

# COMPLIANCE AUDIT

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## The Sassamansville Volunteer Firefighters' Relief Association Montgomery County, Pennsylvania For the Period January 1, 2012 to June 2, 2014

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January 2016



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



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Glenn Hull, President  
SASSAMANSVILLE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Montgomery County

We have conducted a compliance audit of the Sassamansville 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 June 2, 2014.

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 Sassamansville 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. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain copies of cancelled or imaged checks from the Sassamansville Volunteer Firefighters' Relief Association. While the volunteer firefighters' relief association provided copies of bank statements to audit staff, the relief association failed to provide copies of cancelled or imaged checks. Without copies of cancelled or imaged checks, we were not able to determine whether two volunteer firefighters' relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, because of the significance of the matters described in the findings listed below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the former Sassamansville Volunteer Firefighters' Relief Association did not, in all significant respects, expend state aid and accumulate relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures for the period January 1, 2012 to June 2, 2014.

- Finding No. 1 – Undocumented Expenditures
- Finding No. 2 – Inadequate Financial Record-Keeping System
- Finding No. 3 – Inadequate Internal Controls

On May 1, 2014, the Sassamansville Volunteer Firefighters' Relief Association agreed to merge with the New Hanover Township Firemen's Relief Association and on June 2, 2014 transferred \$13,395 of monetary assets and all of the physical equipment previously owned by the former relief association; however, the Sassamansville Volunteer Firefighters' Relief Association has not officially dissolved; although as of the date of the transfer, the former Sassamansville Volunteer Firefighters' Relief Association does not have any remaining monetary or physical assets as disclosed in the Supplementary Financial Information section in this report.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on this information and, accordingly, express no form of assurance on it.

We recommend the results of this audit be used by the Montgomery County, Pennsylvania District Attorney's Office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary.

The contents of this report were discussed with the management of the former Sassamansville Volunteer Firefighters' Relief Association. In addition, due to the merger of the former Sassamansville Volunteer Firefighters' Relief Association with the New Hanover Township Firemen's Relief Association, we are providing officials of the New Hanover Township Firemen's Relief Association a copy of this report so they are aware of the conditions that were detected in the operations of the former Sassamansville Volunteer Firefighters' Relief Association during the course of our audit.

October 15, 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 former Sassamansville Volunteer Firefighters' Relief Association was 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)**

On May 1, 2014, a meeting was held and a motion approved, to merge the Sassamansville Volunteer Firefighters' Relief Association with the New Hanover Township Firemen's Association. The Sassamansville Volunteer Firefighters' Relief Association agreed to transfer all of its monetary and physical assets to the New Hanover Township Firemen's Relief Association. The following motions were made and approved by the membership:

- To transfer all physical assets including two vehicles, the special service and traffic unit, and all other equipment to the New Hanover Township Firemen's Relief Association.
- To transfer all financial assets to the New Hanover Township Firemen's Relief Association.
- To merge the organization of the Sassamansville Volunteer Firefighters' Relief Association into the New Hanover Township Firemen's Relief Association.
- To ensure that the New Hanover Township Firemen's Relief Association honors the former Sassamansville Volunteer Firefighters' Relief Association's established death benefits and/or any other guaranteed member benefit previously provided by the former relief association.

While the Sassamansville Volunteer Firefighters' Relief Association agreed to the merger and transferred \$13,395 of monetary assets and all physical equipment owned by the relief association, on June 2, 2014, the Sassamansville Volunteer Firefighters' Relief Association has not officially dissolved. The agreed-upon merger documents state, "From this point on, the new department would not allow relief to own any more vehicles." This motion was agreed to and accepted on May 1, 2014. The Sassamansville Volunteer Firefighters' Relief Association has not received state aid since the year 2011.

Furthermore, as of June 2, 2014, the Sassamansville Volunteer Firefighters' Relief Association does not have any remaining monetary or physical assets as stated in the Supplementary Financial Information section in this report.

