

COMPLIANCE AUDIT

West Grove Fire Company Volunteer Fireman's Relief Association Chester County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Stephen Flegal, President
West Grove Fire Company Volunteer
Fireman's Relief Association
Chester County

We have conducted a compliance audit of the West Grove Fire Company Volunteer Fireman's Relief Association (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, 2016 to December 31, 2017.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the 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. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2016 to December 31, 2017:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

November 9, 2018



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	3
Supplementary Financial Information	4
Report Distribution List	6

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 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 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>
Franklin Township	Chester	\$30,816	\$29,095
London Britain Township	Chester	\$19,162	\$17,550
London Grove Township	Chester	\$35,455	\$33,358
New London Township	Chester	\$41,046	\$37,685
Penn Township	Chester	\$47,785	\$39,771
West Grove Borough	Chester	\$16,034	\$14,614

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

West Grove Fire Company

WEST GROVE FIRE COMPANY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Undocumented Or Insufficient Documentation To Support Expenditure To Ensure Compliance With Act 118

By providing adequate documentation to evidence the propriety of a portion of the undocumented expenditures that were made in the prior audit period. The remaining undocumented expenditures made during the prior audit period were addressed by the relief association by entering into an agreement with this Department which requires the affiliated fire company to reimburse the relief association within a five year period for the remaining undocumented or insufficiently documented expenditures made during the prior audit period.

- Unauthorized Expenditures

By entering into an agreement with this Department which requires the affiliated fire company to reimburse the relief association within a five year period for the unauthorized expenditures made during the prior audit period.

- Failure To Secure Ownership In Jointly Purchased Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased vehicle.

- Duplicate Payments

By receiving reimbursement of \$209 from a member for a portion of the duplicate payments made in the prior audit period. The remaining duplicate payments made during the prior audit period were addressed by the relief association by entering into an agreement with this Department which requires the affiliated fire company to reimburse the relief association within a five year period for the remaining duplicate payments made during the prior audit period.

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the audit period.

We commend the relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. The association management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

WEST GROVE FIRE COMPANY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 275,336
Fair Value of Investments	<u>28,788</u>
Total Cash and Investments	<u>\$ 304,124</u>

WEST GROVE FIRE COMPANY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 29,941
Relief benefits	47,205
Total Benefit Services	<u>\$ 77,146</u>
Fire Services:	
Equipment purchased	\$ 46,211
Equipment maintenance	37,377
Training expenses	38,025
Fire prevention materials	7,750
Total Fire Services	<u>\$ 129,363</u>
Administrative Services:	
Other administrative expenses	\$ 12,547
Bond premiums	936
Total Administrative Services	<u>\$ 13,483</u>
Other Expenditures:	
Payments on loan	<u>\$ 113,140</u>
Total Expenditures	<u><u>\$ 333,132</u></u>

WEST GROVE FIRE COMPANY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

West Grove Fire Company Volunteer Fireman's Relief Association Governing Body:

Mr. Stephen Flegal
President

Mr. Thomas Glass
Vice President

Mrs. Lisa A. Glass
Secretary

Mr. W. Scott McLimans
Treasurer

WEST GROVE FIRE COMPANY VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Sharon K. Norris
Secretary
Franklin Township

Ms. Carolyn Matalon
Secretary
London Britain Township

Ms. Dawn Maciejczyk
Secretary
London Grove Township

Ms. Trish Fagan
Secretary
New London Township

Ms. Caitlin A. Ianni
Secretary
Penn Township

Mr. Gregory J. McCummings
Secretary
West Grove Borough

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.