



MARCUS HOOK TRAINER FIRE DEPARTMENT RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2004 TO DECEMBER 31, 2008



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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 Marcus Hook Trainer 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.

BACKGROUND (Continued)

The Marcus Hook Trainer Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Marcus Hook Borough	Delaware	\$13,027	\$14,445	\$13,921	\$14,654	\$14,885
Trainer Borough	Delaware	\$ 0*	\$ 0*	\$ 0*	\$12,340	\$12,673

* Trainer Borough did not allocate state aid to the Marcus Hook Trainer Volunteer Firefighters' Relief Association in 2004, 2005, and 2006.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Marcus Hook Trainer Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Marcus Hook Trainer Fire Department

Mr. David Shafer, President
MARCUS HOOK TRAINER VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Marcus Hook Trainer 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, 2004 to December 31, 2008.

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 Marcus Hook Trainer 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 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 Marcus Hook Trainer Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Marcus Hook Trainer Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2008, 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, 2004 to December 31, 2008, found the Marcus Hook Trainer Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report, except for Finding No. 1 listed below and discussed later in this report. In addition, the results of our audit found, in all significant respects, the Marcus Hook Trainer Volunteer Firefighters' Relief Association did not receive and expend state aid and accumulated funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the Marcus Hook Trainer Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$226,051 and an investment balance with a fair value of \$39,431.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 2 – Misappropriation of Relief Association Assets

Finding No. 3 – Undocumented Expenditures

Finding No. 4 – Unauthorized Expenditures

Finding No. 5 – Improper Signatory Authority for the Disbursement of Funds

Finding No. 6 – Inadequate Minutes of Meetings

Finding No. 7 – Insufficient Officer's Bond Coverage

Finding No. 8 – Inadequate Financial Record-Keeping System

Finding No. 9 – Duplicate Payment

Finding No. 10 – Failure to Maintain a Complete and Accurate Membership Roster

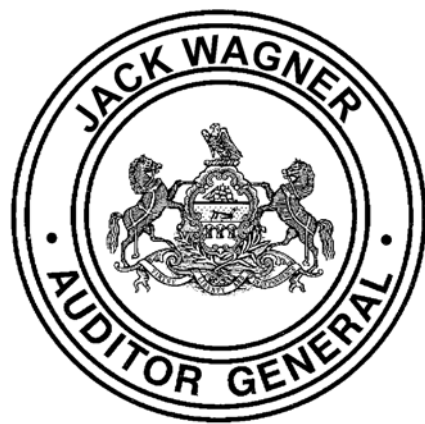
Finding No. 11 – Payment of Pennsylvania Sales Tax

Furthermore, at the referral of the Bureau of Firefighters' Relief Association Audits, the Department's Office of Special Investigations (OSI) conducted an investigation into questionable transactions occurring in the Marcus Hook Trainer Volunteer Firefighters' Relief Association during the period covered by our audit. The results of their investigation were disclosed in a separate report, dated February 15, 2011, of which is available at the Department's website at www.auditor.gen.state.pa.us. The findings from that investigation were also referred to the appropriate law enforcement agencies.

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

December 18, 2009

JACK WAGNER
Auditor General



MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Marcus Hook Trainer Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Failure to Obtain a Pennsylvania Sales Tax Exemption Number

By obtaining a Pennsylvania sales tax exemption number from the Department of Revenue.

- Unsecured Loan

By securing the loan to the affiliated fire company with a lien on a vehicle owned by the affiliated fire company.

- Failure to Obtain A Federal Tax Identification Number

By obtaining a federal tax identification number and furnishing it to the financial institution in which the relief association maintains funds.

- Inappropriate Ownership of Vehicle

By ensuring the title of the rescue vehicle was transferred to the relief association.