A volunteer firefighters' relief association and its affiliated fire service organization are separate legal entities. The Sassamansville Volunteer Firefighters' Relief Association was affiliated with the following fire service organization:

Sassamansville Fire Company No. 1

SASSAMANSVILLE 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:

Date	Check No.	Payee Description	Amount
01/12/12	444	Auto supply	\$ 62
01/12/12	445	Service to generator	120
01/12/12	446	Insurance	1,132
01/12/12	447	Insurance	3,172
01/12/12	448	Hydro test SCBA's	1,450
01/13/12	449	Halmatro conversion kit	1,484
04/02/12	450	Ladder testing	234
04/02/12	451	Pager	429
04/02/12	452	Bond insurance	320
04/05/12	453	(4) AED stickers	29
04/05/12	454	Batteries	51
05/07/12	456	Training	385
05/07/12	457	Safety equipment	4,105
05/07/12	458	Annual compressor service	895
05/07/12	459	Re-program pager	39
06/24/12	460	Equipment purchased	1,699
06/24/12	461	Batteries	60
06/24/12	462	AED	1,070
06/24/12	463	Training	1,875
07/22/12	464	Lettering for Traffic 68	3,250
07/22/12	465	Batteries	220
07/22/12	466	AED sticker	11
07/22/12	467	Water rescue training	350
07/29/12	468	Rural fire training	1,050
07/29/12	469	Training	780
08/02/12	470	Training	38
08/02/12	471	Airstamp	10
08/15/12	472	Pager repair	130
08/25/12	473	Training	825
09/01/12	474	Traffic 68 vehicle plate	35
09/01/12	475	Insurance	896

SASSAMANSVILLE 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>
10/11/12	476	Equipment for Traffic 68	140
10/11/12	477	Rapid response training	385
10/28/12	478	Training	750
10/28/12	479	Halmatro service	405
12/27/12	480	Batteries	21
01/15/13	481	Insurance	3,172
01/18/13	482	Gear	313
01/18/13	483	Inspection for Traffic 68	873
01/18/13	484	Training	60
01/18/13	485	Meter service plan	722
01/24/13	486	Service Traffic 68	558
03/08/13	487	Tires	886
03/08/13	488	(2) Nozzles	1500
03/11/13	489	Inspection	2
03/23/13	490	Service Traffic 68	159
03/23/13	491	Bond Insurance	325
03/23/13	492	Training	800
03/26/13	493	(2) Honda generators	3,530
05/21/13	494	Payee Unknown	716
06/09/13	495	Ropes & Knots training	2,500
06/09/13	496	Tanker equipment	1,335
06/09/13	497	Halmatro service	410
06/09/13	498	Hose testing	1,616
06/09/13	499	Defibrillation electrodes pads	185
07/10/13	500	Insurance	225
08/12/13	501	Pump testing	600
08/12/12	502	Hazmat training	750
10/20/13	503	Annual SCBA test	570
11/23/13	504	Service Traffic 68	2,855
11/23/13	505	Traffic 68 inspection	95
01/09/14	506	Training	90
01/08/14	507	Compressor service	481

SASSAMANSVILLE 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>
01/09/14	508	MSA meter plan	722
02/24/14	509	Batteries	103
03/06/14	510	Ladder testing	200
04/06/14	511	Batteries	42
04/06/14	512	Bond insurance	325
04/15/14	513	MSA oxygen sensor	201
Total			<u>\$54,828</u>

In addition, the relief association was unable to provide adequate documentation or evidence of approval to support an unidentified debit cash withdrawal of \$4,500 made on April 16, 2012.

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 invoices to support the undocumented expenditures noted above and the unidentified cash withdrawal made, 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: During the course of our audit, the treasurer of the Sassamansville Volunteer Relief Association failed to provide the financial records to the remaining officers of the Sassamansville Volunteer Firefighter's Relief Association and the current officers of the New Hanover Township Firemen's Relief Association.

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

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.

