

**THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA**

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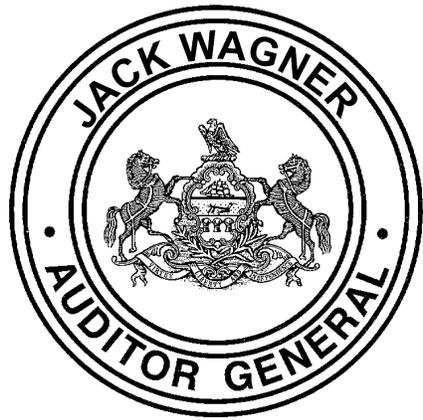
RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

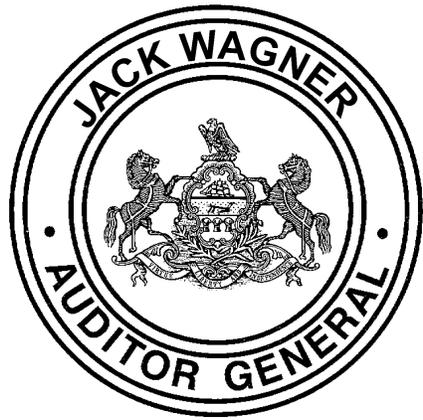
FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 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 Ridley Township 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 Ridley Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Ridley Township	Delaware	\$193,504	\$194,751	\$198,796

BACKGROUND (Continued)

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

Folsom Fire Company No. 1
Holmes Fire Company
Leedom Fire Company
Milmont Park Fire Company
S.M. Vauclain Fire Company
Woodlyn Fire Company

Mr. Paul J. Mensack Jr., President
RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Ridley Township 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, 2005 to December 31, 2007.

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 Ridley Township 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 Ridley Township Volunteer Firefighters' Relief Association's cash balance as of December 31, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2005 to December 31, 2007, found, in all significant respects, the Ridley Township Volunteer Firefighters' Relief Association did not receive state aid and accumulated relief association funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the following findings discussed later in this report. The results of our tests indicated the Ridley Township Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$165,577 and no investments.

Finding No. 1 – Undocumented Payments on Financing Agreements

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Inappropriate Payment of Discretionary Benefits

Finding No. 5 – Related Party Situation

Finding No. 6 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 7 – Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws

Finding No. 8 – Noncompliance With Prior Audit Recommendation –
To Failure a Complete and Accurate Membership Roster

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

July 1, 2008

JACK WAGNER
Auditor General

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Ridley Township Volunteer Firefighters' Relief Association has not complied with the prior audit findings. Each of the findings below was previously reported in two prior audit reports and the relief association has repeatedly failed to implement the previously reported corrective action. The association management should strive to implement the recommendations and corrective actions noted in this audit report. These issues are further discussed in the following findings noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

- Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws

- Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Membership Roster

We are concerned with the volunteer firefighters' relief association's failure to correct the previously reported audit findings. The association management should strive to immediately implement the recommendations and corrective actions again noted in this audit report.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Payments on Financing Agreements

Condition: During the audit period, the relief association made a total of 37 payments on six different financing agreements totaling \$242,643. Adequate documentation was not maintained to support payments on two of these agreements totaling \$74,802. The following is a list of deficiencies:

<u>Lease</u>	<u>Vehicle</u>	<u>Deficiencies</u>	<u>Amount</u>
Lease No. 1	1986 Ford	<ul style="list-style-type: none"> • No financing agreement • No bill of sale • Vehicle purchased by relief association but titled in name of affiliated fire company 	\$ 13,025
Lease No. 2	2005 Ford	<ul style="list-style-type: none"> • No agreement between fire company and relief association defining relief association's ownership in vehicle • No financing agreement 	61,777
Total			<u>\$ 74,802</u>

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No 205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

In addition, sound business practices dictate that the relief association maintain ownership of all equipment purchased by the association in order to provide protection over all relief association assets.

Without adequate supporting documentation, such as financing agreements, joint purchase agreements, and titles to the vehicles being financed, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, good business practices would require that supporting documentation be maintained to verify the propriety of all financial transactions.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all financial agreements.