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of Act 84.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Marcus Hook Trainer Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is noted below and discussed in detail in the Findings and Recommendations section of this report:

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

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 all of the recommendations and corrective actions noted in this audit report.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in our prior four audit reports, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. While a roster of equipment was provided during the audit engagement, it was not possible to trace equipment purchased during the audit period to the equipment roster provided. Specifically, the roster provided did not contain dates of purchases, unit costs, or locations of equipment to accurately identify the equipment purchased. In addition, there was no indication that an annual inventory of the equipment was performed to account for the relief association's fixed assets.

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 equipment roster of all relief association equipment should include the following:

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

Furthermore, sound business practice requires the performance of an annual physical inventory of all relief association owned equipment.

Cause: While cited for this condition in our prior four audit reports, relief association officials, again, neglected to establish adequate internal control procedures over fixed assets requiring the maintenance of a cumulative equipment roster and the performance of an annual 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 conduct an annual physical inventory of fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendations: We, again, recommend the relief association officials maintain a cumulative equipment 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 recommendations.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Misappropriation of Relief Association Assets

Condition: As a result of a special investigation conducted by our Department's Office of Special Investigation (OSI), it was concluded that during the audit period January 1, 2004 to December 31, 2008, the former relief association treasurer misappropriated a total of \$11,640 from the Marcus Hook Volunteer Firefighters' Relief Association and its successor, the Marcus Hook Trainer Volunteer Firefighters' Relief Association by issuing 23 checks for his own personal benefit. Specifically, OSI reviewed 31 cancelled checks suspected to have been an issued for the former treasurer's personal benefit and determined 23 of the 31 checks were in fact fraudulent transactions and were executed without the proper approval or knowledge of the association membership. In addition, of the 23 checks written for fraudulent transactions, 11 of the checks contained the forged signature of a former relief association president, as discussed further in Finding No. 5 in the Findings and Recommendations section of this report.

The results of this investigation led to the filing by the Office of the District Attorney of Delaware County of a criminal complaint against the former treasurer on March 16, 2010, in which he was charged with multiple counts of Forgery, Theft, and Receiving Stolen Property. On June 14, 2010, the case was bound over for court on one consolidated count of Theft by Unlawful Taking and one count of Forgery, both felonies of the third degree. On October 12, 2010, the former treasurer was accepted into the Accelerated Rehabilitative Disposition (ARD) program and was ordered to perform community service and to make full restitution to the Marcus Hook Trainer Volunteer Firefighters' Relief Association.

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, Article X, Section 3, of the Marcus Hook Trainer (formerly Marcus Hook) Volunteer Firefighters' Relief Association's bylaws states, in part:

It shall be the duty of the Treasurer to keep a true and correct account of all money belonging to the association and disbursements of the same, he or she shall not disburse any money without the consent of the association.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures to ensure the propriety of all relief association expenditures. The numerous internal control weaknesses that contributed to the misappropriation of funds are summarized in Finding Nos. 5, 6, and 8 in the Findings and Recommendations section of this report.

Effect: As a result of the misappropriation of relief association assets, relief association funds were not available for purposes authorized by Act 84.

As a result of our audit and OSI's investigation, on May 18, 2010, and June 9, 2011, the relief association received full reimbursement from the affiliated fire department for the misappropriated funds.

Recommendations: We recommend the relief association officials immediately establish internal control procedures for the review and approval of all relief association transactions to verify the propriety of 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 and indicated they will take action to comply with the recommendations.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – 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>
02/10/04	427	Relief association officer	\$ 110
03/01/04	428	Fire school	480
03/22/04	429	Individual	18
04/19/04	430	Fire service publication	350
06/04/04	437	Fire school	1,040
11/09/04	450	Training provider	1,044
01/03/05	461	Community college	355
01/03/05	464	Community college	355
01/21/05	471	Relief association officer	800
04/12/05	470	Charity	360
04/12/05	478	Community college	80
05/10/05	489	Charity	50
05/24/05	490	Relief association officer	623
06/12/05	487	Relief association officer	74
07/12/05	498	Undetermined	480
08/09/05	503	Fire equipment company	59
08/09/05	507	Fire company	300
11/12/05	513	Clothing vendor	132
01/10/06	530	Printing company	175
01/10/06	533	Charity	400
03/14/06	535	Fire equipment business	107
04/11/06	539	Fire equipment business	107
07/26/06	545	Equipment vendor	102
02/13/07	571	Florist	105
03/13/07	574	Training provider	300
04/10/07	575	Charity	60
04/10/07	579	Equipment vendor	51
04/10/07	580	Relief association member	15
04/10/07	581	Relief association member	15
04/30/07	577	Delivery company	135
05/01/07	576	Delivery company	228
05/10/07	589	Relief association member	150
06/21/07	593	Relief association officer	76
08/14/07	609	Training provider	50

