

COMPLIANCE AUDIT

Volunteer Firemen's Relief Association of the Ogden Fire Co. No. 1 Delaware County, Pennsylvania For the Period January 1, 2009 to December 31, 2012

September 2014



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. William T. Robinson, President
OGDEN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Ogden 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, 2009 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2009 to December 31, 2012.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. 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 objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Ogden 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 Ogden Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Ogden Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 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, 2009 to December 31, 2012, found the Ogden Volunteer Firefighters' Relief Association took appropriate corrective action to address one of the six findings contained in our prior audit report. However, the Ogden Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the five remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Audit Findings section of this report. In addition, the results of our audit found, the Ogden Volunteer Firefighters' Relief Association did not in all significant respects, receive state aid and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report. Therefore, the Ogden Volunteer Firefighters' Relief Association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

- Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures
- Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditures
- Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Duplicate Payment
- Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws
- Finding No. 5 – Noncompliance With Prior Audit Recommendation –
Inadequate Internal Controls

Finding No. 6 – Failure To Maintain A Complete And Accurate Equipment Roster

The results of our tests also indicated the Ogden Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2012, had a cash balance of \$39,462 and an investment balance with a fair value of \$15,043.

Furthermore, a scope limitation on our audit exists, as detailed in the Observation section of this report.

The contents of this report were discussed with the management of the Ogden Volunteer Firefighters' Relief Association and, where appropriate, their responses have 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.



EUGENE A. DEPASQUALE
Auditor General

September 11, 2014

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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, 2009, (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 Volunteer Firemen's Relief Association of the Ogden Fire Co. No. 1, herein referred to as the Ogden Volunteer Firefighters' 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 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 Ogden 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>	<u>2012</u>
Upper Chichester Township	Delaware	\$37,177	\$41,845	\$64,150	\$36,398

The volunteer firefighters’ relief association and the affiliated fire service organizations are separate, legal entities. The Ogden Volunteer Firefighters’ Relief Association is affiliated with the following fire service organizations:

The Ogden Fire Co. No. 1

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Ogden Volunteer Firefighters' Relief Association has complied with the prior audit finding and recommendation, as follows:

- Undocumented Receipts

By maintaining adequate supporting documentation to identify the source of all income received during the current audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Ogden Volunteer Firefighters' Relief Association has not complied with five of the six prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

Although the relief association received reimbursement from the affiliated fire company in the amount of \$1,659 and provided documentation which totaled \$569 for the undocumented expenditures made during the prior audit period, the relief association was again, unable to provide adequate supporting documentation for expenditures made during the current audit period as disclosed in Finding No. 1 of this report; and

- Unauthorized Expenditures

Although the relief association received reimbursement from the affiliated fire company in the amount of \$2,243 for the unauthorized expenditures made during the prior audit period, the relief association again, made additional unauthorized expenditures during the current audit period as disclosed in Finding No. 2 of this report.

- Duplicate Payment;
- Inadequate Relief Association Bylaws; and
- Inadequate Internal Controls

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation - Undocumented Expenditures

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated fire company and provided documentation for the undocumented expenditures made during the prior audit period, the relief association was again, unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
1/26/09	1144	Reimbursement to Fire Company	\$ 144
3/9/09	1160	Equipment vendor	981
3/16/09	1162	Reimbursement to Fire Company	476
4/13/09	1167	Reimbursement to Fire Company	900
4/27/09	1170	Reimbursement to Fire Company	450
6/8/09	1173	Reimbursement to Fire Company	308
9/9/09	1181	Reimbursement to Fire Company	354
10/30/09	1195	Reimbursement to Fire Company	650
1/4/10	1201	Fire Company obligation	1,825
1/25/10	1212	Reimbursement to Fire Company	1,700
2/1/10	1215	Fire Company obligation	1,825
3/8/10	1224	Fire Company obligation	1,825
3/30/10	1229	Fire Company obligation	1,825
4/12/10	1232	Reimbursement to Fire Company	53
5/3/10	1236	Fire Company obligation	1,825
6/1/10	1243	Fire Company obligation	1,825
7/8/10	1250	Reimbursement to Fire Company	2,400
11/1/10	1263	Fire Company obligation	1,825
11/8/10	1265	Reimbursement to Fire Company	206
11/29/10	1272	Fire Company obligation	1,825
11/29/10	1273	Equipment vendor	3,582
12/9/10	1274	Equipment vendor	9,440
12/20/10	1275	Equipment vendor	6,610
1/3/11	1280	Equipment vendor	13,032
2/12/12	107	Reimbursement to Fire Company	10,000
6/6/12	106	Training expense	2,618
6/25/12	E-bill	Reimbursement to Fire Company	31,145
7/30/12	E-bill	Equipment vendor	995
11/20/12	E-bill	Reimbursement to Fire Company	1,748
Total			<u>\$ 102,392</u>

