

COMPLIANCE AUDIT

The Volunteer Firemen's Relief
Association of
Worcester Township,
Montgomery County, Pennsylvania
For the Period
January 1, 2017 to December 31, 2018

August 2019



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



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Craig Markle, President
The Volunteer Firemen's Relief
Association of Worcester Township,
Montgomery County, Pennsylvania
Montgomery County

We have conducted a compliance audit of The Volunteer Firemen's Relief Association of Worcester Township, Montgomery County, Pennsylvania (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, 2017 to December 31, 2018.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018:

- The relief association took appropriate corrective action to address the finding 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, except as noted in the finding listed below and discussed later in this report.

Finding – Failure To Monitor Investment Activity

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 and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

August 21, 2019



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 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Worcester Township	Montgomery	\$94,057	\$85,933

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:

Worcester Volunteer Fire Department

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Failure To Monitor Investment Activity

Condition: Relief association officials failed to monitor their investment activity. Specifically, on April 5, 2017, a money market savings account and a certificate of deposit were considered dormant and were escheated to the Pennsylvania Department of Treasury. As of the last account statement dated April 5, 2017, the stated value of the money market savings account amounted to \$7,462. In addition, as of December 31, 2016, the relief association had a balance of \$177 in a certificate of deposit at the same financial institution.

Criteria: The relief association's governing body has ultimate authority and the fiduciary responsibility for the financial management of relief association's funds which includes an obligation to monitor the activity of relief association's investments on a periodic basis which is a prerequisite for sound administration of relief association accounts.

Cause: Relief association officials failed to establish adequate internal control procedures over their investment activity and were unaware that their money market savings account and a certificate of deposit were considered dormant due to inactivity.

Effect: The relief association's failure to adequately monitor investment activity resulted in a potential loss of funds to pay general operating expenses or for other investment purposes and any future interest income from this investment.

Recommendation: We recommend the relief association contact the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury to obtain the funds from their dormant accounts. In addition, the management of the relief association should monitor all future investments to ensure they are maximizing their investment return and safeguarded from loss. 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, as a result of our audit, on May 24, 2019, the relief association submitted a Claim Authorization form to the Bureau of Unclaimed Property.

Auditor's Conclusion: We reviewed the documentation verifying the relief association sent to the Bureau of Unclaimed Property. Compliance will be subject to verification through our next audit.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 233,007
Fair Value of Investments	185,756
Fair Value of Escheated Funds	<u>7,639</u>
Total Cash and Investments	<u>\$ 426,402</u>

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 40,650
Relief benefits	24,646
Total Benefit Services	\$ 65,296
Fire Services:	
Equipment purchased	\$ 72,567
Equipment maintenance	19,598
Training expenses	8,729
Fire prevention materials	6,808
Total Fire Services	\$ 107,702
Administrative Services:	
Other administrative expenses	\$ 324
Bond premiums	302
Total Administrative Services	\$ 626
Other Expenditures:	
Escheated funds	\$ 7,462
Total Expenditures	\$ 181,086

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Volunteer Firemen's Relief Association of Worcester Township, Montgomery County,
Pennsylvania Governing Body:

Mr. Craig Markle
President

Mr. Russell Bryant
Vice President

Ms. Pam McClure
Secretary

Mr. David Cornish
Treasurer

Mr. Jeff Bickel
Trustee

Mr. Brandon Blue
Trustee

Mr. Duane Cornish
Trustee

Mr. Robert Raquet
Trustee

Mr. Gregory Robertson
Trustee

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WORCESTER TOWNSHIP,
MONTGOMERY COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Mr. Tommy Ryan
Secretary
Worcester Township

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.