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
08/14/07	610	Training provider	\$ 1,500
09/11/07	613	Equipment vendor	36
09/25/07	619	Relief association officer	82
10/01/07	622	Individual	500
11/12/07	629	Florist	125
11/12/07	631	Welding company	300
12/12/07	644	Clothing vendor	270
05/13/08	659	Undetermined	225
05/13/08	662	Community college	70
08/20/08	101	Restaurant	131
09/09/08	672	Relief association officer	20
10/13/08	105	Fire association	367
10/14/08	108	Individual	2,500
10/20/08	107	Printing vendor	210
11/11/08	1001	Fire Chiefs' Association	15
11/11/08	1002	Relief association officer	51
12/18/08	649	Undetermined	702
12/31/08	1012	Relief association officer	975
Total			<u>\$ 16,865</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.

Without adequate supporting documentation, such as invoices, 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures. In addition, the high dollar amount of undocumented expenditures can be attributed to the lack of oversight of relief association officials, as evidenced by the findings contained in this report.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 84. In addition, the failure to maintain adequate documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

As a result of our audit, on May 18, 2010, the relief association was reimbursed by the affiliated fire department for the above undocumented expenditures.

Recommendations: We 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 recommendations.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Unauthorized Expenditures

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

<u>Date</u>	<u>Check No.</u>	<u>Expenditure Description</u>	<u>Amount</u>
12/11/07	637	Street clothing	\$ 1,923
05/13/08	654	Ambulance medical equipment	469
09/09/08	665	Street clothing	90
09/09/08	667	Street clothing	702
09/09/08	678	Ambulance medical equipment	706
Total			<u>\$ 3,890</u>

Criteria: Act 84 at 53 P.S. § 8506(e)(11) states:

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

- (11) To purchase safeguards for preserving life, health, and safety to volunteer firefighters, so as to ensure their availability to participate in the volunteer fire service.

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 street clothing and medical equipment for an ambulance have been deemed by DCED to not qualify as safeguards for protection of the volunteer firefighters; consequently, these disbursements are not authorized 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.

As a result of our audit, on February 17, 2010, the relief association was reimbursed by the affiliated fire department for the above unauthorized expenditures.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Improper Signatory Authority for the Disbursement of Funds

Condition: As a result of a special investigation conducted by our Department's Office of Special Investigation (OSI), it was concluded that 13 of the 247 checks written during the audit period contained the forged signature of a former relief association president. Of the 13 checks issued with forged signatures, 11 of them were utilized in the execution of fraudulent transactions perpetrated by the former relief association treasurer, as noted in Finding No. 2 in the Findings and Recommendations section of this report. In addition, through an interview with OSI, the fire department and relief association revealed that the past president of the Marcus Hook Volunteer Firefighters' Relief Association and the past president of the Marcus Hook Trainer Volunteer Firefighters' Relief Association routinely presigned checks and gave them to the former treasurer of the Marcus Hook Trainer (and Marcus Hook) Volunteer Firefighters' Relief Association for a second signature and issuance. Given this revelation, it is not possible to determine how many of the remaining checks issued during the audit period may have been improperly endorsed.

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.

