



**THE VOLUNTEER FIREMEN'S RELIEF  
ASSOCIATION OF THE MORTON FIRE CO. NO. 1**

**DELAWARE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009 TO DECEMBER 4, 2011**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Glen Bixby, President  
MORTON VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Delaware County

We have conducted a compliance audit of the former Morton 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, 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, 2009 to December 4, 2011.

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 state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

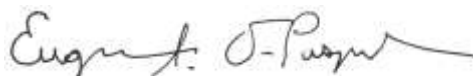
Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Morton Volunteer Firefighters' 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. 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 objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Morton Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Morton Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of Morton Volunteer Firefighters' Relief Association, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. 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 objectives.

The results of our audit, for the period January 1, 2009 to December 4, 2011, found the former Morton Volunteer Firefighters' Relief Association took appropriate corrective action to address one of the three findings contained in our prior audit report. However, the former Morton Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the former Morton Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the former Morton Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of October 4, 2011, the Morton Volunteer Firefighters' Relief Association dissolved its organization.

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings
- Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 4 – Inappropriate Ownership Of Vehicle

The contents of this report were discussed with the management of the former Morton Volunteer Firefighters' Relief Association on June 26, 2013. As a result of the dissolution of the former Morton Volunteer Firefighters' Relief Association, monetary assets and equipment were transferred to the Morton-Rutledge Volunteer Firefighters' Relief Association.

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

March 13, 2014

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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 Volunteer Firemen's Relief Association of the Morton Fire Co. No. 1, herein referred to as the Morton 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 118 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 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 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 former Morton Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Morton Borough	Delaware	\$16,473	\$18,542	*

\* Beginning in 2011, Morton Borough ceased allocations to Morton Volunteer Firefighters’ Relief Association and began allocating its state aid to Morton-Rutledge Volunteer Firefighters’ Relief Associations.

As of October 4, 2011, the Morton Volunteer Firefighters’ Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on page 10).

The former Morton Volunteer Firefighters’ Relief Association and the affiliated fire service organization were separate, legal entities. The Morton Volunteer Firefighters’ Relief Association was affiliated with the following fire service organization:

Morton Fire Company No. 1



MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Morton Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Failure To Maintain A Federal Tax Identification Number

By obtaining its federal tax identification number through the Internal Revenue Service and furnishing this number to its financial institutions.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Morton Volunteer Firefighters' Relief Association has not complied with two of the three prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws
- Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

We are concerned with the former Morton Volunteer Firefighters' Relief Association's failure to correct the previously reported audit findings. Since the former Morton Volunteer Firefighters' Relief Association's monetary assets and equipment were transferred to Morton-Rutledge Volunteer Firefighters' Relief Association, the Morton-Rutledge relief association management should determine whether the deficiencies noted in this audit report exist in its organization, and if so, take appropriate corrective action.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws

Condition: As cited in our previous six audit reports, the existing bylaws of the Morton Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the bylaws do not address the requirements for: at least two officers' signatures (one of who must be the disbursing officer) required on all formal contracts and negotiable instruments; bond coverage in an amount at least as great as the maximum cash balance in current relief association funds; nomination and election procedures for officers; and procedures for the approval and payment of expenditures.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3, 4, 5 and 6) states, that the relief association's bylaws shall:

- (3) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.
- (4) Require that the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against funds of the association.
- (5) State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, according to the provisions which have been made for establishment of those positions.
- (6) Establish procedures for the approval and payment of expenditures, investment of funds and sale of investments.

Furthermore, the relief association bylaws should authorize and clearly specify the criteria to be met before receiving death or relief benefits and the amount of any benefit payments. Finally, the bylaws should address the authorization of compensation to relief association officers.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: Even though notified of this condition during our prior six audits, relief association officials again, neglected to amend the relief association bylaws to meet the bylaw provisions required by Act 118.

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. Although our procedures did not disclose any specific violations in the current practices of the relief association involving the areas noted in the condition above during our current audit period, the lack of approval and payment of expenditures provision is further discussed in Finding No. 2 contained in this report.

