

THE ELVERSON FIRE COMPANY NO. 1 RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CHESTER COUNTY

COMPLIANCE AUDIT REPORT

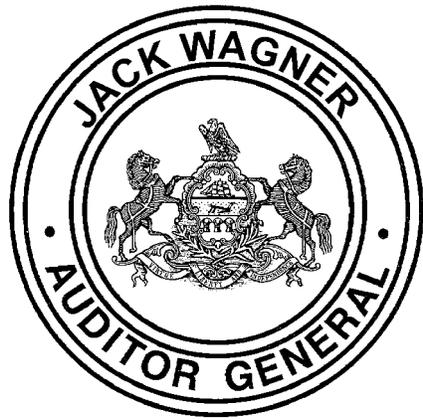
FOR THE PERIOD

JANUARY 1, 2004 TO APRIL 17, 2007



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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 Elverson 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 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 was 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 Elverson Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
East Nantmeal Township	Chester	\$ 5,030	\$ 5,869	\$ 5,973*
Elverson Borough	Chester	\$ 8,662	\$ 9,783	\$ 9,944
Warwick Township	Chester	\$16,012	\$18,214	\$18,587
West Nantmeal Township	Chester	\$ 8,753	\$ 9,849	\$10,040

*The 2006 state aid from East Nantmeal Township was not deposited until February 21, 2007, which was subsequent to the current audit period.

As of April 17, 2007, the Elverson Volunteer Firefighters Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

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

Elverson Fire Company No. 1

Mr. Robert R. Cook, President
ELVERSON VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Chester County

We have conducted a compliance audit of the Elverson 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, 2004 to April 17, 2007. The audit was conducted in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the finding 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 Elverson 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Elverson Volunteer Firefighters' Relief Association's investment balance and the cash balance as of April 17, 2007, with the custodian of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit found that for the period January 1, 2004 to April 17, 2007, the Elverson Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of April 17, 2007, had investment and cash balances of zero due to Elverson Volunteer Firefighters Relief Association's merger with the Friendship Fire Company of Morgantown Relief Association to form the Twin Valley Fire Department Relief Association. Additionally, the results of our tests indicated that, in all significant respects, the Elverson Volunteer Firefighters' Relief Association received and expended state aid and accumulated relief association funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report:

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Untimely Deposit of State Aid

Finding No. 2 – Failure to Maintain a Complete and Accurate Equipment Roster

The contents of this report were discussed with the management of the Elverson Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report. We are providing officials of the Twin Valley Fire Department Relief Association with a copy of this report so that they are aware of the conditions at the Elverson Volunteer Firefighters' Relief Association that were detected during the course of the audit.

August 29, 2007

JACK WAGNER
Auditor General

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Elverson Volunteer Firefighters' Relief Association did not comply 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 –
Untimely Deposit of State Aid

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Untimely Deposit of State Aid

Condition: As cited in the prior two audit reports, the volunteer firefighters' relief association did not timely deposit its state aid allocations. During the current audit period, the relief association again did not timely deposit its state aid. Specifically, the relief association did not timely deposit the 2004, 2005 and 2006 state aid allocations received, respectively, from West Nantmeal Township, Warick Township, and East Nantmeal Township. The detail of the distributions and deposits of the state aid allocations are as follows:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2004	West Nantmeal Township	\$ 8,753	10/11/04	07/11/05
2005	Warick Township	18,214	10/20/05	01/15/06
2006	East Nantmeal Township	5,973	09/28/06	02/21/07

Criteria: The foreign fire insurance tax allocations were distributed to the municipal treasurers, who forwarded the state aid to the volunteer firefighters' relief association within the 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 allocations, the relief association should ensure the funds are deposited in a timely manner.

Cause: While notified of this condition in the prior two audit reports, the relief association failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner. The 2004 state aid check from West Nantmeal Township was made payable to the affiliated fire company, not the relief association. The 2005 Warick Township state aid was deposited into the affiliated fire company account by mistake. The 2006 state aid check from East Nantmeal Township was made payable to Twin Valley Fire Department causing a delay in the deposit of the check.

