

COMPLIANCE AUDIT

Volunteer Fireman's Relief Association of the Township of Spring Fire Department Berks County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

August 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Neil Strause, President
Volunteer Fireman's Relief Association Of
The Township Of Spring Fire Department
Berks County

We have conducted a compliance audit of the Volunteer Fireman's Relief Association Of The Township Of Spring Fire Department (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 finding 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.

Based on our audit procedures, we conclude that, for the period January 1, 2013 to December 31, 2015:

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

Finding – Failure to Secure Ownership Interest in Jointly Purchased Vehicles

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

August 18, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Township of Spring	Berks	\$ 164,151	\$ 155,077	\$ 142,616

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:

Township of Spring Volunteer Fire Department

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FIRE DEPARTMENT
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Maintain A Complete And Accurate Equipment Roster

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

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FIRE DEPARTMENT
FINDING AND RECOMMENDATION

Finding – Failure To Secure Ownership Interest In Jointly Purchased Vehicles

Condition: As disclosed to relief association officials in an observation in the prior audit period, the relief association previously expended \$211,852 on February 28, 2011 for the purpose of jointly purchasing two vehicles with the Township of Spring. However, the relief association did not adequately secure its proportional ownership interest in these jointly purchased vehicles as the vehicles were titled solely in the name of Township of Spring Volunteer Fire Department.

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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicles by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of either of the vehicles, in the event the vehicles are ever sold.

Cause: Relief association officials failed to adequately secure its proportional ownership interest in the jointly purchased vehicles.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased vehicles places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the township that enumerates the relief association's proportional ownership interest in the jointly purchased vehicles as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event that either vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$211,852. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FIRE DEPARTMENT
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented during the conduct of our audit and on July 29, 2016, the relief association provided a formal written agreement between the relief association and the township stipulating the relief association's proportional ownership interest in these jointly purchased vehicles.

Auditor's Conclusion: We reviewed documentation verifying that the agreements were properly executed between the parties that enumerates the relief association's proportional ownership interest in the jointly purchased vehicles as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event either vehicle is ever sold. Compliance for joint purchases made during the next audit period will be subject to verification through our next audit.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FIRE DEPARTMENT
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2015

Cash	\$ 4,268
Fair Value of Investments	<u>446,112</u>
Total Cash and Investments	<u>\$ 450,380</u>

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
 FIRE DEPARTMENT
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:	
Insurance premiums	\$ 69,709
Relief benefits	316
Total Benefit Services	\$ 70,025
Fire Services:	
Equipment purchased	\$ 272,769
Equipment maintenance	69,079
Training expenses	50,938
Fire prevention materials	865
Total Fire Services	\$ 393,651
Administrative Services:	
Officer compensation	\$ 6,850
Other administrative expenses	15,789
Bond premiums	1,258
Total Administrative Services	\$ 23,897
Total Investments Purchased	\$ 285,000
Other Expenditures:	
Payments on lease-financing	\$ 29,925
Total Expenditures	\$ 802,498

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FIRE DEPARTMENT
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Volunteer Fireman's Relief Association Of The Township Of Spring Fire Department Governing
Body:

Mr. Neil Strause
President

Mr. John Matyasich
Vice President

Mr. David Adams
Secretary

Mr. Robert Desch
Treasurer

Mr. Marvin Unger
Financial Secretary

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

Ms. Sheryl L. Rowan
Secretary
Township of Spring

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.