

**THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
OF RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA**

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

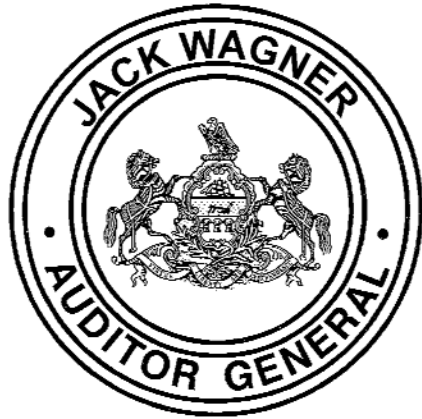
FOR THE PERIOD

JANUARY 1, 2008 TO DECEMBER 31, 2009



CONTENTS

Background.....	1
Letter From the Auditor General	3
Status of Prior Findings	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure to Maintain a Complete and Accurate Equipment Roster	7
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inappropriate Payment of Discretionary Benefits.....	9
Accompanying Expenditure Information	11
Report Distribution List	13



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 Ridley Township Volunteer Firemen's Relief Association of Ridley Township, Delaware County, Pennsylvania, herein referred to as Ridley Township 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 Ridley Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>
Ridley Township	Delaware	\$202,861	*

* The 2009 state aid allocation was not received by the relief association, until April 2010, because our audit for the 2005 to 2007 audit period included a potential withhold of 2009 state aid until the relief association complied with the audit recommendations. The relief association complied with our recommendations and was issued an Order to Show Cause withdrawal letter dated March 22, 2010. The 2009 state aid allocation was released to Ridley Township and it was distributed to the relief association on April 22, 2010.

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

- Folsom Fire Company No. 1
- Holmes Fire Company
- Leedom Fire Company
- Milmont Park Fire Company
- S.M. Vauclain Fire Company
- Woodlyn Fire Company

Mr. Paul J. Mensack, Jr., President
RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Ridley Township 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 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 Ridley Township 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 Ridley Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Ridley Township 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 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, 2008 to December 31, 2009, found the Ridley Township Volunteer Firefighters' Relief Association took appropriate corrective action to address six of the eight findings contained in our prior audit report. However, the Ridley Township Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the 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 Ridley Township 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 findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Ridley Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2009, had a cash balance of \$3,914 and no investments.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Inappropriate Payment of Discretionary Benefits

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

November 17, 2010

JACK WAGNER
Auditor General

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Ridley Township Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Undocumented Payments on Financing Agreements

By providing this department with equipment purchase agreements, lease purchase agreements, vehicle titles, and invoices. In addition, we did not detect any additional undocumented payments on financial agreements during the current audit period.

- Undocumented Expenditures

By selling all three vehicles and depositing the proceeds. In addition, we did not detect any additional undocumented expenditures during the current audit period.

- Unauthorized Expenditures

By receiving reimbursement from the six affiliated fire companies, in the amount of \$1,552, for the unauthorized expenditures made during the prior audit period. In addition, we did not detect any additional unauthorized expenditures during the current audit period.

- Related Party Situation

By eliminating the appearance of a conflict of interest by disclosing the related party situation at a January 13, 2009 relief association meeting and recording it in the minutes.

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of Act 118.

- Failure to Maintain a Complete and Accurate Membership Roster

By maintaining a comprehensive listing of the relief association membership.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS (Continued)

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Ridley Township Volunteer Firefighters' Relief Association has not complied with two of the eight prior audit findings and recommendations. These findings are 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

- Noncompliance With Prior Audit Recommendation –
Inappropriate Payment of Discretionary Benefits

We are concerned with the volunteer firefighters' relief association's continued failure to adhere to these previously reported audit recommendations. The association management should strive to implement all recommendations and corrective actions noted in this audit report.

RIDLEY TOWNSHIP 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 three prior audit reports, the relief association officials, again, did not maintain a complete and accurate roster of equipment owned by the relief association. While six separate rosters of relief association owned equipment located at the six affiliated fire companies was provided, the rosters were missing information and did not include dates of purchase, names of suppliers, serial numbers, and current locations of items. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: Sound 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 fixed assets. 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: While notified of this condition during our three prior audits, relief association officials, again, failed to establish adequate internal control procedures over fixed assets 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 fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets.

However, subsequent to the audit period, on March 26, 2012, the relief association provided a comprehensive listing of relief association owned equipment that documented a physical inventory was performed.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: 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 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 audit exit conference and indicated they will take action to comply with the recommendation.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Inappropriate Payment of Discretionary Benefits

Condition: As cited in our prior audit report, the relief association officials, again, disbursed discretionary benefits to an individual not listed on the relief association's membership roster. During the current audit period, the relief association paid \$1,000 in death benefits on behalf of an individual not listed on a membership roster. Although discretionary relief benefits are authorized expenditures under Act 118, they may not be paid on behalf of individuals who do not or have not actively participated in providing fire service.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(2 and 3) 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.
- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.

RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 discretionary relief benefits paid on behalf of non-members have been deemed by DCED to not qualify as a discretionary benefit; consequently, this disbursement is not authorized under Act 118.

Cause: While notified of this condition during our prior audit, relief association officials, again, neglected to establish internal control procedures to ensure that relief association discretionary benefits are only extended to individuals entitled to receive the benefits.

Effect: The failure to ensure discretionary relief benefits are paid only to eligible individuals, diminishes funds that may otherwise be used to support individuals who actively participate or participated in providing fire service.

However, subsequent to the audit report, on February 11, 2011, the relief association was reimbursed by the Folsom Fire Company No. 1, in the amount of \$1,000, for the above unauthorized expenditure.

Recommendation: We, again, recommend the relief association officials ensure discretionary relief benefits are only disbursed to, or on behalf of, relief association members. 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.

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

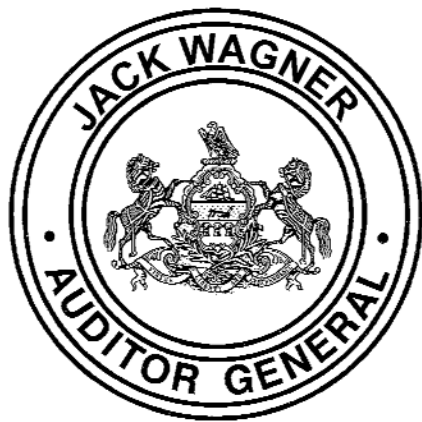
Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The 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	\$ 31,297
Death benefits	9,000
Tokens of sympathy and goodwill	500
Total Benefit Services	<u>\$ 40,797</u>
Fire Services:	
Equipment purchased	\$ 236,986
Equipment maintenance	51,902
Training expenses	11,134
Fire prevention materials	1,361
Total Fire Services	<u>\$ 301,383</u>
Administrative Services:	
Officer compensation	\$ 3,800
Other administrative expenses	8,334
Total Administrative Services	<u>\$ 12,134</u>
Total Investments Purchased	<u>\$ 234,974</u>
Other Expenditures:	
Principal payments on lease-financing	\$ 10,212
Interest payments on lease-financing	3,442
Total Other Expenditures	<u>\$ 13,654</u>



RIDLEY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Ridley Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Paul J. Mensack, Jr., President

Mr. Joseph Hudyma, Vice President

Ms. Kathy Salmieri, Secretary

Mr. Richard Holmes, Treasurer

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

Ms. Margaret A. Keegan, Secretary
Ridley 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.