
12/03/2012	1064	Vendor	210
11/25/2012	1068	Vendor	621
11/26/2012	1066	Vendor	4,164
11/25/2012	1067	Individual	2,500
11/10/2012	1056	Vendor	172
11/25/2012	1061	Vendor	23,000
12/03/2012	1072	Vendor	300
12/27/2012	EFT	Withdrawal	120
01/15/2013	1074	Vendor	36

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/14/2013	1075	Vendor	450
01/24/2013	EFT	Transfer to Fire Company Account	600
02/02/2013	1082	Vendor	1,489
01/29/2013	1081	Leasing Company	1,395
02/08/2013	1083	Vendor	240
02/13/2013	1092	Financial Institution	138
02/13/2013	1084	Vendor	144
02/13/2013	1087	Vendor	25
02/13/2013	1088	Vendor	131
02/13/2013	1085	Insurance Company	211
03/01/2013	1093	Individual	1,395
03/23/2013	1098	Vendor	159
03/23/2013	1095	Individual	1,395
03/23/2013	1096	Fire Company	914
03/23/2013	1097	Firemen's Association	58
06/27/2013	EFT	Transfer to Fire Company Account	2,733
07/08/2013	1099	Financial Institution	922
11/26/2013	1100	Vendor	4,000
12/04/2013	EFT	Transfer to Fire Company Account	500
02/24/2014	EFT	Transfer to Fire Company	5,000
03/01/2014	EFT	Transfer to Fire Company	12,500
05/01/2014	EFT	Transfer to Fire Company	5,000
07/02/2014	1103	Vendor	5,000
08/21/2014	1104	Vendor	806
10/10/2014	1106	Unknown Payee	253
11/07/2014	1108	Unknown Payee	400
Total			\$124,796

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$124,796 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 Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure To Deposit State Aid

Condition: The relief association failed to deposit the total amount of the 2011 and 2013 state aid distributed by Derry Township into a relief association account. Specifically, the relief association failed to deposit \$8,336 of the \$45,974 of state aid for 2011 and \$19,149 of the \$29,649 of state aid for 2013. The total amount of state aid not deposited for these years was \$27,485. We verified that the \$19,149 was deposited into the affiliated fire company's account; however, the relief association did not provide us with documentation on when and where the \$8,336 was deposited.

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

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

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

Cause: Relief association officials failed to establish internal control procedures to ensure that all state aid received is deposited into a relief association account.

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

Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials immediately locate and deposit the \$27,485 of state aid that was received from Derry Township but not deposited into a relief association account. In addition, relief association officials should establish accounting and internal control procedures to ensure that all state aid is received in a timely manner and deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

Finding No. 3 – Inadequate Financial Record-Keeping System

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow membership to effectively monitor the relief association's financial operations and to provide effective control over cash receipts, disbursements, and assets. The following are the noted deficiencies:

- Journals were not maintained to record the receipts and disbursements of the relief association
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Checks were written out of sequence
- Invoices supporting various relief association expenditures were not maintained
- Bank statements and cancelled checks were not maintained by the relief association
- Detailed minutes of meetings were not maintained
- Documentation of transactions relating to relief association loans and lines of credit were not maintained
- Documents to support various receipts were not available for examination
- Invoices were not available for examination and were not cancelled or marked as paid
- Financial records were not adequately safeguarded
- A roster of equipment owned by the relief association was not maintained and there was no indication that a physical inventory was conducted

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

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

Cause: Relief association officials neglected their various record-keeping responsibilities.

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

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations and provides effective control over cash receipts, disbursements and assets. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster

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

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: Relief association officials failed to establish adequate internal control procedures over equipment requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

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

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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.

Cause: Relief association officials neglected to maintain minutes of meetings as required by Act 118.

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

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

Finding No. 6 – 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.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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: Relief association officials neglected to maintain a comprehensive roster of relief association members.

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 recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: Subsequent to the audit period, the relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. Specifically, the relief association's Surety (Fidelity) bond coverage was cancelled on January 24, 2015 due to nonpayment. As of December 31, 2014, the relief association's cash assets totaled \$1,283.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials neglected to renew the Surety (Fidelity) bond policy.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Officials from the Eastern Derry Township Volunteer Firefighters' Relief Association declined to provide a written or oral response to this finding and related recommendation.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 1 and 2 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2011 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.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 4,691
Fire Services:	
Equipment purchased	\$ 10,589
Equipment maintenance	895
Training expenses	195
Total Fire Services	\$ 11,679
Administrative Services:	
Other administrative expenses	\$ 417
Other Expenditures:	
Principal payments on loan	\$ 97,250
Undocumented expenditures	124,796
Total Other Expenditures	\$ 222,046

EASTERN DERRY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Eastern Derry Township Volunteer Firefighters' Relief Association Governing Body:

Mr. David Diffenderfer President

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

Mr. David A. Slifka Secretary
Derry Township

A report was also distributed to the following law enforcement officials for review

Mr. Robert A. Harr State Trooper
Pennsylvania State Police Troop A – Greensburg
Station

Mr. Mark Pacella Chief Deputy
Pennsylvania Office of the Attorney General
Attorney General

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.