



THE MT. PENN FIRE CO. RELIEF ASSN., INC.
BERKS COUNTY
COMPLIANCE AUDIT REPORT
FOR THE PERIOD
JANUARY 1, 2009 TO DECEMBER 31, 2011

RELEASED SEPTEMBER 2013

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. John Theodossiou, President
MOUNT PENN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Berks County

We have conducted a compliance audit of the Mount Penn 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 31, 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 objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Mount Penn 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

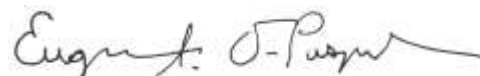
volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Mount Penn Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Mount Penn Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. 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 objective.

The results of our audit, for the period January 1, 2009 to December 31, 2011, found the Mount Penn 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 later in this report. The results of our tests also indicated the Mount Penn Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$36,830 and no investments.

Finding – Failure to Adhere to Relief Association Bylaws

The contents of this report were discussed with the management of the Mount Penn Volunteer Firefighters' Relief Association.

June 29, 2012



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Background.....	1
Finding and Recommendation:	
Finding – Failure to Adhere to Relief Association Bylaws	3
Accompanying Expenditure Information	5
Report Distribution List	7



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 Mt. Penn Fire Co. Relief Assn., Inc., herein referred to as Mount Penn 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 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 Mount Penn Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mount Penn Borough	Berks	\$15,771	\$17,752	\$27,595
Saint Lawrence Borough	Berks	\$10,982	*	\$ 9,557

*Saint Lawrence Borough only contributes to Mount Penn Relief Association every other year.

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

Mount Penn Fire Company No. 1

MOUNT PENN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Adhere to Relief Association Bylaws

Condition: The relief association failed to adhere to numerous provisions in the relief association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulations:

- The relief association failed to collect annual dues of \$4 from each member for 2009, 2010, or 2011. No dues were collected from any member during the audit period.
- In addition, as a result of dues not being collected, members were ineligible for all relief association provided benefits.

Criteria: The relief association's bylaws stipulate the following:

- Article XIII Section 1 – Every active member shall be required to pay annually to the Financial Secretary of the association on or before the first day of February of each year the sum of four dollars (\$4.00) as annual dues. . . which shall make the member eligible for all association benefits until the following January 31st inclusive, and no person may obtain any benefits also is in arrears at any time in any payment of dues

Furthermore, prudent business practice dictates that the relief association adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs as agreed upon by the membership.

Cause: Relief association officials were unaware of the requirements of the relief association's bylaws.

Effect: As a result of the relief association failing to adhere to the mandatory provisions stipulated in the relief association's bylaws, relief association officials may have conducted its affairs without proper authorization when they paid a \$250 death benefit to a deceased member's family. It should be noted that the family returned the death benefit to the relief association as a donation.

Recommendation: We recommend that relief association officials review the bylaws, approve any amendments to the bylaws they deem necessary governing their organization and establish policies and procedures to ensure that the provisions contained in the bylaws are properly carried out. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MOUNT PENN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION (Continued)

Finding – (Continued)

Management's Response: Relief association management agreed with the finding and indicated they will take action to comply with the recommendation.

MOUNT PENN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD January 1, 2009 to December 31, 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	\$ 9,707
Death benefits	250
Total Benefit Services	\$ 9,957
Fire Services:	
Equipment purchased	\$ 48,940
Equipment maintenance	6,830
Training expenses	9,004
Total Fire Services	\$ 64,774
Administrative Services:	
Other administrative expenses	\$ 24
Total Administrative Services	\$ 24



MOUNT PENN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Mount Penn Volunteer Firefighters' Relief Association Governing Body:

Mr. John Theodossiou, President

Mr. Dave Eggert, Vice President

Mr. Jeffrey Wertz, Secretary

Mr. Timothy Waldman, Treasurer

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

Ms. Christeena Kauffman, Secretary
Mount Penn Borough

Ms. Susan D. Eggert, Secretary
Saint Lawrence Borough

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.