



**THE VOLUNTER FIREMEN'S RELIEF ASSOCIATION OF  
THE LOWER HEIDELBERG TOWNSHIP VOLUNTEER FIRE COMPANY**

**BERKS COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2007 TO JANUARY 20, 2010**



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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 Lower Heidelberg Township Volunteer Fire Company, herein referred to as Lower Heidelberg 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 Lower Heidelberg Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Lower Heidelberg Township	Berks	\$39,928	\$41,777	\$37,271

However, as of January 20, 2010, the Lower Heidelberg Volunteer Firefighters' Relief Association merged its operations with Western Berks Volunteer Firefighters' Relief Association. Therefore, it will not receive any further state aid allocations (see Accompanying Expenditure Information).

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The Lower Heidelberg Volunteer Firefighters' Relief Association was affiliated with the Lower Heidelberg Township Volunteer Fire Company.

Mr. Jeremy Rapp, President  
LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Berks County

We have conducted a compliance audit of the Lower Heidelberg 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, 2007 to January 20, 2010.

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 Lower Heidelberg 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 Lower Heidelberg Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Lower Heidelberg Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of January 20, 2010, 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, 2007 to January 20, 2010, found the Lower Heidelberg Volunteer Firefighters' Relief Association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the Lower Heidelberg Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the remaining finding 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 Lower Heidelberg Volunteer Firefighters' Relief Association, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the finding listed below and discussed in detail in the Finding and Recommendation section of this report. The results of our tests also indicated the Lower Heidelberg Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of January 20, 2010, the Lower Heidelberg Volunteer Firefighters' Relief Association merged its operations with Western Berks Volunteer Firefighters' Relief Association, and all remaining monetary assets and equipment were transferred to the Western Berks Volunteer Firefighters' Relief Association.

Finding – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditure

The contents of this report were discussed with the management of the Lower Heidelberg Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

February 9, 2010

JACK WAGNER  
Auditor General



LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Insufficient Officer's Bond Coverage

By increasing the officer's bond coverage to an amount greater than the balance of cash assets.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Lower Heidelberg Volunteer Firefighters' Relief Association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditure

The relief association received reimbursement from the Lower Heidelberg Township Volunteer Fire Company, in the amount of \$4,662, for the unauthorized expenditure made during the prior audit period. However, the relief association made unauthorized expenditures during the current audit period (see finding in the Finding and Recommendation section of this report).

We are concerned with the volunteer firefighters' relief association's failure to correct a previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditure

Condition: The relief association inappropriately expended \$463 for the fire company's premium for an insurance package, which is not authorized by Act 118. Only the liability portion of insurance coverage for a fire company qualifies as an authorized expenditure of relief association funds. In addition to liability coverage, the insurance package noted above also provided coverage for fire company property losses resulting from automobile, crime, and terrorism damage.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(2) states:

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

- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of the member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

Because 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) has been established whereby the DCED provides interpretation of Act 118. Costs associated with fire company insurance premiums, other than liability coverage, have been deemed by DCED to not qualify as an insurance benefit that directly covers the volunteer firefighter; consequently, this expenditure is not authorized under Act 118.

Cause: Even though relief association officials were aware that only the liability portion of the fire company insurance premium qualifies as an authorized expense, they still expended relief funds to purchase the additional fire company insurance coverage that does not qualify as authorized use of relief association funds.

LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

On January 20, 2010, the Lower Heidelberg Volunteer Firefighters' Relief Association merged its operations with the Western Berks Volunteer Firefighters' Relief Association. As a result of our audit, and subsequent to the audit period under review, on March 3, 2010, the Western Berks Volunteer Firefighters' Relief Association received reimbursement, in the amount of \$463, from the affiliated fire service organization.

Management's Response: Lower Heidelberg Volunteer Firefighters' 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.

Recommendation: As a result of this merger, we are making our recommendation to Western Berks Volunteer Firefighters' Relief Association. We recommend the Western Berks Volunteer Firefighters' Relief Association officials ensure it is familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of all expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2007 TO JANUARY 20, 2010

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	\$ 15,626
Total Benefit Services	<u>\$ 15,626</u>
Fire Services:	
Equipment purchased	\$ 82,091
Equipment maintenance	7,435
Training expenses	610
Total Fire Services	<u>\$ 90,136</u>
Administrative Services:	
Miscellaneous administrative expenses	2,333
Total Administrative Services	<u>\$ 2,333</u>
Other Expenditures:	
Transfer of monetary assets *	\$ 55,108
Total Other Expenditures	<u>\$ 55,108</u>

\* Transfer of Monetary Assets

On of January 20, 2010, the Lower Heidelberg Township Volunteer Firefighters' Relief Association merged with the Western Berks Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets were transferred to Western Berks Volunteer Firefighters' Relief Association.

LOWER HEIDELBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Lower Heidelberg Volunteer Firefighters' Relief Association Governing Body:

Mr. Jeremy Rapp, President

Mr. Edward Weitzel, Vice President

Ms. Virginia Klinger, Secretary

Ms. Linda Boyson, Treasurer

Western Berks Volunteer Firefighters' Relief Association Governing Body:

Ms. Diana Porter, President

Mr. H. Allen Schaeffer, Vice President

Mr. David Pettis, Recording Secretary

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

Ms. Sharon L. Leffler, Secretary  
Lower Heidelberg 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](http://www.auditorgen.state.pa.us).