

# COMPLIANCE AUDIT

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## The Volunteer Firemen's Relief Association of Sellersville, Pennsylvania Bucks County For the Period January 1, 2013 to December 31, 2015

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September 2016



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Joseph W. McDonald, President  
The Volunteer Firemen's Relief Association of  
Sellersville, Pennsylvania  
Bucks County

We have conducted a compliance audit of the Volunteer Firemen's Relief Association of Sellersville, 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, 2013 to December 31, 2015.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the 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.

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.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2015, the relief association had a cash balance of \$229,204, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph for the period January 1, 2013 to December 31, 2015:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

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.

September 26, 2016



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 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. The relief association's bylaws define the specific operational procedures by which the 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 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 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>2013</u>	<u>2014</u>	<u>2015</u>
East Rockhill Township	Bucks	\$ 4,223	\$ 3,981	\$ 3,803
Hilltown Township	Bucks	\$16,596	\$ 8,467	\$ 8,464
Sellersville Borough	Bucks	\$31,602	\$29,520	\$28,043
West Rockhill Township	Bucks	\$22,251	\$21,258	\$19,830

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:

Sellersville Fire Department

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF SELLERSVILLE,  
PENNSYLVANIA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

- Untimely Deposit Of State Aid

By timely depositing all income received during the audit period.

- Insufficient Surety (Fidelity) Bond Coverage

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

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Unauthorized Expenditure

By receiving reimbursement of \$590 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

We commend the relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. The association management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
SELLERSVILLE, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2015

Cash	\$ 229,204
Fair Value of Investments	103,678
Book Value of Other Investments	<u>65,000</u>
Total Cash and Investments	<u>\$ 397,882</u>



THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
SELLERSVILLE, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 30,211
Death benefits	12,500
Relief benefits	1,238
Tokens of sympathy and goodwill	120
Total Benefit Services	<u>\$ 44,069</u>
Fire Services:	
Equipment purchased	\$ 54,649
Equipment maintenance	14,823
Training expenses	4,932
Fire prevention materials	2,000
Total Fire Services	<u>\$ 76,404</u>
Administrative Services:	
Other administrative expenses	\$ 5,288
Bond premiums	961
Total Administrative Services	<u>\$ 6,249</u>
Investments Purchased:	
Investments purchased	\$ 65,000
Transfer of cash to custodial cccount	30,000
Total Investments Purchased	<u>\$ 95,000</u>
Other Expenditures:	
Payments on lease-financing	<u>\$ 87,000</u>
Total Expenditures	<u><u>\$ 308,722</u></u>

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF SELLERSVILLE,  
PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Volunteer Firemen's Relief Association of Sellersville, Pennsylvania Governing Body:

**Mr. Joseph W. McDonald**  
President

**Mr. Scott Rotzell**  
Vice President

**Mr. Jeffrey M. McDonald**  
Secretary

**Mr. Christopher L. Rudolph**  
Treasurer

**Mr. Thomas J. Louder**  
Trustee

**Mr. William Garges Jr.**  
Trustee

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF SELLERSVILLE,  
PENNSYLVANIA  
REPORT DISTRIBUTION LIST

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

**Ms. Marianne K. Morano**  
Secretary  
East Rockhill Township

**Mr. Richard Schnaedter**  
Secretary  
Hilltown Township

**Mr. David J. Rivet**  
Secretary  
Sellersville Borough

**Ms. Judith Decker**  
Secretary  
West Rockhill 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).