

COMPLIANCE AUDIT

Colwyn Borough Fire Company Relief Association

Delaware County, Pennsylvania
For the Period
January 1, 2012 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. Elizabeth Cellini, President
COLWYN BOROUGH VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Colwyn Borough 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, 2012 to December 31, 2014.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Colwyn Borough 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we concluded that, for the period January 1, 2012 to December 31, 2014:

- The Colwyn Borough Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, the Colwyn Borough 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. Therefore, the Colwyn Borough Volunteer Firefighters' Relief Association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Untimely Receipt Of State Aid

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure To Maintain Surety (Fidelity) Bond Coverage

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure To Maintain A Complete And Accurate Equipment
Roster

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inadequate Internal Controls

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

Finding No. 6 – Undocumented Expenditures

Finding No. 7 – Unauthorized Expenditures

Finding No. 8 – Inappropriate Payment Towards Fire Company Obligation

- By decree of the Court of Common Pleas, Delaware County, on July 7, 2014, the Colwyn Volunteer Firefighters' Relief Association was required to liquidate its funds and transfer all proceeds to the Colwyn Borough Volunteer Firefighters' Relief Association. However, the decree also required the municipality of Colwyn Borough to transfer Colwyn Firefighters' Relief Association assets held in a Pennsylvania Local Government Investment Trust Account to the Colwyn Borough Volunteer Firefighters' Relief Association. The borough was required to transfer the balance of approximately \$13,000; however, as of July 30, 2015, the transfer has not occurred.
- The Colwyn Borough Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$27,641 and no investments.

The contents of this report were discussed with the management of the Colwyn Borough Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

Finally, the results and findings of this audit report are being forwarded to the Delaware County District Attorney's Office for review and whatever further action it may deem appropriate and necessary.

This Department has been in contact with an agent of the Delaware County District Attorney's Office during an ongoing investigation into alleged illegal Fire Department and VFRA activities.

June 10, 2015



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 Colwyn Borough Fire Company Relief Association, herein referred to as the Colwyn Borough 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.

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 investment accounts was sold in the year 2014 and the proceeds of \$117,943 were transferred to the Colwyn Borough Volunteer Firefighters' Relief Association. In addition, subsequent to the audit period, in the year 2015, a portion of the second investment account was sold and the proceeds of \$109,042 were transferred to the Colwyn Borough Volunteer Firefighter's Relief Association.

BACKGROUND – (Continued)

The Colwyn Borough Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Colwyn Borough	Delaware	\$10,340	\$11,555*	\$10,955**

* The 2013 state aid allocation from Colwyn Borough was not received by the Colwyn Borough Volunteer Firefighters’ Relief Association until February 26, 2014 as disclosed in Finding No. 1 in this report.

**Due to concerns over the lack of controls over the association’s transactions, the municipality of Colwyn Borough remitted the 2014 state aid allocation it received for the Colwyn Borough Volunteer Firefighters’ Relief Association back to the Department of the Auditor General.

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

Colwyn Borough Fire Company

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Colwyn Borough Volunteer Firefighters' Relief Association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Untimely Receipt Of State Aid
- Failure To Maintain Surety (Fidelity) Bond Coverage
- Failure To Maintain A Complete And Accurate Equipment Roster
- Inadequate Internal Controls
- Failure To Maintain A Complete And Accurate Membership Roster

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

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Untimely Receipt Of State Aid

Condition: The Colwyn Borough municipal officials failed to forward the 2013 allocation to the volunteer firefighters' relief association within 60 days of receipt, which resulted in the untimely deposit of state aid into a relief association account.

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2013	Colwyn Borough	\$11,555	2/26/14	2/26/14
2014	Colwyn Borough	\$10,955	*	*

* Due to control deficiencies within the administration of the association, Colwyn Borough made the decision to withhold the 2014 allocation to the volunteer firefighters' relief association. The Colwyn Borough municipality returned the 2014 state aid allocation of \$10,955 to the Department of the Auditor General.

A similar condition was noted in our prior audit report,

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.

It is the relief association's responsibility to monitor the municipality's distribution of the state aid. Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The municipality of Colwyn Borough delayed the timely distribution of the 2013 state aid allocation. The 2014 state aid allocation was withheld due to control deficiencies within the administration of the association.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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

Recommendation: We again recommend that the relief association officials monitor the municipality's distribution of state aid allocations to ensure that the allocation is disbursed to the relief association within 60 days of the date of receipt. 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 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: As cited in our prior audit report, the relief association again failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on April 24, 2014. As of December 31, 2014, the relief association's cash assets totaled \$27,641.

