



**EDGE HILL FIRE COMPANY RELIEF ASSOCIATION**

**HEREIN REFERRED TO AS:**

**EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**MONTGOMERY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006 TO DECEMBER 31, 2007**



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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 Edge Hill 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. The Edge Hill Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2006</u>	<u>2007</u>
Abington Township	Montgomery	\$88,782	\$93,909

BACKGROUND (Continued)

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

Edge Hill Fire Company

Mr. Nicholas M. Turco, President  
EDGE HILL VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Montgomery County

We have conducted a compliance audit of the Edge Hill 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, 2006 to December 31, 2007.

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 finding 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 Edge Hill 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Edge Hill Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2006 to December 31, 2007, found, in all significant respects, the Edge Hill Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report. The results of our tests indicated the Edge Hill Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$248,321 and an investment balance with a fair value of \$213,514.

Finding No. 1 – Inappropriate Commingling of Funds

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

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

December 23, 2008

JACK WAGNER  
Auditor General



EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Edge Hill Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is further discussed in the following finding noted 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 the recommendations and corrective actions noted in this audit report.

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inappropriate Commingling of Funds

Condition: During the audit period, the relief association inappropriately transferred funds directly to the Edge Hill Fire Company on September 13, 2006, in the amount of \$20,000, and on November 13, 2007, in the amount of \$15,000, commingling its funds with those of the affiliated fire company. According to relief association officials, the purpose of the disbursements to the fire company was to contribute toward purchasing equipment through the affiliated fire company's equipment budget.

Criteria: The relief association and the fire company are two separate legal entities. As such, the volunteer firefighters' relief association's fund may not be commingled with those of the affiliated fire company. Relief association funds must also be maintained in separate relief association accounts in order to maintain effective control of its assets. The relief association's governing body has an obligation to present all equipment expenditures before the membership for review and approval. The relief association bylaws, Article V, Section 2, states: "All expenditures must be made through a relief association account and recorded, in detail, in the association journal and ledger. Supporting documentation such as invoices, canceled checks, etc., shall be maintained to verify all disbursements."

Cause: Relief association officials were unaware of proper internal control procedures and the resulting internal control weaknesses created when records and funds were commingled. The annual lump-sum payments were to be applied toward the fire company's annual equipment budget with the understanding that the equipment purchased with those funds would belong to the relief association. However, the relief association did not establish and maintain adequate internal controls to protect the relief association's assets.

Effect: The current practice of contributing relief association funds to the Edge Hill Fire Company's annual equipment budget reduces the relief association's control over its disbursement procedures and Act 84 requirements. In addition, the relief association did not sufficiently document its ownership of the equipment purchased with the commingled funds.

However, subsequent to the audit exit conference, on December 19, 2009, the relief association executed a formal written agreement that documented the relief association's ownership of the equipment purchased with the commingled funds.

Recommendation: We recommend that the relief association immediately discontinue the current practice of contributing relief association funds to the affiliated fire company's annual equipment budget. The relief association should pay all future expenses directly to vendors from which it is purchasing equipment. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 our recommendation.

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in the prior four audit reports, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. This deficiency has now been reported in five consecutive audit reports of the Edge Hill Volunteer Firefighters' Relief Association. The relief association did provide an equipment roster during the current audit, but it only consisted of a list of self-contained breathing apparatus owned by the relief association and a list of certain equipment purchased by the affiliated fire company during the years 2006, 2007, and 2008. The list of equipment purchased by the affiliate fire company during the years 2006, 2007, and 2008 were items apparently purchased with funds commingled by the relief association (see Finding No. 2); but there wasn't sufficient documentation available at the time of the audit to indicate that this equipment was owned by the relief association. In addition, the roster of equipment provided during the current audit was not a complete inventory of all equipment owned by the relief association and it did not indicate dates of purchase, vendor's names, and serial numbers to accurately identify the equipment purchased. Furthermore, 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 roster of all relief association equipment should include the following:

- Type of equipment purchased.
- Date of purchase.
- Unit cost.
- Name of supplier.
- Serial number, if applicable.
- Current location of item.
- Final disposition of sold or damaged equipment.
- Notation of the annual inventory.

Furthermore, equipment purchased by the relief association should be marked to clearly distinguish that it is owned by the relief association rather than the fire company.

Cause: While notified of this condition in the prior four audit reports, relief association officials neglected to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster and the performance of an annual equipment inventory to account for the relief association's fixed assets.

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 equipment inventory prevents adequate accountability and safeguarding of relief association assets.

Recommendation: We again recommend the relief association officials maintain a cumulative 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 recommendation.

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2007

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	\$ 140,155
Death benefits	125,000
Total Benefit Services	\$ 265,155
Administrative Services:	
Miscellaneous administrative expenses	\$ 1,758
Total Administrative Services	\$ 1,758
Other Expenditures:	
Disbursements to the fire company	\$ 35,000
Total Other Expenditures	\$ 35,000

EDGE HILL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Edge Hill Volunteer Firefighters' Relief Association Officers:

Mr. Nicholas M. Turco, President

Ms. Jacqueline K. Muir, Secretary

Mr. James R. Caine Jr., Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Mr. Burton T. Conway, Secretary  
Abington Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).