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 an invoice, 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: Even though notified of this condition during our prior audit, relief association officials again, neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as vendor invoices, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the continued failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend the relief association provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$102,392 for the undocumented expenditures. We also again, recommend that the relief association officials maintain supporting documentation for all future expenditures. Furthermore, we again, recommend the relief association discontinue the practice of reimbursing the affiliated fire company for expenditures and pay vendor invoices directly. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

OGDEN 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 audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 2 – Noncompliance With Prior Audit Recommendation - Unauthorized Expenditures

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated fire company for the unauthorized expenditures made during the prior audit period, the relief association again, expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
2/8/11	1283	Fire Company insurance policy premium	\$ 521
2/8/11	1284	Fire Company insurance policy premium	521
3/21/12	E-bill	Fire Company insurance policy premium	<u>524</u>
Total			<u>\$ 1,566</u>

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(2) states:

The funds of any volunteer firefighters' relief association may be spent:

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

Costs associated with the payment of fire company insurance premiums not for the benefit of members do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected the fact that the expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

Recommendation: We recommend the relief association be reimbursed \$1,566 for the unauthorized expenditures and again, recommend that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 3 – Noncompliance With Prior Audit Recommendation - Duplicate Payment

Condition: As cited in our prior audit report, on October 13, 2008, the relief association expended \$400 for hazardous materials response skills training. On November 10, 2008, the relief association erroneously made a duplicate payment for the same hazardous materials response skills training. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: Even though notified of this condition during our prior audit, the volunteer firefighters' relief association again, neglected to establish adequate internal control procedures that require all invoices or other billing documents to be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We again recommend the relief association be reimbursed \$400 for the erroneous duplicate payment. The relief association should consider contacting the vendor to recover the duplicate payment. In addition, the relief association should establish accounting and internal control procedures to monitor future relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 4 – Noncompliance With Prior Audit Recommendation - Inadequate Relief Association Bylaws

Condition: As cited in our prior audit report, the existing bylaws of the Ogden Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the bylaws do not address the procedures for approval and payment of expenditures, investment of funds, and the sale of investments.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(6) states, that the relief association's bylaws shall:

- (6) Establish procedures for the approval and payment of expenditures, investment of funds and sale of investments.

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected to amend the relief association bylaws to meet the bylaw provisions required by Act 118.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 5 – Noncompliance With Prior Audit Recommendation - Inadequate Internal Controls

Condition: As cited in our prior audit report, the relief association has failed to establish adequate internal controls. The following internal control weaknesses existed during the audit period:

- Supporting documentation was not maintained for all expenditures (see Finding No. 1);
- Unauthorized expenditures were made during the period (See Finding No. 2);
- A duplicate payment made in the prior period was not reimbursed (See Finding No. 3);
- Relief association bylaws were inadequate (See Finding No. 4);
- All financial related activities were not presented, discussed, and approved at relief association meetings;
- Financial records from the affiliated fire company were comingled with the relief association's records;
- Reimbursements were made to the fire company instead of payments being made directly to vendors;
- Electronic bill paying was utilized by the relief association; however, no formal procedures were established to govern this practice; and
- Interest in jointly purchased equipment was not adequately documented in a written agreement.

