



**THE GLEN MOORE FIREMEN'S RELIEF ASSOCIATION
OF THE COMMONWEALTH OF PENNSYLVANIA**

HEREIN REFERRED TO AS:

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CHESTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006 TO DECEMBER 31, 2008



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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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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 Glen Moore 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 84 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 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, 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 Glen Moore Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
East Nantmeal Township	Chester	\$ 1,991	\$ 2,051 *	\$ 2,082
Upper Uwchlan Township	Chester	\$ 4,750	\$ 4,992	\$ 5,853
Wallace Township	Chester	\$29,438	\$30,159	\$31,151
West Nantmeal Township	Chester	\$ 6,693	\$ 7,040	\$ 7,287

*The 2008 state aid from East Nantmeal Township, in the amount of \$2,082, was not deposited into a relief association account until April 27, 2009.

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

Glen Moore Fire Company

Mr. Scott Welker, President
GLEN MOORE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Chester County

We have conducted a compliance audit of the Glen Moore 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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 *et seq.* (commonly referred to as Act 84), for the period January 1, 2006 to December 31, 2008.

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 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 Glen Moore Volunteer Firefighters' Relief Association's administration of state aid and accumulated 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 Glen Moore Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Glen Moore Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2008, 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, 2006 to December 31, 2008, found the Glen Moore Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report, except for Finding No. 1 presented in this report. In addition, the results of our audit found, in all significant respects, the Glen Moore Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report. The results of our tests indicated the Glen Moore Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$125,552 and no investments.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Insufficient Officer's Bond Coverage

Finding No. 2 – Failure to Define Discretionary Benefit

Finding No. 3 – Failure to Deposit State Aid

The contents of this report were discussed with the management of the Glen Moore Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

April 29, 2009

JACK WAGNER
Auditor General

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Glen Moore Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Failure to Maintain A Complete and Accurate Equipment Roster

By maintaining a complete and accurate equipment roster.

- Unauthorized Expenditures

By receiving reimbursement from Glen Moore Fire Company on February 23, 2007, in the amount of \$758, for the unauthorized expenditures made in the prior audit period. In addition, the relief association did not make any unauthorized expenditures during the current audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Glen Moore Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is further discussed in the following finding noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Insufficient Officer's Bond Coverage

We are concerned with the volunteer firefighters' relief association's failure to correct a previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Insufficient Officer's Bond Coverage

Condition: As cited in the prior two audit reports, the relief association failed to maintain a bond in a sufficient amount to cover the authorized disbursing officer. During the current audit period, the relief association's bond coverage was, again, not maintained in a sufficient amount. Specifically, the relief association's bond coverage was \$100,000; however, as of December 31, 2008, the cash assets totaled \$125,552.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on such bond shall be a proper charge against the funds of the association.

Cause: While cited for this deficiency in the prior two audit reports, relief association officials failed to monitor the cash balance to ensure the officer's bond coverage was sufficient, pursuant to the requirements in Act 84.

Effect: As a result of the disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets were not adequately safeguarded.

However, subsequent to the period under review after, again, bringing this matter to the relief association's attention, the relief association reduced their cash balance to an amount below the bond coverage limit.

Recommendation: We again recommend the relief association ensure that a faithful performance bond adequately covers the disbursing officer as required by Act 84. Relief association officials should monitor the cash balance to ensure that unexpected events affecting current funds do not again result in an insufficient officer's bond coverage. 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.

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Define Discretionary Benefit

Condition: The relief association did not formally define and approve a discretionary benefit that was being offered to its members. During the current audit period, the relief association paid a \$5,000 discretionary benefit in the form of a death benefit to a member's wife. Although this expenditure was authorized by Act 84, the type, amount, and criteria to be met before receiving the benefit was not described in a formal policy approved by the relief association membership.

