



**RUTLEDGE VOLUNTEER FIREMAN'S
RELIEF ASSOCIATION**

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO MAY 18, 2011

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Herbert Jackson, President
RUTLEDGE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the former Rutledge 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, 2009 to May 18, 2011.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

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 former Rutledge 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Rutledge Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the liquidation of the former Rutledge Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of May 18, 2011, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

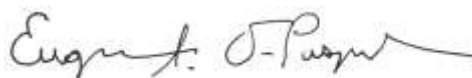
The results of our audit, for the period January 1, 2009 to May 18, 2011, found the former Rutledge Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures except as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the former Rutledge Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of May 18, 2011, the Rutledge Volunteer Firefighter's Relief Association dissolved its organization.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Failure To Maintain Minutes Of Meetings

The contents of this report were discussed with the management of the Rutledge Volunteer Firefighters' Relief Association on June 26, 2013. As a result of dissolution, the former Rutledge Volunteer Firefighters' Relief Association's monetary cash assets and equipment were transferred to the Morton-Rutledge Volunteer Firefighters' Relief Association.

March 17, 2014



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 Rutledge Volunteer Fireman's Relief Association, herein referred to as the Rutledge 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)

The former Rutledge Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Rutledge Borough	Delaware	\$5,393	\$6,070	*

* Beginning in 2011, Rutledge Borough ceased allocations of state aid to the Rutledge Volunteer Firefighter’s Relief Association and began allocating its state aid to Morton-Rutledge Volunteer Firefighters’ Relief Association.

As of May 18, 2011, the former Rutledge Volunteer Firefighter’s Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditures Information on page 4).

The former Rutledge Volunteer Firefighters’ Relief Association and the affiliated fire service organization are separate, legal entities. The Rutledge Volunteer Firefighters’ Relief Association was affiliated with the Rutledge Fire Company.

RUTLEDGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditure

Condition: On January 19, 2010, the relief association expended \$600 for a training expenditure but did not maintain supporting documentation.

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), [FN1] 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, 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: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as an invoice, made it impossible to determine if the expenditure was 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 dissolution of the Rutledge Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Rutledge Volunteer Firefighters' Relief Association during the course of our audit. We recommend the Morton-Rutledge Volunteer Firefighters' Relief Association 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.

RUTLEDGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the June 26, 2013 exit conference.

RUTLEDGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain Minutes of Meetings

Condition: The relief association did not maintain minutes of meetings from January 2009 until the relief association's dissolution on May 18, 2011, as required by Act 118.

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.

Cause: Relief association officials were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the Rutledge Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operation of the Rutledge Volunteer Firefighters' Relief Association during the course of our audit. We recommend the Morton-Rutledge Volunteer Firefighters' Relief Association maintain a permanent record of all relief association meetings as required by Act 118. 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 June 26, 2013 exit conference.

RUTLEDGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO MAY 18, 2011

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 2,278
Fire Services:	
Equipment purchased	\$ 43
Total Investments Purchased:	
	\$ 11,463
Other Expenditures:	
Transfer of monetary assets*	\$ 57,558
Undocumented Expenditures	600
Total Other Expenditures	\$ 58,158

*Transfer of Monetary Assets/Dissolution of Rutledge Volunteer Firefighters' Relief Association.

As of May 10, 2011, the Rutledge Volunteer Firefighters' Relief Association completed the process of dissolution; consequently, all remaining monetary assets were transferred to the Morton-Rutledge Volunteer Firefighters' Relief Association.

Due to the dissolution of the Rutledge Volunteer Firefighters' Relief Association, we are providing officials of the Morton- Rutledge Volunteer Firefighters' Relief Association with copies of this report.

RUTLEDGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Rutledge Volunteer Firefighters' Relief Association Governing Body:

Mr. Herbert Jackson	President
Mr. John C. Breslin	Vice President
Mr. Daniel Clement	Secretary
Mr. David Waltz	Treasurer

Morton-Rutledge Volunteer Firefighters' Relief Association Governing Body:

Mr. Thomas Kopp	President
Ms. Theresa Vecchio	Secretary
Mr. Jack Borsch	Treasurer

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

Ms. Gennifer Guiliano, Secretary
Rutledge Borough

Mr. Thomas Kopp, Secretary
Morton-Rutledge volunteer Firefighter's
Relief Association

Ms. Theresa Vecchio, Secretary
Morton-Rutledge Volunteer
Firefighter's Relief Association

Mr. Jack Borsch, Secretary
Morton-Rutledge Volunteer Firefighter's
Relief Association

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.