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.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to comply with the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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 again 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'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 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: As cited in our prior audit report, 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.

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

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

- 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: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

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

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. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Internal Controls

Condition: As cited in our prior audit report, the relief association has failed to establish adequate internal controls. Significant internal control weaknesses existed that allowed the following conditions to occur during the audit period:

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

- Membership meeting minutes were not maintained
- Invoices to support all expenditures were not maintained
- A journal was not maintained for one of the checking accounts
- A Pennsylvania Sales Tax Exemption Number was not obtained
- A related party was not disclosed

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.

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

The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at meetings. The secretary shall also maintain an updated copy of the association bylaws and make it available for review by the membership. The secretary is responsible for providing representatives of the Department of the Auditor General with the association's minutes of meetings and bylaws in connection with their auditing duties

Furthermore, prudent business practice dictates that:

- Meetings should be conducted and minutes maintained.
- Supporting documentation be maintained for all expenditures.
- All receipts and expenditures are recorded on a journal.
- A Pennsylvania Sales Tax Exemption Number be obtained.
- Related parties be disclosed.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions. The relief association officials indicated that they were unaware of the relief association's ineffective internal control system.

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

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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

- Maintenance of meeting minutes
- Maintenance of supporting documentation for all expenditures
- Maintenance of a journal for each bank accounts
- Application for a Pennsylvania Sales Tax Exemption Number.
- Disclosure of all related parties.

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

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

Auditor's Conclusion: 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. 5 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Condition: As cited in our prior audit report, the relief association officials did not maintain a complete and accurate roster of relief association members. While a roster of members was provided, it only contained the names of the member. Also, seven members attended training but their names were not listed on the membership roster.

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
- Members' dates of birth
- Dates of memberships
- Membership classifications

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

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

Cause: Even though notified of this condition during our prior audit, relief association officials again 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 and training expenses.

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 – Undocumented Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
03/17/12	1024	Training expense	\$ 155
03/17/12	1025	Equipment vendor	889
05/25/12	1026	Training expense	177
07/22/12	991	Equipment vendor	732
07/26/12	992	Equipment vendor	3,441

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
08/04/12	993	Training expense	40
09/12/12	1003	Reimbursement to Fire Company	285
11/06/12	1007	Reimbursement to Fire Company	300
11/06/12	1010	Equipment vendor	133
01/06/13	1014	Freight for undocumented expenditure	377
05/29/13	1043	Equipment vendor	5,663
03/13/14	1049	Training expense	600
03/13/14	1052	Utility bill	80
07/29/14	1059	Reimbursed member	200
08/27/14	1005	Equipment vendor	700
08/28/14	1009	Building maintenance	2,684
09/07/14	1026	Equipment vendor	69
09/02/14	*	Phone bill	798
09/11/14	*	Cable television bill	513
08/22/14	**	Counter withdrawal	287
08/22/14	**	Counter withdrawal	300
08/25/14	**	Counter withdrawal	200
08/27/14	**	Counter withdrawal	50
08/29/14	**	Counter withdrawal	240
09/03/14	**	Counter withdrawal	200
09/08/14	**	Counter withdrawal	1,600
09/09/14	**	Counter withdrawal	760
09/15/14	**	Counter withdrawal	375
09/18/14	**	Counter withdrawal	475
09/23/14	**	Counter withdrawal	375
10/01/14	**	Counter withdrawal	300
10/08/14	**	Counter withdrawal	500
	1032	Payee Unknown	650
	1033	Payee Unknown	500
	1042	Payee Unknown	472
10/17/14	*	Water bill	92
10/14/14	*	Cable television bill	300
10/30/14	1043	Equipment vendor	41
10/20/14	1046	Equipment vendor	5,824

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
10/29/14	1052	Office supplies	290
10/30/14	1053	Equipment vendor	156
10/20/14	**	Counter withdrawal	500
10/20/14	**	Counter withdrawal	10,061
10/20/14	**	Counter withdrawal	1,700
10/21/14	**	Counter withdrawal	250
11/23/14	1049	Supermarket	175
11/23/14	1050	Supermarket	83
12/02/14	1051	Equipment vendor	231
11/19/14	1054	Reimbursed member	170
11/19/14	1055	Reimbursed member	150
11/17/14	**	Counter withdrawal	100
12/05/14	*	Bank check	2,811
12/08/14	*	Cable television bill	821
12/15/14	*	Energy bill	1,068
12/16/14	*	Water bill	70
12/19/14	**	Counter withdrawal	200
12/22/14	*	Cable television bill	480
12/24/14	*	Cable television bill	769
12/29/14	**	Counter withdrawal	820
12/20/14	1056	Office supplies	107
12/27/14	1056	Equipment vendor	3,275
12/27/14	1097	Equipment vendor	142
12/14/14	1099	Payee unknown	526
Total			<u>\$ 56,332</u>

* debit/electronic transaction
** walk-in bank transaction

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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.