Criteria: Act 84 at 53 P.S. § 8503 (3) and (5) states in part, that funds shall be available:

- (3) To provide, either by insurance or by the operation of a beneficial fund, for the payment of a sum certain to the designated beneficiaries of a participating member in such fund following the death of such member for any cause, and **to establish criteria which members must meet in order to qualify** as participants in such death benefit fund; and
- (5) To provide financial assistance to volunteer firefighters who, after having actively participated in the fire service **for a specified minimum term**, are no longer physically able to continue such participation and are in need of financial assistance. (Emphasis added)

Furthermore, prudent business practice dictates that when a relief association offers death benefits, or any other type of discretionary benefit provided by Act 84, it should establish a precedent for those benefits being offered. Such a precedent should be documented in the bylaws, a formal relief association policy, or in the official meeting minutes. The formal approval is necessary to clarify the types and amounts of benefits offered to its membership as well as the criteria to be met in order to receive the benefits.

Cause: Relief association officials were not aware of the specific stipulations of Act 84 and did not perceive the formal approval to be an essential internal control in safeguarding relief association assets. As a result, they failed to establish procedures to formally define the discretionary benefit and related criteria for the benefit offered to members.

Effect: The relief association's failure to formally define this discretionary benefit prevents the membership from being aware of the type and amount of benefit offered to its membership. The absence of formal approval increases the risk of unauthorized expenditures and could also lead to the benefit not being applied equally to all members of the relief association.

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend relief association officials formally define and document the criteria of the discretionary benefit being offered to its membership. The formal approval of benefit and related criteria should be documented in the bylaws, a policy statement, or in the official meeting minutes, and should be maintained for an indefinite period of time so as to afford the membership of the relief association with a formal document defining the benefit offered and the criteria to be met before receiving the benefit. Furthermore, all approved discretionary benefits should be in accordance with provisions of Act 84. 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.

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Deposit State Aid

Condition: During the current audit engagement, we detected that the relief association did not deposit the 2008 state aid allocation distributed by East Nantmeal Township, in the amount of \$2,082, into a relief association account. After bringing this matter to the relief association's attention during the audit engagement, the relief association then realized the funds had been erroneously deposited into the affiliated fire company's bank account.

Criteria: The foreign fire insurance tax allocation was distributed to the municipal treasurer, who forwarded this state aid to the volunteer firefighters' relief association treasurer within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocation, the relief association should ensure the funds are timely deposited into a relief association account.

Cause: The relief association failed to establish internal control procedures to ensure that all state aid received is deposited timely into a relief association account. Relief association officials indicated that the state aid check was not timely deposited into a relief association account because it was erroneously deposited into the affiliated fire company's bank account.

Effect: As a result of the state aid not being deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner creates a risk that funds could be lost or misappropriated.

However, subsequent to the audit period, on April 27, 2009, after bringing this matter to the relief association's attention, the relief association received from the affiliated fire company, reimbursement in the amount of \$2,082 for the state aid allocation that was due the relief association.

Recommendation: We recommend the relief association establish accounting and internal control procedures to ensure that all state aid received is deposited in a timely manner into a relief association account. 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.

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2008

Act 84 at 53 P.S. § 8502(1) states, in part, that:

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. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, 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. 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	\$ 9,463
Death benefits	5,000
Relief benefits	2,913
Tokens of sympathy and goodwill	141
Total Benefit Services	\$ 17,517
Fire Services:	
Equipment purchased	\$ 54,086
Equipment maintenance	14,076
Training expenses	8,616
Fire prevention materials	525
Total Fire Services	\$ 77,303
Administrative Services:	
Miscellaneous administrative expenses	\$ 1,874
Total Administrative Services	\$ 1,874

GLEN MOORE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Glen Moore Volunteer Firefighters' Relief Association Governing Body:

Mr. Scott Welker, President

Mr. Mark Ferrari, Vice President

Ms. Lynn Cowperthwaite, Secretary

Mr. Thomas Cowperthwaite, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Kathleen Brumfield, Secretary
East Nantmeal Township

Ms. Gwen Jonik, Secretary
Upper Uwchlan Township

Ms. Betty Randzin, Secretary
Wallace Township

Ms. Susan L. Ward, Secretary
West Nantmeal Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.