

COMPLIANCE AUDIT

East Brandywine Fire Company Volunteer Firefighters' Relief Association Chester County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

April 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Vincent D'Amico, President
East Brandywine Fire Company
Volunteer Firefighters'
Relief Association
Chester County

We have conducted a compliance audit of the East Brandywine Fire Company Volunteer Firefighters' Relief Association (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, 2016 to December 31, 2017.

The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2016 to December 31, 2017, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

We have issued the observation below as detailed in the Observation section of this report.

Observation – NCUA Coverage Limits Exceeded

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

The contents of this report were discussed with the management of the relief association. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

April 25, 2018



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Observation:	
Observation – NCUA Coverage Limits Exceeded.....	3
Supplementary Financial Information	4
Report Distribution List	6

BACKGROUND

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

The relief association 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 volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>
East Brandywine Township	Chester	\$62,754	\$58,477
Upper Uwchlan Township	Chester	\$ 5,697	\$ 5,469
West Brandywine Township	Chester	\$34,601	\$31,536

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

East Brandywine Fire Company

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
OBSERVATION

Observation – NCUA Coverage Limits Exceeded

As disclosed in a verbal observation in the two previous audits, the relief association again failed to ensure that all cash deposits were below the NCUA coverage limits per account ownership in one credit union. As of December 31, 2017, the relief association's ending cash and investment balances with the credit union amounted to \$873,671.

The National Credit Union Administration (NCUA) is an independent agency of the United States government that regulates, charters and supervises federal credit unions. NCUA insurance is backed by the full faith and credit of the United States government.

NCUA insurance covers all deposit accounts, including:

- Regular shares
- Share drafts (similar to checking)
- Money market accounts
- Share certificates

NCUA insurance does not cover losses on money invested in stocks, bonds, mutual funds, life insurance policies and annuities. The standard share insurance amount is \$250,000 per share owner, per insured credit union, for each account ownership category.

Act 118 at 35 Pa.C.S. § 7413 states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonable permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly credit union reconciliations, the relief association should ensure the relief association's cash balance does not exceed NCUA limits set by credit union regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for NCUA insurance and ensure the balance of those assets per the credit union does not exceed NCUA coverage limits.

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 138,712
Fair Value of Investments	<u>734,959</u>
Total Cash and Investments	<u><u>\$ 873,671</u></u>

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:

Insurance premiums	\$ 15,084
Tokens of sympathy and goodwill	561
Total Benefit Services	<u>\$ 15,645</u>

Fire Services:

Equipment purchased	\$ 42,597
Equipment maintenance	37,122
Training expenses	15,861
Fire prevention materials	3,553
Total Fire Services	<u>\$ 99,133</u>

Administrative Services:

Bond premiums	\$ 284
Other Administrative Expenses	41
Total Administrative Services	<u>\$ 325</u>

Total Investments Purchased	<u>\$ 267,023</u>
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Total Expenditures	<u><u>\$ 382,126</u></u>
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EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

East Brandywine Fire Company Volunteer Firefighters' Relief Association Governing Body:

Mr. Vincent D'Amico
President

Mr. David T. Gledhill
Vice President

Ms. Cathie Rawlings
Secretary

Mr. Kevin Shaffer
Treasurer

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

Ms. Mary Kemble Slade
Secretary
East Brandywine Township

Ms. Gwen Jonik
Secretary
Upper Uwchlan Township

Ms. Linda Formica
Secretary
West Brandywine Township

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
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