Effect: Lack of supporting documentation, such as financing agreements, joint purchase agreements, and titles to the vehicles, made it impossible to determine if the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e).

Recommendation: We recommend the relief association either receive reimbursement in the amount of \$74,802 for the undocumented payments on the financing agreements or provide this department with adequate supporting documentation, such as those items listed above, to determine the validity of the 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 audit exit conference and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
04/15/05	1522	Individual – vehicle purchase	\$ 2,500
02/14/06	1692	Automobile dealership – vehicle purchase	3,053
09/13/07	2013	Individual – equipment maintenance	<u>2,126</u>
Total			<u>\$ 7,679</u>

We were informed during the audit that the first two expenditures listed above were for the purchase of two separate vehicles. However, at the time of the audit, the relief association did not have documentation available, such as the bills of sale and titles to the vehicles to support the amount disbursed for the vehicles and that the vehicles were properly titled to the Ridley Township Volunteer Firefighters' Relief Association. During the audit, we were provided a title for the first vehicle listed above but the title was inappropriately registered in the name of the affiliated fire company rather than the relief association. As such, these two expenditures are being considered as undocumented expenditures. In addition, the third expenditure was for maintenance on a vehicle; however, at the time of the audit, the relief association did not have sufficient documentation to determine the validity of the expenditure.

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No 205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Without adequate supporting documentation, such as invoices, bills of sale, and titles to the vehicles, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, good business practices would require that supporting documentation be maintained to verify the propriety of all financial transactions. In addition, if the purchases were for vehicles, the vehicle should be properly registered in the name of the relief association.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, including the bills of sale and titles to the vehicles, made it impossible to determine if the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e).

Recommendation: We recommend the relief association provide this department with adequate supporting documentation, including bills of sale and titles to the vehicles, to determine the validity of the expenditures or that the relief association be reimbursed \$7,679 for the undocumented expenditures. 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 audit exit conference and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items which are not authorized by Act 84.

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
04/10/05	1519	Training for non-members	\$ 160
12/06/05	1656	Food for Christmas party	521
12/04/06	1857	Food for Christmas party	521
12/11/07	2049	Food for Christmas party	350
Total			<u>\$ 1,552</u>

Criteria: Act 84 at 53 P.S. § 8506(e)(5) states:

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

- (5) To pay the costs of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.

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) had been established whereby the DCED provided interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." The type of expenditure stated in the condition above has been deemed by DCED to not qualify as an authorized expenditure under Act 84.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 84.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 84.

However, subsequent to the audit exit conference, on August 13, 2008, September 11, 2008, and September 15, 2008, the relief association received reimbursement in amounts totaling \$1,392 for a portion of the above noted unauthorized expenditures.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend the relief association be reimbursed \$160 for the remaining unauthorized expenditure and that relief association officials become familiar with Act 84 at 53 P.S. § 8506(e) 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 audit exit conference and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Inappropriate Payment of Discretionary Relief Benefits

Condition: During the audit period, the relief association disbursed \$6,000 on behalf of six individuals who were not recorded on the relief association's membership roster. In addition, subsequent to the audit period, the relief association paid an additional \$3,000 on behalf of three individuals who were not recorded on the relief association's membership roster. While discretionary relief benefits are authorized expenditures under Act 84, they may not be paid on behalf of individuals who do not or have not actively participated in providing fire service.

Criteria: Act 84 at 53 P.S. § 8502 (3) states:

Volunteer firefighter comprehends any member of a fire company, organized and existing under the laws of the Commonwealth of Pennsylvania, and also any member of any police unit, rescue squad, ambulance corps, or other like organization affiliated with one or more fire companies, and refers to any individual who is a member of such a fire company or affiliated organization and **who participates in the fire service**, but does not look to that service as his primary means of livelihood (emphasis added).

In addition, Act 84 at 53 P.S. § 8503 states:

The purpose of the legislature in enacting this status is to encourage individuals to take part in the fire service as volunteer firefighters, by establishing criteria and standards for the orderly administration and conduct of the affairs of firefighters' relief associations, so as to ensure as far as circumstances will reasonably permit, that funds **shall be available for the protection of volunteer firefighters and their heirs** (emphasis added).

