



GOODWILL FIRE COMPANY NO. 1 FIREMEN'S RELIEF
ASSOCIATION OF WASHINGTON BORO,
PENNSYLVANIA

LANCASTERCOUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO SEPTEMBER 20, 2011

RELEASED FEBRUARY 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 F. Knapp, President
GOODWILL VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lancaster County

We have conducted a compliance audit of the former Goodwill 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 September 20, 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 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 Goodwill 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 Goodwill Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Goodwill Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of September 20, 2011, 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 September 20, 2011, found the former Goodwill Volunteer Firefighters' Relief Association took appropriate corrective action to address the one of the three findings contained in our prior audit report. However, the former Goodwill Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the remaining two findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the former Goodwill 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 Goodwill Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of September 20, 2011, Goodwill Volunteer Firefighters' Relief Association dissolved its organization.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditure

Finding No. 3 – Duplicate Payment For Equipment Maintenance

The contents of this report were discussed with the management of the former Goodwill Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report. As a result of the dissolution, Goodwill Volunteer Firefighters' Relief Association's monetary assets and equipment were transferred to the Blue Rock Fire Rescue Volunteer Firefighter's Relief Association.

March 21, 2012

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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 Goodwill Fire Company No. 1 Firemen's Relief Association of Washington Boro, Pennsylvania, herein referred to as Goodwill 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 Goodwill 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>
Manor Township	Lancaster	\$39,943	\$44,959	*

*However, as of September 20, 2011, the Goodwill Volunteer Firefighters' Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on page 8).

The former Goodwill Volunteer Firefighters' Relief Association and the affiliated fire service organization were separate, legal entities. The Goodwill Firefighters' Relief Association was affiliated with the following fire service organization:

Goodwill Fire Company

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The officials of the former Goodwill Volunteer Firefighters' Relief Association complied with the following prior audit finding and recommendation:

- Undocumented Loan

By liquidating the loan to the fire company on August 22, 2009.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The officials of the former Goodwill Volunteer Firefighters' Relief Association have not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

- Noncompliance With Prior Audit Recommendation –
Undocumented Expenditure

We are concerned with the former volunteer firefighters' relief association's failure to correct the previously reported audit findings. Since the former Goodwill Volunteer Firefighters' Relief Association completed its dissolution as of September 20, 2011 and transferred its remaining monetary assets and equipment to Blue Rock Fire Rescue Volunteer Firefighters' Relief Association, the Blue Rock Fire Rescue Volunteer Relief Association management should strive to implement the recommendations and corrective actions noted in this report.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

Condition: As cited in our prior audit report, the former relief association expended \$1,090 for a college level course that is not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(10) states:

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

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

Costs associated with a member taking a college level course do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under Act 118.

Cause: While notified of this condition during our prior audit, former relief association officials failed to obtain reimbursement for the unauthorized expenditure.

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

Recommendation: Due to the dissolution of the Goodwill Volunteer Firefighters' Relief Association, we are providing officials of the Blue Rock Fire Rescue 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 Goodwill Volunteer Firefighters' Relief Association during the course of this audit. We recommend the Blue Rock Fire Rescue Volunteer Firefighters' Relief Association be reimbursed for the unauthorized expenditure and that the relief 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.

Management's Response: Relief association management agreed with the finding as presented at the March 21, 2012 exit conference.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditure

Condition: As cited in our prior audit report, the former relief association failed to maintain adequate supporting documentation for all expenditures. Specifically, the former relief association was unable to provide adequate supporting documentation for a \$300 expenditure on September 20, 2010.

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 practices dictate that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: While notified of this condition during our prior audit, former relief association officials neglected 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.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – (Continued)

Recommendation: Due to the dissolution of the former Goodwill Volunteer Firefighters' Relief Association, we are providing officials of the Blue Rock Fire Rescue 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 Goodwill Volunteer Firefighters' Relief Association during the course of this audit. We recommend the Blue Rock Fire Rescue Volunteer Firefighters' Relief Association provide this department with adequate supporting documentation, such as an invoice, to determine the validity of the expenditure or that the relief association be reimbursed \$300 for the undocumented expenditure. We also recommend that the relief association officials 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.

Management's Response: Relief association management agreed with the finding as presented at the March 21, 2012 exit conference.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – Duplicate Payment for Equipment Maintenance

Condition: On March 10, 2009, the former relief association expended \$228 for equipment maintenance. Consequently, on July 27, 2009, the former relief association erroneously made a duplicate payment for the same equipment.

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

Cause: The former relief association failed to establish internal control procedures which would require that all invoices or other billing documents 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: Due to the dissolution of the Goodwill Volunteer Firefighters' Relief Association, we are providing officials of the Blue Rock Fire Rescue 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 Goodwill Volunteer Firefighters' Relief Association during the course of this audit. We recommend the Blue Rock Fire Rescue Volunteer Firefighters' Relief Association be reimbursed \$228 for the erroneous duplicate payment. In addition, the relief association should establish account 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.

Management's Response: Relief association management agreed with the finding as presented at the March 21, 2012 exit conference.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO SEPTEMBER 20, 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	\$ 4,370
Total Benefit Services	\$ 4,370
Fire Services:	
Equipment purchased	\$ 132,634
Equipment maintenance	12,630
Training expenses	6,341
Fire prevention materials	955
Total Fire Services	\$ 152,560
Other Expenditures:	
Transfer of monetary assets	\$ 64,672
Undocumented expenditure	300
Total Other Expenditures	\$ 64,972*

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

As of September 20, 2011, the Goodwill Volunteer Firefighters' Relief Association completed the process of dissolution. Consequently, all remaining monetary assets were transferred to the Blue Rock Fire Rescue Volunteer Firefighters' Relief Association. Due to the dissolution of the Goodwill Volunteer Firefighters' Relief Association, we are providing officials of the Blue Rock Fire Rescue Volunteer Firefighters' Relief Association copies of this report.

GOODWILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Goodwill Volunteer Firefighters' Relief Association Governing Body:

Mr. James F. Knapp, President

Mr. Timothy D. Frey, Vice President

Mr. Roy E. Keagy, Jr., Secretary

Mr. Richard L. Schock, Treasurer/Blue Rock Assistant Treasurer

Blue Rock Volunteer Firefighters' Relief Association Governing Body:

Mr. Amos Hess, President

Mr. James F. Knapp, Vice President

Mr. Roy E. Keagy, Jr., Secretary

Mr. Kathy Fry, Treasurer

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

Mr. Barry L. Smith, Secretary
Manor 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.