Prudent business practice dictates that the relief association should have sufficient internal control procedures in place for the proper endorsement and issuance of checks. In addition, good internal control procedures require that two authorized relief association officers sign all checks in the presence of one another, only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials failed to establish adequate internal control procedures for the review and approval of relief association expenditures and for the corresponding disbursements of funds for approved expenditures.

Effect: The forging and presigning of checks contributed to the misappropriation of relief association funds, as further discussed in Finding No. 2 in the Findings and Recommendations section of this report.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: We recommend the relief association immediately establish sufficient internal controls to ensure the propriety of all future relief association expenditures and ensure checks are signed and cosigned only after each authorized person has reviewed and approved the nature, purpose, and propriety of each expenditure. 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Inadequate Minutes of Meetings

Condition: The relief association failed to maintain adequate minutes of meetings, as required by Act 84. While the relief association provided minutes of meetings, they were incomplete, as they did not address all of the financial-related transactions which occurred during the audit period. We specifically noted that the majority of the expenditures listed in Finding Nos. 2 and 3 were not addressed in the meeting minutes.

Criteria: Act 84 at 53 P.S. § 8505(a) states, in part, that the relief association:

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

Cause: Relief association officials were aware of the necessity to maintain detailed minutes of meetings; however, they neglected to do so.

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

Recommendations: We recommend the relief association maintain detailed minutes of meetings, including an adequate record of all financial-related business conducted by the relief association that corresponds to the financial accounts owned by 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 at the audit exit conference and indicated they will take action to comply with the recommendations.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Insufficient Officer's Bond Coverage

Condition: The relief association did not maintain a bond in a sufficient amount to cover the authorized disbursing officer. The relief association's bond coverage was \$120,000; however, as of December 31, 2008, the cash assets totaled \$226,051.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such 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 such bond shall be a proper charge against the funds of the association.

Cause: Relief association officials failed to monitor the cash balance to ensure the officer's bond coverage was sufficient, pursuant to the requirements in Act 84.

Effect: As a result of the disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets are not adequately safeguarded.

Recommendations: We recommend the relief association ensure that a faithful performance bond adequately covers the disbursing officer as required by Act 84. This requirement may be accomplished by increasing the officer's bond coverage to an amount greater than the expected maximum balance of cash assets, or by decreasing the cash assets to an amount anticipated to remain below the coverage amount. Relief association officials should monitor the cash balance to ensure that unexpected events affecting current funds do not again result in an insufficient officer's bond coverage. 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 recommendations.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Inadequate Financial Record-Keeping System

Condition: The relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and did not meet the minimum requirements of maintaining financial records established by this department. The following are the noted deficiencies:

- A journal was not maintained to record the receipts and disbursements of the relief association that occurred during the calendar years 2007 and 2008;
- Ledgers were not utilized to record the transactions of the relief association accounts for the calendar years 2007 and 2008; and
- Documentation to support various expenditures was not available for examination at the time of the audit.

Criteria: Act 84 at 53 P.S. § 8505 (a) states, in part, that the relief association:

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

In addition, an adequate system of accounting and record keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials were aware of their various record-keeping responsibilities; however, they neglected to maintain all appropriate financial records.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations and may increase the risk of funds being misappropriated.

Recommendation: We recommend the relief association establish and maintain a financial record-keeping system which meets the minimum record-keeping requirements of this department. 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – Duplicate Payment

Condition: On May 13, 2008, the relief association expended \$140 to a vendor for two stethoscopes. On September 9, 2008, the relief association erroneously made a duplicate payment to the same vendor for the same two stethoscopes. As such, the second payment to the vendor is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures which would require that all invoices or other billing documents be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

As a result of our audit, on May 18, 2010, the relief association was reimbursed by the affiliated fire department for the above duplicate payment.