Recommendation: Due to the merger of the Sassamansville Volunteer Firefighters' Relief Association with the New Hanover Township Firemen's Relief Association, we are providing officials of the New Hanover Township Firemen's Relief Association a copy of this report so they are aware of the conditions that were detected in the operations of the Sassamansville Volunteer Firefighters' Relief Association during the course of our audit. We also recommend that the newly merged 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 indicated they will take action to comply with the recommendation.

Auditor Conclusion: Compliance will be subject to verification through our next audit of the New Hanover Township Firemen's Relief Association.

**Finding No. 2 – Inadequate Financial Record-Keeping System**

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the 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:

- A journal was 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.
- Several bank statements were unavailable for review. As a result, we could not determine if check numbers 511 and 513 cleared the bank.
- Investment records were not maintained.

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (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 of New Hanover Township informed this Department that as of 2011, the municipality no longer recognizes the Sassamansville Volunteer Firefighters' Relief Association and that the members of the relief were not in favor of the merger. In addition, the treasurer of New Hanover Township Firemen's Relief Association also stated that, "he has no idea where officials or records are for Sassamansville Relief Association."

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

Recommendation: Due to the merger of the Sassamansville Volunteer Firefighters' Relief Association with the New Hanover Township Firemen's Relief Association, we are providing officers of New Hanover Township Firemen's Relief Association a copy of this report to ensure that its officials establish and maintain a financial record-keeping system that allows its 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's Response: Relief association management agreed with the finding as presented at the audit exit conference.

Auditor Conclusion: Compliance will be subject to verification through our next audit of the New Hanover Township Firemen's Relief Association.

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Inadequate Internal Controls**

Condition: The relief association has failed to establish adequate internal controls. The following material internal control weaknesses existed during the audit period:

- Meeting minutes were not provided except for the meeting held on May 1, 2014.
- Documentation to support various expenditures was not available for examination at the time of the audit, as discussed in Finding No. 1.
- Financial-related activities were not presented, discussed, and approved during relief association meetings.
- The relief association did not maintain an equipment roster.
- The relief association did not maintain a membership roster.

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.

Article 3, Section 1 of the relief association's bylaws states, in part:

“Regular meetings of the association will be held on the first Thursday of every month.”

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

“The relief association must keep journals and ledgers which detail all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements of the association.” Furthermore, prudent business practice dictates that:

- Meetings should be conducted more frequently than quarterly.
- Original invoices shall be required prior to payment of purchases.
- Detailed meeting minutes must be maintained to accurately document relief association business.
- Periodic physical inventories of equipment owned should be performed.

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: Relief association officials failed to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions.

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

Recommendation: Due to the merger of the Sassamansville Volunteer Firefighters' Relief Association with the New Hanover Township Firemen's Relief Association, we are providing officers' of New Hanover Township Firemen's Relief Association a copy of this report to ensure the relief association officials establish and maintain internal control procedures which will require the following:

- More frequent membership meetings
- Payment of purchases only from original invoices
- Presentation, discussion, and approval of financial activities at relief association meetings
- Maintenance of detailed meeting minutes
- Documentation of all expenditures

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.

Auditor Conclusion: Compliance will be subject to verification through our next audit of the New Hanover Township Firemen's Relief Association.

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 FOR THE PERIOD JANUARY 1, 2012 TO JUNE 2, 2014

Cash Balance:	\$	0
Fair Value of Investments Balance:	\$	0
Expenditures:		
* Undocumented expenditures	\$	59,328
Other		8
Total Expenditures	\$	<u>59,336</u>

\*As discussed in Finding No. 1

SASSAMANSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Risa Vetri Ferman** District Attorney  
Montgomery County

Sassamansville Volunteer Firefighters' Relief Association Governing Body:

**Mr. Glenn Hull** President  
**Mr. William Pasqueal** Vice President  
**Ms. Allisha Walters** Secretary  
**Mr. Scott Wilson** Treasurer

New Hanover Township Firemen's Relief Association Governing Body:

**Mr. Joseph Dietz** President  
**Mr. Glenn Hull** Vice President  
**Ms. Janice Lee** Secretary  
**Mr. William Moyer** Treasurer

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

**Ms. Eileen Pogany** Secretary  
New Hanover Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).