

# COMPLIANCE AUDIT

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## Relief Association of The Green Ridge Volunteer Fire Company No. 1 of Aston Township, Delaware County, State of Pennsylvania

For the Period  
January 1, 2014 to November 28, 2017

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March 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Michael Lucy, Sr., President  
Relief Association Of The Green Ridge  
Volunteer Fire Company No. 1 Of Aston  
Township, Delaware County,  
State Of Pennsylvania

We have conducted a compliance audit of the former Relief Association Of The Green Ridge Volunteer Fire Company No. 1 Of Aston Township, Delaware County, State Of Pennsylvania (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, 2014 to November 28, 2017.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former 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 objectives 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 objectives. 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, 2014 to November 28, 2017:

- The former relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The former 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, except as noted in the finding listed below and discussed later in this report.

Finding – Improper Merger

In addition, as of November 28, 2017, the former relief association completed the process of dissolution and merged with Aston Beechwood Volunteer Fire Company Relief Association to form Aston Township Fireman's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Aston Township Fireman's Relief Association.

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 former relief association and, where appropriate, their response has been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

March 1, 2018



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Findings .....	3
Finding and Recommendation:	
Finding – Improper Merger .....	4
Supplementary Financial Information .....	6
Report Distribution List .....	8

## **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 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 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Aston Township	Delaware	\$61,007	*	*	*

\* During the current audit period, the former relief association did not receive state aid allocations from Aston Township in 2015, 2016 and 2017. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality. As of November 28, 2017, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

Volunteer firefighters' relief associations and affiliated fire service organizations are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Green Ridge Fire Company

RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has complied with the prior audit findings and recommendations, as follows:

- Undocumented Expenditures

By receiving reimbursement of \$926 from the affiliated fire company for the undocumented expenditures that were made in the prior audit period.

- Failure To Maintain Surety (Fidelity) Bond Coverage

By maintaining Surety (Fidelity) bond coverage in an amount greater than the balance of the relief association's cash assets.

RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Improper Merger**

Condition: The former relief association did not properly document the dissolution of the organization and subsequent merger with Aston Beechwood Volunteer Fire Company Relief Association to form Aston Township Fireman’s Relief Association. Specifically, the former relief association did not provide meeting minutes evidencing membership approval of the merger or evidence of the transfer of equipment owned by the former relief association.

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.

Furthermore, prudent business practice dictates that the former relief association should have properly documented the membership’s approval of the merger in the minutes of meetings held by the former relief association regarding the merger. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to Aston Township Fireman’s Relief Association, along with a signed receipt of the recipient.

Cause: Former Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to merge and transfer equipment to the newly formed relief association.

Effect: Without detailed documentation, evidence that the former relief association’s merger with Aston Beechwood Volunteer Fire Company Relief Association was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Aston Township Fireman’s Relief Association, we are providing officials of the Aston Township Fireman’s Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Aston Township Fireman’s Relief Association officials maintain detailed minutes of future meetings, evidencing the discussion and approval 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.



RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Aston Township Fireman's Relief Association, Aston Township Fireman's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF NOVEMBER 28, 2017

Total Cash and Investments	\$ <u>0</u>
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RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2014 TO NOVEMBER 28, 2017

Expenditures:

Benefit Services:

Insurance premiums	\$ 10,190
Tokens of sympathy and goodwill	313
Total Benefit Services	<u>\$ 10,503</u>

Fire Services:

Equipment purchased	\$ 61,077
Equipment maintenance	34,285
Training expenses	16,676
Total Fire Services	<u>\$ 112,038</u>

Administrative Services:

Other administrative expenses	\$ 5,013
Bond premiums	696
Total Administrative Services	<u>\$ 5,709</u>

Other Expenditures:

Payments on lease-financing	\$ 21,334
Transfer of monetary assets *	28,988
Total Other Expenditures	<u>\$ 50,322</u>

Total Expenditures	<u><u>\$ 178,572</u></u>
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\* Transfer of Monetary Assets/Dissolution of Relief Association.

As of November 28, 2017, the former relief association completed the process of dissolution and merged with Aston Beechwood Volunteer Fire Company Relief Association to form Aston Township Fireman's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Aston Township Fireman's Relief Association. Due to the dissolution of the former relief association, we are providing officials of Aston Township Fireman's Relief Association copies of this report.

RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Relief Association Of The Green Ridge Volunteer Fire Company No. 1 Of Aston Township,  
Delaware County, State Of Pennsylvania Governing Body:

**Mr. Michael Lucy, Sr.**  
President

**Mr. Robert Denny**  
Vice President

**Mr. Kenneth Dawson**  
Secretary

**Mr. Edward Gane**  
Treasurer

Aston Township Fireman's Relief Association Governing Body:

**Mr. Michael Lucy, Sr.**  
President

**Mr. Robert Denny**  
Secretary

**Mr. John Moletteri, III**  
Treasurer

RELIEF ASSOCIATION OF THE GREEN RIDGE VOLUNTEER FIRE COMPANY NO. 1  
OF ASTON TOWNSHIP, DELAWARE COUNTY, STATE OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

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

**Mr. Richard D. Lehr**  
Secretary  
Aston 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).