



**FIREMEN'S RELIEF ASSOCIATION OF VOLUNTEER FIRE COMPANY NO. 1
OF GRILL, BERKS COUNTY, PENNSYLVANIA, INC**

HEREIN REFERRED TO AS:

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

BERKS 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 Grill 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. The Grill Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cumru Township	Berks	\$35,042	\$35,680	\$35,868

BACKGROUND (Continued)

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

Volunteer Fire Company No. 1 of Grill, PA.

Mr. Jeffery Schaeffer, President
GRILL VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Berks County

We have conducted a compliance audit of the Grill 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 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 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 Grill 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 objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Grill Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence

of inventories, interviews of selected officials and direct confirmation of the Grill 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 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, 2006 to December 31, 2008, found, in all significant respects, the Grill Volunteer Firefighters' Relief Association received and expended state aid and accumulated 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 Grill Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$34,731 and an investment balance with a fair value of \$10,050.

Finding No. 1 – Improper Cell Phone Transactions

Finding No. 2 – Inadequate Record-Keeping Over Membership Dues and Death Assessments

Finding No. 3 – Failure to Maintain a Complete and Accurate Equipment Roster

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

June 3, 2009

JACK WAGNER
Auditor General

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Cell Phone Transactions

Condition: During the audit period, the relief association improperly paid total monthly cell phone charges for its members. After charges were incurred on the volunteer firefighters' cell phones, the relief association paid the cell phone bills in total; members were then to reimburse the relief association for a portion of their monthly charges based on a percentage of the members' fire service activity for each month. Although the relief association maintained adequate records of all members' cell phone charges, and the respective amounts that each member was to reimburse the relief association, the relief association did not timely pursue the reimbursements and excessive balances were allowed to accrue. In addition, it appears that the relief association may be expending funds for the volunteer firefighters' personal cell data and text messaging charges, which are over and above basic service.

Criteria: Act 84 at 53 P.S. § 8506(e) (11) states:

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

To purchase safeguards for preserving life, health, and safety to volunteer firemen, so as to ensure their availability to participate in the volunteer fire service.

Since the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and Economic Development (DCED) has been established whereby the DCED provides interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." Expenditures not related to the duties of a volunteer firefighter and personal cell phone charges have been deemed by DCED to not qualify as authorized under Act 84. Expenditures not related to the duties of a volunteer firefighter and any cell phone charges in excess of the basic service plan are not authorized under Act. 84.

Also, pursuant to Act 84, relief associations are not authorized to act as a purchasing agent for members' personal equipment nor, are they authorized to provide financing for members' purchases.

Cause: Relief association officials were unfamiliar with the requirements of Act 84 and failed to establish adequate internal control procedures to ensure that reimbursements from volunteer firefighters' for applicable cell phone charges were received.

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: As a result of the improper payment for volunteer firefighters' personal cell phone costs, relief association funds were not available for authorized purposes.

Recommendation: We recommend the relief association immediately collect all outstanding reimbursements due from volunteer firefighters' for personal cell phone charges and discontinue the practice of acting as a purchasing agent for members' personal equipment. Any future expenditures in excess of basic charges should be considered unauthorized. 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.

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Record-Keeping Over Membership Dues and Death Assessments

Condition: During the audit period, the relief association failed to maintain adequate records supporting the collection of membership dues and death assessments. The following inadequacies were noted:

- Membership dues and death assessments were not timely collected;
- Outstanding balances of membership dues and death assessments for each member were not documented;
- Details of who paid and when the amounts were paid were not maintained;
- Amounts collected did not reconcile to the bylaws related to assessment and the number of members' deaths;
- The relief association could not provide the names, or number of, members who received death assessment notices.

Criteria: Act 84 at 53 P.S. § 8505 (a) states, in part, that the relief association:

. . . must provide for the maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its financial affairs.

In addition, Article IV, Sections 1 through 8 of the relief association bylaws provide specific criteria as to who is to pay membership dues and the requirement for suspensions resulting from late payment and nonpayment of membership dues.

Furthermore, Article XVII, Sections 1 through 11 of the relief association bylaws, outlines the criteria for the payment of the death assessment and procedures for late payment and nonpayment. The death assessment is a predetermined amount imposed on each relief association member upon the death of a relief association member. Each relief association member is notified by mail of the assessment amount and due date. All funds collected for this assessment are used to fund death benefit payments to the beneficiaries of members who have died.

Also, prudent business practice dictates that detailed records of all membership dues and death assessment deposits be maintained to properly account for amounts paid by members and to accurately account for amounts due to the relief association.

Cause: Relief association officials were unfamiliar with the prudent business practices. As such, they failed to maintain detailed records of all membership dues and death assessment amounts collected.

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Continued)

Effect: As a result of the failure to establish adequate internal control, the relief association was not able to substantiate membership dues and death assessments collected.

Recommendation: We recommend the relief association immediately establish a practice of accounting for all deposits received and amounts due to the relief association, as well as recording which members paid, the amounts paid, and the dates the funds were deposited. 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 and indicated they will take action to comply with the recommendation.

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: Relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. A current roster of relief association owned equipment was not provided to detail the more than \$51,000 in equipment purchased during the current audit period. As such, we could not determine if any of the items purchased during the current audit period were recorded. Furthermore, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: 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 fixed assets. A cumulative equipment roster of all relief association equipment should include the following:

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

Furthermore, sound business practice requires the performance of an annual physical inventory of all relief association owned equipment.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets 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 the failure to conduct an annual physical inventory of equipment prevents officials from adequate accountability for, and safeguarding of, relief association fixed assets.

GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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.

GRILL 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	\$ 12,746
Death benefits	5,700
Total Benefit Services	\$ 18,446
Fire Services:	
Equipment purchased	\$ 51,654
Equipment maintenance	36,036
Training expenses	6,735
Total Fire Services	\$ 94,425
Administrative Services:	
Officer compensation	\$ 1,220
Other administrative expenses	2,066
Total Administrative Services	\$ 3,286
Total Investments Purchased	\$ 10,000



GRILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Grill Volunteer Firefighters' Relief Association Governing Body:

Mr. Jeffery Schaeffer, President

Mr. Mathew Carl, Vice President

Mr. Jan Harold Dietrich, Recording Secretary

Mr. William H. Weber, Treasurer

Mr. Jason A. Lutz, Assistant Recording Secretary

Mr. Andrew J. Fakete, Financial Secretary

Mr. Kevin M. Nelson, Property Trustee

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

Ms. Jeanne E. Johnston, Secretary
Cumru 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.