Furthermore, Act 84 at 53 P.S. § 8507 (a) states, in part

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No 205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that relief association disbursements are made in accordance with Act 84 and that relief association benefits are only extended to individuals entitled to receive benefits.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 84. In addition, expending funds for unauthorized purposes diminishes funds that may otherwise be used to support individuals who actively participate or participated in providing fire service.

Recommendation: We recommend the relief association immediately cease and desist from paying benefits to individuals not entitled to receive benefits. Any further payment of benefits to or on behalf of individuals who do not participate in fire service will be considered unauthorized expenditures. We also recommend that relief association officials familiar with Act 84 at 53 P.S. § 8506 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 audit exit conference and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Related Party Situation

Condition: Relief association officials failed to disclose a related party situation to the relief association membership. The relief association has a related party situation that exists because the relief association does business with a vendor that is owned by a relief association officer. During the audit period, the relief association made seven disbursements totaling \$3,390 to this vendor for maintenance on radios and pagers and the purchase and installation of radio equipment.

A related party situation occurs when the relief association deals with a business that employs or is owned by a relief association officer or a member of an officer's immediate family. Such a situation may provide a financial benefit to the related party through a commission or a profit from a sale.

Criteria: All related party situations should be disclosed to the membership and recorded in the minutes of relief association meetings. In addition, the individual involved in the related party situation should abstain from all votes concerning his place of employment.

Cause: Relief association officials were unaware that related party situations should be disclosed to the membership.

Effect: Failure to properly disclose a related party situation may create a potential conflict of interest which could result in misleading or inappropriate financial statement presentation for the relief association.

Recommendation: We recommend the relief association officials take the actions necessary to eliminate the appearance of a conflict of interest. Actions should include, but are not limited to, a written notification to the relief association membership of related party situations, and the abstention of the relief association official from decisions and voting rights which involve his capacity as a business owner. These actions should be documented in the relief association's minutes. Furthermore, the relief association should closely review all related party transactions to ensure that the cost of the services rendered by the firm is competitive.

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.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in the prior two audit reports, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. This deficiency has now been reported in three consecutive audit reports of the Ridley Township Volunteer Firefighters' Relief Association, but we have noted little effort, if any, taken to remedy the above reported deficiencies regarding accounting for the relief association's equipment purchases.

The relief association had provided an equipment roster in prior audits, but rosters previously maintained and provided in prior audits did not contain dates of purchase, unit costs, names of suppliers, and serial numbers to accurately identify equipment owned. The rosters previously provided also did not include all equipment owned by the relief association. During the current audit, the relief association did not provide a roster of equipment purchased during the current audit period. As such, it was impossible to determine if equipment purchased during the audit period had been accurately recorded and accounted for. Equipment purchased by the relief association is located at six different affiliated fire companies but not all of the affiliated fire companies were noted on the roster, and there was no indication that the relief association had performed an annual inventory of its equipment to account for the relief association's fixed assets. Since the relief association did not provide an equipment roster during audit, there was no documentation available at the time of the audit to show that the relief association had performed an annual inventory of its equipment.

While it is not necessary for each of the affiliated fire service organizations and relief association to maintain separate records of equipment, it is the relief association's responsibility to have sufficient records to be able to determine that all equipment purchased has been recorded and accounted for. It is also the relief association's responsibility to annually perform an inventory of its equipment to account for its fixed assets.

Based on our testing of equipment purchased during the audit period and documentation available at the time of the audit, it appears that the accounting control over the relief association has deteriorated significantly during the audit period. The relief association purchased in excess of \$350,000 of equipment during the audit period. With equipment purchases of this magnitude, we believe the maintenance of a complete and accurate equipment roster is an essential accounting control over the relief associations' equipment purchases. Since equipment purchased by the Ridley Township is housed at six different affiliated fire companies, it is imperative that accurate records be maintained so that the relief association can have an accurate accounting of its equipment purchases and perform annual inventories to properly safeguard its assets.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

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: While notified of this condition in the prior two audit reports, relief association officials neglected 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: We again recommend the relief association officials maintain a cumulative roster of all relief association owned equipment. Furthermore, the relief association should ensure it performs an annual inventory of all operable equipment and that 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.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws

