



**THE GOUGLERSVILLE FIREMEN'S RELIEF
ASSOCIATION**

BERKS COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010 TO DECEMBER 13, 2010

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. James Strausser, President
GOUGLERSVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Berks County

We have conducted a compliance audit of the former Gouglersville 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, 2010 to December 13, 2010.

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 objectives of the audit was to determine if the volunteer firefighters' relief association 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.

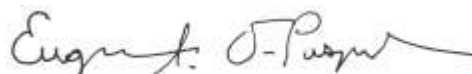
Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Gouglersville Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complies 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 Gouglersville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Gouglersville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 13, 2012, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. 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 objectives.

The results of our audit, for the period January 1, 2010 to December 13, 2012, found the former Gouglersville Volunteer Firefighters' Relief Association, in all significant respects, 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. The results of our tests also indicated the former Gouglersville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of December 13, 2012, the former Gouglersville Volunteer Firefighters' Relief Association dissolved its organization and merged with Cedar Top Volunteer Firefighters' Relief Association and Grill Volunteer Firefighters' Relief Association to form Cumru Township Volunteer Firefighters' Relief Association.

Finding – Failure to Maintain a Complete and Accurate Equipment Roster

The contents of this report were discussed with the management of the former Gouglersville Volunteer Firefighters' Relief Association on July 20, 2012. As a result of the merger, Gouglersville Volunteer Firefighters' Relief Association monetary assets and equipment were transferred to the Cumru Township Volunteer Firefighters' Relief Association.

May 31, 2013



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Background.....	1
Finding and Recommendation:	
Finding – Failure to Maintain a Complete and Accurate Equipment Roster.....	3
Accompanying Expenditure Information	4
Report Distribution List	5

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 Gouglersville Firemen's Relief Association, herein referred to as Gouglersville 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)

However, the former Gouglersville Volunteer Firefighters' Relief Association was not allocated state aid from any municipalities during 2010.

Additionally, as of December 13, 2012, the former Gouglersville Volunteer Firefighters' Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on page 4).

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Gouglersville Volunteer Firefighters' Relief Association was affiliated with the following fire service organization:

Gouglersville Fire Company

GOUGLERSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. The roster provided by relief association officials was not updated to provide information regarding equipment purchases made during 2010 amounting to \$15,065. In addition, there was no indication that a physical inventory of equipment was conducted, nor whether such inventory accounted for all of the relief association's owned equipment

Criteria: Prudent business practice dictates the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include the following:

- Types of equipment purchased;
- Dates of purchase;
- Unit costs;
- Names of suppliers;
- Serial numbers, if applicable;
- Current locations of items;
- Final dispositions of sold or damaged equipment; and
- Evidence of the performance and results of an annual physical inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over equipment requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment. Moreover, as a result of the incomplete and inaccurate equipment roster, we could not determine if all equipment owned by the Gouglersville Volunteer Firefighters' Relief Association was transferred to the Cumru Township Volunteer Firefighters' Relief Association at the time of the dissolution of the Gouglersville Volunteer Firefighters' Relief Association and was properly authorized by the Gouglersville Volunteer Firefighters' Relief Association membership.

GOUGLERSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION (Continued)

Finding – (Continued)

Recommendation: Due to the dissolution of the Gouglersville Volunteer Firefighters' Relief Association, we are providing officials of the Cumru Township 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 Gouglersville Volunteer Firefighters' Relief Association during the course of this audit. We recommend the Cumru Township Volunteer Firefighters' Relief Association maintain a cumulative equipment roster of all relief association owned equipment. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

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

GOUGLERSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 13, 2012

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.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 75
Fire Services:	
Equipment purchased	\$ 15,065
Equipment maintenance	2,175
Training expenses	223
Total Fire Services	\$ 17,463
Administrative Services:	
Other administrative expenses	\$ 6
Other Expenditures:	
Transfer of monetary assets*	\$ 26,023

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

As of December 13, 2012, the GOUGLERSVILLE Volunteer Firefighters' Relief Association completed the process of dissolution and merged with Cedar Top Volunteer Firefighters' Relief Association and Grill Volunteer Firefighters' Relief Association to form Cumru Township Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets were transferred to the Cumru Township Volunteer Firefighters' Relief Association. Due to the dissolution of the former GOUGLERSVILLE Volunteer Firefighters' Relief Association, we are providing officials of the Cumru Township Volunteer Firefighters' Relief Association copies of this report.

GOUGLERSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Gouglersville Volunteer Firefighters' Relief Association Governing Body:

Mr. James Strausser	President
Mr. Ronald Heffner	Vice President
Ms. Carol Anne Wallace	Secretary
Mr. David E. Wallace	Treasurer
Ms. Havalyn Griffin	Financial Secretary
Mr. Joseph Garipoli	Fire Chief

Cumru Township Volunteer Firefighters' Relief Association Governing Body

Mr. Kevin Burns	President
Mr. James E. Seiger	Vice President
Mr. Larry Pisano	Secretary
Mr. Alexander Hallman	Treasurer

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

Ms. Jeanne E. Johnson, Secretary
Cumru Township

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.