Recommendation: We recommend the relief association establish accounting and internal control procedures to monitor future relief association expenditures. Such internal controls should include procedures to effectively mark paid invoices to prevent future duplicate payments. 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 10 – Failure to Maintain a Complete and Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. While a membership roster was provided during the audit engagement, it did not include members' addresses, dates of births, or dates of memberships. Furthermore, a notation was not made on the roster indentifying the date of a member's termination/resignation or death.

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:

- Names of each member;
- Members' mailing addresses;
- Dates of birth;
- Dates of membership; and
- Membership classifications.

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

Cause: Relief association officials were unaware that they should 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 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 11 – Payment of Pennsylvania Sales Tax

Condition: The relief association made four payments totaling \$165 of Pennsylvania sales tax to vendors from which the relief association purchased equipment and maintenance services. These payments would not have been required if the relief association had provided its sales tax exemption number to the vendor.

The detail of these four payments is as follows:

<u>Date</u>	<u>Check No.</u>	<u>Expenditure Description</u>	<u>Amount</u>
04/12/05	479	Mid-Atlantic Fire and Air	\$ 34
02/13/07	563	Mid-Atlantic Fire and Air	38
07/21/07	604	Witmer Associates	67
09/11/07	613	Mid-Atlantic Fire and Air	26
Total			<u>\$ 165</u>

Criteria: Act 84 at 53 P.S. 8505(e) states:

Any volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes including the right to establish exemption from the operation of certain taxes.

Cause: Relief association officials neglected to provide their state sales tax exemption number to all vendors from which the relief association purchases equipment.

Effect: As a result of the relief association's failure to provide its sales tax exemption number to all vendors, the relief association was required to pay Pennsylvania sales tax on its purchases, which reduced the funds otherwise available for general operating expenditures and for investment purposes.

As a result of our audit, on May 18, 2010, the relief association received reimbursement from the affiliated fire department for the above sales tax payments.

Recommendation: We recommend that, in the future, the relief association furnish its state sales tax exemption number to all vendors from which the relief association purchases equipment. 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.

MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2004 TO DECEMBER 31, 2008

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

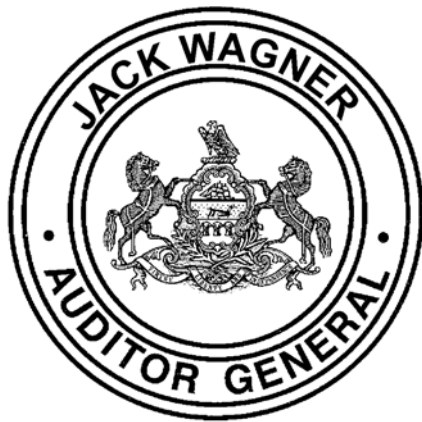
A volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. Such an association may also serve other 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	\$ 27,368
Death benefits	6,000
Relief benefits	250
Tokens of sympathy and goodwill	1,717
Total Benefit Services	\$ 35,335
Fire Services:	
Equipment purchased	\$ 127,654
Equipment maintenance	28,045
Training expenses	16,018
Fire prevention materials	2,084
Total Fire Services	\$ 173,801
Administrative Services:	
Officer compensation	\$ 1,000
Other administrative expenses	1,296
Total Administrative Services	\$ 2,296
Other Expenditures:	
Misappropriated assets *	\$ 11,640
Undocumented expenditures	16,865
Total Other Expenditures	\$ 28,505

* See Finding No. 2 in the Findings and Recommendations section of this report.



MARCUS HOOK TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

The Honorable C. Michael Green
District Attorney
Delaware County Courthouse

Marcus Hook Trainer Volunteer Firefighters' Relief Association Officers:

Mr. David Shafer, President

Mr. Raleigh Heacock, Delegate

Mr. Kenneth Smith, Jr., Secretary

Mr. John Clausen, Treasurer

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

Mr. Bruce A. Dorbian, Secretary
Marcus Hook Borough

Ms. Alice Steppke, Secretary
Trainer Borough

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.