

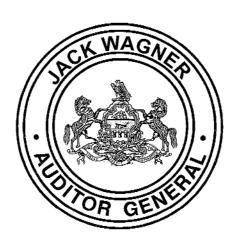
VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF RICHLANDTOWN, PA

BUCKS COUNTY

COMPLIANCE AUDIT REPORT

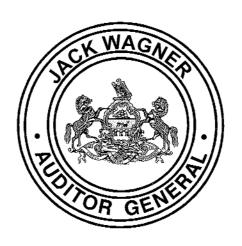
FOR THE PERIOD

JANUARY 1, 2008 TO DECEMBER 31, 2009



CONTENTS

Background	. 1
Letter From the Auditor General	. 3
Finding and Recommendation:	
Finding – Untimely Receipt of State Aid	. 5
Accompanying Expenditure Information	. 6
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 Volunteer Fireman's Relief Association of Richlandtown, PA, herein referred to as Richlandtown 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 Richlandtown Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

Municipality	County	2008	2009
Richland Township	Bucks	\$20,494	\$19,772*
Richlandtown Borough	Bucks	\$ 8,176	\$ 7,766
Springfield Township	Bucks	\$ 5,689	\$ 5,588

^{*} However, the 2009 state aid allocation from Richland Township was not distributed to the relief association until January 14, 2010. These funds were deposited by the relief association on the same day. This issue is further discussed in the finding of this report.

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

Richlandtown Fire Department

Mr. Robert Bless, President RICHLANDTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION Bucks County

We have conducted a compliance audit of the Richlandtown 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, 2008 to December 31, 2009.

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 Richlandtown 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 Richlandtown Volunteer Firefighters' Relief Association's recorded financial transactions,

tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Richlandtown Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2009, 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, 2008 to December 31, 2009, found the Richlandtown 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 Richlandtown Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2009, had a cash balance of \$63,440 and an investment balance with a fair value of \$149,339.

Finding – Untimely Receipt of State Aid

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

August 24, 2010

JACK WAGNER Auditor General

RICHLANDTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION FINDING AND RECOMMENDATION

Finding – Untimely Receipt of State Aid

<u>Condition</u>: The volunteer firefighters' relief association did not timely receive its 2009 state aid allocation check from Richland Township, due to the check being erroneously sent to Richland Fire Department and deposited into the fire department's bank account. The error was discovered on January 14, 2010, at which time the fire department issued, and the relief association immediately deposited, a check providing the relief association with the amount of state aid due from Richland Township.

<u>Criteria</u>: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) requires the municipal treasurer to distribute foreign fire insurance tax allocation to the volunteer firefighters' relief association within 60 days of receipt. Sound business practice dictates that the relief association's responsibility to monitor the receipt of state aid and once the state aid is received to deposit the state aid in a timely manner. Consequently, if the relief association has not received its state aid from the municipality by December 1, the relief association should contact the municipality to expedite the distribution of funds due to the relief association.

<u>Cause</u>: The relief association failed to establish internal control procedures monitoring the timely receipt of state aid from the municipality. The foreign fire insurance tax allocation was distributed to the municipal treasurer who erroneously sent the state aid to the Richland Fire Department instead of the relief association. In addition, the Richland Fire Department deposited the state aid into its account instead of giving the state aid check to the relief association.

<u>Effect</u>: As a result of state aid not being timely received, funds were not available to pay general operating expenses or for investment purposes. In addition, the untimely receipt increases the risk that funds could be lost or misappropriated.

<u>Recommendation</u>: We recommend the relief association officials adopt internal control procedures requiring the relief association to contact the municipality when state aid allocations are not timely received to ensure the timely receipt and deposit of all future state aid allocations. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

<u>Management's Response</u>: 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.

RICHLANDTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION ACCOMPANYING EXPENDITURE INFORMATION FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2009

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	\$ 16,190
Total Benefit Services	\$ 16,190
Fire Services:	
Equipment purchased	\$ 12,850
Equipment maintenance	894
Total Fire Services	\$ 13,744
Administrative Services:	
Miscellaneous administrative expenses	\$ 106
Total Administrative Services	\$ 106
Total Investments Purchased	\$ 150,000

RICHLANDTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett Governor Commonwealth of Pennsylvania

Richlandtown Volunteer Firefighters' Relief Association Governing Body:

Mr. Robert Bless, President

Mr. Floyd Bless, Jr., Vice President

Mr. John Kandel, Secretary

Mr. David R. Williams, Treasurer

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

Mr. Stephen Sechriest, Secretary Richland Township

Mr. Joseph Geib, Secretary Richlandtown Borough

Ms. Sandra Everitt, Secretary Springfield 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.