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: The relief association officials failed to establish internal control procedures to ensure supporting documentation is maintained for all expenditures. In addition, the relief association officials indicated that they were instructed by the municipal officials of Colwyn Borough to have all relief association mail sent directly to the municipality. As a result, relief association officials were not able to obtain supporting documentation from the municipality

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 \$56,332 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.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (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. In addition, relief association management indicated that vendors would not accept relief association checks, therefore, cash withdrawals were necessary to pay vendors for goods and services.

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

Finding No. 7 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
03/13/12	*	Phone bill	\$ 534
03/13/14	1046	Building repairs	4,420
03/13/14	1047	Building repairs	400
08/25/14	*	Water bill	416
08/25/14	*	Energy bill	2,270
08/27/14	1001	Property taxes	10,403
08/28/14	1006	Maintenance of Fire Company vehicles	4,253
08/29/14	1017	Dress uniforms	579
08/29/14	1019	Deposit for Fire Company banquet	500
09/1/14	1021	Building repair supplies	360
09/5/14	1024	Locksmith/Building security	3,900
9/11/14	1028	Building repair supplies	461
9/11/14	1029	Comcast television bill	342
9/11/14	1030	Building repair supplies	316
10/17/14	*	Energy bill	472
10/20/14	1047	Repair of bay doors	1,525
12/30/14	1061	Tires for Fire Company owned vehicle	1,127
Total			<u>\$ 32,278</u>

*debt/electronic transaction

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1) 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.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118. In addition, the relief association officials indicated that they were instructed by legal counsel to pay the affiliated fire company's outstanding financial obligations in order to gain access to and use office space in the fire company's building.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$32,278 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) 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 indicated they will take action to comply with the recommendation. In addition, the relief association official is currently in consultation with their attorney in order to have all vehicles and property retitled in the name of the relief association.

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

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Inappropriate Payments on Fire Company Obligation

Condition: During the audit period, the relief association made payments of \$6,744 toward a fire company PEMA loan to finance a 2006 Pierce (Emergency Vehicle) that the relief association had already partially owned. A joint purchase agreement between the affiliated fire company and the relief association was originally drafted to document the initial contribution of \$20,000, which resulted in an 8.5% percentage of ownership by the relief association. However, the agreement was not amended to account for the \$6,744 of additional payments and increased percentage of ownership.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(11) states:

Funds of any volunteer firefighters' relief association may be spent:

To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

In addition, prudent business practice dictates that the relief association maintains ownership of all equipment financed by the relief association in order to provide protection over all relief association assets.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures which would require that payments made toward loans be in the name of the relief association for financing of relief association owned equipment.

Effect: As a result of the PEMA loan being in the name of the fire company, the relief association is making payments towards a fire company financial obligation which increases the relief association ownership interest in an emergency vehicle owned and used by the fire company. Although payments on a loan to finance the purchase of an emergency vehicle is considered an authorized expenditure under Act 118, the relief association must maintain and document their ownership interest in the equipment.

Recommendation: We recommend that the relief association officials amend the joint purchase agreement with the fire company and document the additional ownership interest in the financed vehicle. We further recommend that relief association officials refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS, for further guidance in administering the operations of the relief association.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Numbers 6, 7 and 8 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.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2012 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	\$ 100
Fire Services:	
Equipment purchased	\$ 39,404
Equipment maintenance	7,334
Training expenses	3,079
Fire prevention materials	538
Total Fire Services	\$ 50,335
Administrative Services:	
Other administrative expenses	\$ 24,963
Other Expenditures:	
Undocumented expenditures	\$ 56,332

Note: The unauthorized expenditures recorded in Finding No. 7 of this report are included in the expenses listed above. We reported the expenses above as they were recorded by the relief association.

COLWYN BOROUGH VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Colwyn Borough Volunteer Firefighters' Relief Association Governing Body:

Ms. Elizabeth Cellini	President
Mr. Walter E. Lee	Vice President
Mr. Ronald Anderson	Secretary
Ms. Lauren Cellini	Treasurer

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

Ms. Angela Smith Colwyn Borough	Secretary
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A report was also distributed to the following law enforcement officials for review:

Ms. Michele Deery Delaware County District Attorney's Office	Detective CID – Economic Crime Unit
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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.