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.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

In addition, Section 3 and 4 of Article 6 of the relief association's bylaws states, in part:

- The Secretary shall keep a true and correct record of all proceedings at the meetings, and at the expiration of his term in office shall deliver to his successor all records in his possession, and
- The Treasurer shall keep a true and correct record of all receipts and expenditures of the Association and shall make a report of the condition of the treasury at quarterly meetings of the Association or upon approval of weekly benefits recommended by the Board of Directors, and at the expiration of his office shall deliver to his successor all books, records and funds in his possession.

Furthermore, prudent business practice dictates that:

- Supporting documentation is maintained for all expenditures;
- All expenditures are authorized and allowable;
- Duplicate payments are not be made;
- Relief association bylaws contain all the requirements of current applicable state laws;
- All financial activities are presented, discussed, and approved at membership meetings by relief association membership;
- Relief association financial records and fire company financial records are maintained separately;
- Bills are paid to vendors directly;
- Relief Associations pay their expenditures in accordance with their established procedures; and
- Joint ownership of equipment is documented in a written agreement.

Cause: Even though notified of this condition during our prior audit, the relief association again, neglected to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions.

Effect: The continued failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We again recommend that relief association officials adopt internal control procedures which will require the following:

- Maintenance of supporting documentation for all expenditures;
- Approval of only authorized expenditures;
- Prohibition of duplicate payments;
- Changes to relief association bylaws to include all required provisions;
- Maintenance of detailed meeting minutes;
- Relief association and fire company financial records be maintained separately;
- Relief association adopt procedures to govern the ability to pay expenditures electronically; and
- Document ownership in jointly purchased equipment.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 6 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, to account for the relief association's owned equipment.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Criteria: Prudent business practice dictates that 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 maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend the relief association officials 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: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification in the subsequent audit period.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
OBSERVATION

Observation – Scope Limitation

A portion of the Ogden Volunteer Firefighters' Relief Association's (VFRA) cash balance amounting to \$36,183 of the total reported cash balance of \$39,462, as of December 31, 2012, could not be confirmed due to the bank policy of submitting confirmation requests via a processing center which requires a membership. Although we received a confirmation of a \$3,279 cash account balance, the remaining balance of \$36,183 was not confirmed by the other financial institution. While the VFRA provided a December 31, 2012, financial institution account statement detailing this cash account balance, the financial institution failed to provide an independent confirmation of the account balance.

Act 118 at 35 Pa.C.S. § 7418(a) provides that the Department of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association . . . 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.

Generally Accepted Government Auditing Standards (GAGAS) Section No. 6.56 states, "Auditors must obtain sufficient appropriate evidence to provide a reasonable basis for their findings and conclusions." GAGAS Section No. 6.61(f) states, "Evidence obtained from a knowledgeable, credible, and unbiased third party is generally more reliable than evidence from management of the audited entity or others who have a direct interest in the audited entity."

Statement of Auditing Standards (SAS) No. 106 requires auditors to request independent confirmations of investment balances directly from the financial institution from which the VFRA purchased the investment.

Our inability to confirm the VFRA's total cash balance constitutes a scope limitation on our audit, as this scope limitation prevented us from determining the fair value of the VFRA's reported cash balance of \$36,183, as of December 31, 2012.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by Finding No.1 may lead to a total withholding of state aid in the future unless this finding is corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Municipal Pension & VFRA Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 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	\$ 12,840
Tokens of sympathy and goodwill	1,209
Total Benefit Services	\$ 14,049
Fire Services:	
Equipment purchased	\$ 56,970
Equipment maintenance	6,383
Training expenses	9,923
Total Fire Services	\$ 73,276
Administrative Services:	
Other administrative expenses	\$ 6,788
Other Expenditures:	
Reimbursement to fire company	\$ 3,575
Undocumented expenditures*	102,392
Total Other Expenditures	\$ 105,967

* A portion of the undocumented expenditures amounting to \$50,534 was written to the affiliated fire company

OGDEN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Ogden Volunteer Firefighters' Relief Association Governing Body:

Mr. William T. Robinson	President
Mr. Craig D. Small	Vice President
Ms. Joanne Daley	Secretary
Mr. Thomas Robinson	Treasurer

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

Ms. Dora Coleman Upper Chichester Township	Secretary
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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.