Recommendation: Due to the dissolution of the Morton Volunteer Firefighters' Relief association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Morton Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Morton-Rutledge Volunteer Firefighters' Relief Association officials review the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118. 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 June 26, 2013 audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification though our next audit of the Morton-Rutledge Volunteer Firefighters' Relief Association

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

Condition: As cited in our three prior audit reports, the relief association did not maintain minutes of meetings as required by Act 118. Furthermore, as disclosed in Finding No. 1 contained in this report, the relief association bylaws do not address the approval and payment of expenditures.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Even though notified of this condition during our three prior audits, relief association officials again, neglected to maintain minutes of meetings as required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the Morton Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the Morton Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Morton-Rutledge Volunteer Firefighters' Relief Association officials maintain a permanent record of all relief association meetings, as required by Act 118. 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 June 26, 2013 audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification though our next audit of the Morton-Rutledge Volunteer Firefighters' Relief Association

Finding No. 3 – 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. Although a roster of relief association owned equipment was provided by officials, this roster did not include all of the equipment purchased during the current audit period. The relief association purchased \$38,575 in equipment during the current period which was not properly accounted for on the relief association's equipment roster.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Prudent business practice dictates 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 owned equipment. A cumulative equipment roster of all relief association equipment should include the following:

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

Cause: Relief association officials failed to establish adequate internal control procedures over equipment 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 perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment. Moreover, as a result of the incomplete and inaccurate equipment roster, we could not determine if all of the equipment owned by the former Morton Volunteer Firefighters' Relief Association was transferred to the Morton-Rutledge Volunteer Firefighters' Relief Association and whether the dissolution and transfer of equipment was authorized by the former Morton Volunteer Firefighters' Relief Association's membership.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: Due to the dissolution of the Morton Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the Morton Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Morton-Rutledge Volunteer Firefighters' Relief Association officials maintain a cumulative equipment roster of all relief association owned equipment including any equipment transferred from Morton Volunteer Firefighters' Relief Association. Furthermore, the Morton-Rutledge Volunteer Firefighters' 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 June 26, 2013 audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification though our next audit of the Morton-Rutledge Volunteer Firefighters' Relief Association

Finding No. 4 – Inappropriate Ownership Of Vehicle

Condition: On February 2, 2010, the relief association entered into an agreement with the Morton Fire Company for the purchase of a 2008 Ford truck amounting to \$50,097. However, the vehicle was inappropriately titled in the name of the affiliated fire company instead of the relief association.

Criteria: The relief association should maintain sole ownership of all equipment purchased by the relief association with relief association funds. As such, all vehicles purchased by the relief association must be owned by and titled in the name of the relief association.

Cause: The relief association's application to title the 2008 Ford in the name of the relief association was rejected by PADOT. The reason for the rejection was "To qualify for an emergency vehicle plate the vehicle must be in the fire department's name per the vehicle code. Relief associations are not included in the definition of emergency vehicle.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the fire company, this relief association asset was not properly safeguarded.

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: Due to the dissolution of the Morton Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the Morton Volunteer Firefighters' Relief Association during the course of our audit. We recommend that all purchased vehicles be owned by, and titled in the name of the relief association, along with the affiliated fire company, if necessary, to satisfy additional requirements of PADOT. 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 June 26, 2013 audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification though our next audit of the Morton-Rutledge Volunteer Firefighters' Relief Association

MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 4, 2011

Act 118 at 35 Pa.C.S. § 7412 states: 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. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 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.

Furthermore, 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	\$ 1,871
Fire Services:	
Equipment purchased	\$ 38,575
Equipment maintenance	7,151
Training expenses	1,891
Fire prevention materials	519
Total Fire Services	\$ 48,136
Administrative Services:	
Officer compensation	\$ 196
Transfer of Monetary Assets*	\$ 91,254

\*Transfer of Monetary Assets/Dissolution of Morton Volunteer Firefighters' Relief Association. As of October 4, 2011, the Morton Volunteer Firefighters' Relief Association dissolved and transferred all monetary assets to Morton-Rutledge Volunteer Firefighters' Relief Association. Due to the dissolution of the Morton Volunteer Firefighters' Relief Association, we are providing officials of the Morton-Rutledge Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former Morton Volunteer Firefighters' Relief Association during the course of our audit and can ensure that any such conditions that exist in their operation, as detailed in this audit report, are appropriately addressed.



MORTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Morton Volunteer Firefighters' Relief Association Governing Body:

Mr. Glen Bixby	President
Mr. Kenneth Hoolstein	Vice President
Ms. Kathyryn Stein	Secretary
Mrs. Maureen Bixby	Treasurer
Mr. Joseph Sciasci	Financial Secretary
Mr. Philip Bellotserkovets	Financial Secretary
Ms. Martha Preston	Secretary

Morton-Rutledge Volunteer Firefighters' Relief Association Governing Body:

Mr. Thomas Kopp	President
Mr. John C. Breslin	Vice President
Ms. Theresa Vecchio	Secretary
Mr. Jack Borsch	Treasurer

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