



**VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
EMPIRE HOOK & LADDER CO., POTTSTOWN, PA**

**MONTGOMERY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2010 TO DECEMBER 31, 2011**

**RELEASED MARCH 2014**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**







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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. David Ondick, President  
EMPIRE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Montgomery County

We have conducted a compliance audit of the Empire 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 31, 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 Empire 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 objective, and assessed whether those significant controls were properly designed

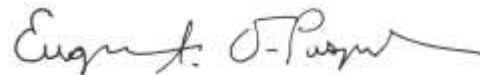
and implemented. Our audit procedures also included tests of documentary evidence supporting the Empire Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Empire Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 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, 2010 to December 31, 2011, found the Empire 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 finding listed below and discussed later in this report. The results of our tests also indicated the Empire Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$49,678 and an investment balance with a fair value of \$121,126.

#### Finding – Failure to Adhere to Relief Association Bylaws

The contents of this report were discussed with the management of the Empire Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

July 9, 2013



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

Background.....	1
Finding and Recommendation:	
Finding – Failure to Adhere to Relief Association Bylaws .....	3
Accompanying Expenditure Information .....	5
Report Distribution List .....	6

## 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 Volunteer Firemen's Relief Association of Empire Hook & Ladder Co., Pottstown, PA, herein referred to as Empire 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. The Empire Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>
Pottstown Borough	Montgomery	\$34,599	\$53,667

BACKGROUND (Continued)

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

Empire Hook & Ladder Co.

EMPIRE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Failure to Adhere to Relief Association Bylaws

Condition: Relief association officials did not adhere to the relief association's bylaws regarding payments of discretionary benefits to relief association members. Three members of the relief association were each paid \$100 per month during 2010 and 2011, in the total amount of \$7,200, because each was unavailable to work due to illness or injury and in need of financial assistance. However, these members' illnesses or injuries were not the result of their participation in the fire service.

Criteria: The relief association's bylaws stipulate the following:

- Section 1 of Article 1 of the relief association's bylaws states in part:

The association has been established for the purpose of providing volunteer firefighters with protection from misfortune suffered as a result of their participation in the fire service.

- Statement of Benefits section of the bylaws states:

A member who has served for at least (1) year may be given assistance as follows:

A qualifying member who is unable to work due to illness or injury and in need of financial assistance shall receive an amount not to exceed more than \$100 per month for prescriptions and other medical costs.

Furthermore, Act 118 of 2010, Section 7413(1), indicates a purpose of the Act is to provide:

- (1) Financial assistance to volunteer firefighters who may suffer injury or misfortune by reason of their participation in the fire service.

Cause: Even though relief association officials were made aware of the stipulations regarding the requirement that benefit payments to individuals can only be made when the illness or injury results from participation in fire service during the conduct of our prior audits, relief association officials again, failed to follow the stipulations prescribed in the relief association's bylaws and Act 118.



EMPIRE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION (CONTINUED)

Finding – (Continued)

Effect: As a result of relief association officials paying benefits to members who were not suffering from illnesses or injuries resulting from participation in fire service, the expenditure of relief association funds amounting to \$7,200, during the audit period, violated the stipulations of Act 118 and the relief association's bylaws. Furthermore, these relief funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

Recommendation: We recommend that relief association officials discontinue the practice of making benefit payments to individuals who are not injured as a result of their participation in the fire service. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Management disagreed with the finding indicating that the relief association's benefit payment program was approved years ago by the department with the understanding that only observations, not findings, would be included in the relief association's audit reports. And in actuality, the number of participants receiving these types of benefits from the relief association, originally numbering 12, has now decreased to only four relief association members. Furthermore, relief association officials indicated that at no time during the payment of these benefits was the relief association required to surrender investments, borrow money to fund these benefits or fail to pay any other authorized relief association obligation as a result of continuing to pay these types of benefits to its members.

Auditor's Conclusion Statement: Past practice does not preclude the auditors from re-evaluating the circumstance and the consequences of an action that is clearly in violation of Act 118 and the relief association's own bylaws. Furthermore, as stated in the effect, these expenditures result in funds not being available for purposes authorized by Act 118. Therefore, the finding will remain as presented.

EMPIRE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2010 TO DECEMBER 31, 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.

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	\$ 21,231
Relief benefits	9,800
Total Benefit Services	\$ 31,031
Fire Services:	
Equipment purchased	\$ 13,808
Equipment maintenance	8,318
Training expenses	1,290
Fire prevention materials	3,760
Total Fire Services	\$ 27,176
Administrative Services:	
Officer compensation	\$ 7,200
Other administrative expenses	108
Total Administrative Services	\$ 7,308
Total Investments Purchased:	\$ 10,000

EMPIRE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Empire Volunteer Firefighters' Relief Association Governing Body:

Mr. David Ondick, President

Mr. Donald Gebhard, Secretary

Mr. Mark S. Gibson, Treasurer

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

Ms. Virginia L. Takach, Secretary  
Pottstown Borough

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).