Condition: As cited in the prior two audit reports, the existing bylaws of the Ridley Township Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 84 at 53 P.S. § 8505(c). Specifically, the bylaws do not address the requirement for two signatures to disburse association funds, one of which shall be the disbursing officer. In addition, the relief association did not formally define discretionary benefits that were being offered to its members. During the audit period, the relief association paid death benefits to 23 members of the relief association totaling \$23,000. Although these expenditures were authorized by Act 84, the bylaws do not address the types, amounts, and criteria to be met before receiving the death benefits. The relief association also disbursed \$9,000 in the form of death benefits to individuals not listed on the relief association's membership roster. This is discussed in further detail in Finding No. 5 contained in this report.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that the relief association's bylaws shall include the following provisions:

- Require the signatures of at least two officers, one of whom shall be the disbursing officer, in order to bind the relief association by formal contract or to issue any negotiable instrument.

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

(3) to provide, either by insurance or by the operation of a beneficial fund, . . . and **to establish criteria which members must meet in order to qualify** as participants in such death benefit fund (emphasis added).

Furthermore, prudent business practice dictates that when a relief association offers death benefits, or any other type of discretionary benefits 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 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.

Cause: While notified of this condition in the prior two audit reports, relief association officials neglected to amend the relief association bylaws to meet the mandatory bylaw provision required by Act 84.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization. In addition, the relief association's failure to formally define discretionary benefits prevents the membership from being aware of the types and amounts of benefits offered to its membership. The absence of formal approval increases the risk of unauthorized expenditures and could also lead to benefits not being applied equally to all members of the relief association.

Recommendation: We again recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84 and properly authorize the operating procedures of the relief association. 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 and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Membership Roster

Condition: As cited in the prior two audit reports, the relief association officials did not maintain a complete and accurate roster of relief association members. While a roster of members was provided during the current audit, it was incomplete as it did not indicate the members' addresses, dates of membership, and some of the members' dates of birth.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Name of each member.
- Member's mailing address.
- Date of birth.
- Date of membership.
- Membership classification.

In addition, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: While notified of this condition in the prior two audit reports, relief association officials neglected to maintain a comprehensive roster of relief association members.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We again recommend the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported in Finding Nos. 1, 2, and 3 may lead to a total withholding of state aid in the future unless the findings are corrected. However, such action will not be considered if sufficient documentation is immediately provided to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, Finance Building, Harrisburg, PA 17120.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2005 TO DECEMBER 31, 2007

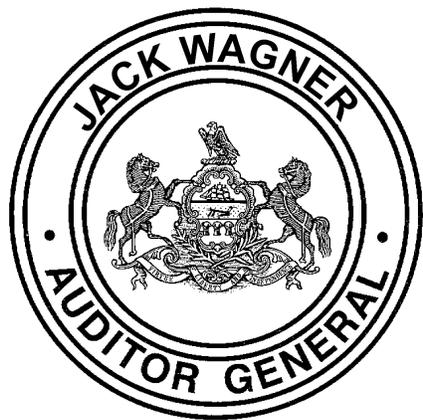
Act 84 at 53 P.S. § 8502(1) states, in part, that:

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	\$ 45,337
Death benefits	23,000
Tokens of sympathy and goodwill	1,737
Total Benefit Services	\$ 70,074
Fire Services:	
Equipment purchased	\$ 350,555
Equipment maintenance	86,336
Training expenses	23,136
Fire prevention materials	4,671
Total Fire Services	\$ 464,698
Administrative Services:	
Officer compensation	\$ 5,780
Other administrative expenses	22,576
Total Administrative Services	\$ 28,356
Total Investments Purchased	\$ 233,085
Other Expenditures:	
Payments on financing agreement	\$ 162,871
Interest payments on financing agreement	79,772
Undocumented expenditures	5,553
Total Other Expenditures	\$ 248,196



RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Ridley Township Volunteer Firefighters' Relief Association Officers:

Mr. Paul J. Mensack Jr., President

Ms. Kathy Salmieri, Secretary

Mr. Richard Holmes, Treasurer

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

Ms. Anne E. Howanski, Secretary
Ridley 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.