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts can lead to a greater risk that funds could be lost or misappropriated.

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: The Elverson Volunteer Firefighters' Relief Association merged with the Fire Company of Morgantown Relief Association to form the Twin Valley Fire Department Relief Association in 2007. We are providing officials of the Twin Valley Fire Department Relief Association with a copy of this report so that they are aware of the conditions at the Elverson Volunteer Firefighters' Relief Association that were detected during the course of the audit and recommend the Twin Valley Fire Department Relief Association officials adopt internal control procedures to ensure the timely deposit of all income received. 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.

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association failed to record equipment purchased from 2004 through 2007. In addition, there was no indication that an inventory of the equipment was performed to account for 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 roster of all relief association equipment should include the following:

- Type of equipment purchased.
- Date of purchase.
- Unit cost.
- Name of supplier.
- Serial number, if applicable.
- Current location of item.
- Final disposition of sold or damaged equipment.
- Notation of the annual inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster and the performance of an annual equipment inventory.

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 equipment inventory prevents adequate accountability and safeguarding of relief association assets.

Recommendation: The Elverson Volunteer Firefighters' Relief Association merged with the Fire Company of Morgantown Relief Association to form the Twin Valley Fire Department Relief Association in 2007. We are providing officials of the Twin Valley Fire Department Relief Association with a copy of this report so that they are aware of the conditions at the Elverson Volunteer Firefighters' Relief Association that were detected during the course of the audit and recommend the Twin Valley Fire Department Relief Association maintain a complete and accurate equipment roster to adequately account for all equipment owned. 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.

ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2004 TO APRIL 17, 2007

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

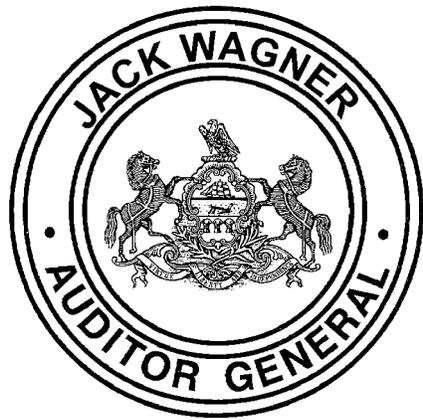
A volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. Such an association may also serve other 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	\$ 27,068
Tokens of sympathy and goodwill	125
Total Benefit Services	\$ 27,193
Fire Services:	
Equipment purchased	\$ 112,679
Equipment maintenance	7,029
Training expenses	3,681
Fire prevention materials	992
Total Fire Services	\$ 124,381
Administrative Services:	
Miscellaneous administrative expenses	\$ 6,535
Total Administrative Services	\$ 6,535
Total Investments Purchased	\$ 25,000
Other Expenditures:	
Transfer of monetary assets to Twin Valley Fire Department Relief Association*	\$ 108,900
Total Other Expenditures	\$ 108,900

*During the year 2007, the membership of the Elverson Volunteer Firefighters' Relief Association voted to approve the dissolution of their relief association and merge with the Friendship Fire Company of Morgantown Relief Association to form the Twin Valley Fire Department Relief Association. Effective April 17, 2007, the Elverson Volunteer Firefighters' Relief Association completed the process of dissolution by transferring ownership of its equipment inventory and monetary assets to the Twin Valley Fire Department Relief Association.



ELVERSON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Elverson Volunteer Firefighters' Relief Association Officers:

Mr. Robert R. Cook, President

Ms. Shirley Romig, Secretary

Mr. William R. Majer, Treasurer

Twin Valley Fire Department Relief Association Officers:

Mr. Corey Romig, President

Ms. Shirley Romig, Secretary

Ms. Traci Witowski, 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. Margaret H. Kandel, Secretary
Elverson Borough

Ms. Joan Grimley, Secretary
Warwick 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.