



**“THE VOLUNTEER FIREMEN’S RELIEF ASSOCIATION” OF THE LENNOX PARK
FIRE COMPANY NO. 1, OF TRAINER, DELAWARE COUNTY, PENNSYLVANIA**

HEREIN REFERRED TO AS:

LENNOX PARK VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATION

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO AUGUST 6, 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 Lennox Park Volunteer Firefighters' Relief Association was 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 Lennox Park Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Trainer Borough	Delaware	\$5,488	\$5,315	\$6,006	\$6,052

However, as of August 6, 2007, the Lennox Park Volunteer Firefighters' Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information).

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. During the audit period, the Lennox Park Volunteer Firefighters' Relief Association was affiliated with the Lennox Park Fire Company No. 1.

Mr. Anthony Capasso, President
LENNOX PARK VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Lennox Park 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, 2003 to August 6, 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 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 Lennox Park 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 objective. We also tested transactions, confirmed the closing of the Lennox Park Volunteer Firefighters' Relief Association's cash account as of August 6, 2007,

with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objective.

The results of our audit for the period January 1, 2003 to August 6, 2007, found, in all significant respects, the Lennox Park Volunteer Firefighters' Relief Association did not receive and expend state aid and accumulated relief association funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the finding listed below and discussed later in this report. The results of our tests also indicated the Lennox Park Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information. However, as of August 6, 2007, this relief association dissolved and all remaining monetary assets were transferred to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. (see Accompanying Expenditure Information)

Finding – Failure to Deposit State Aid

Furthermore, at our Bureau's referral, the Department's Office of Special Investigations (OSI) conducted an investigation into questionable transactions occurring in the Lennox Park Volunteer Firefighters' Relief Association during the period covered by our audit. OSI concluded that the evidence obtained in this investigation indicated the transactions were not fraudulent. A full copy of the investigative report is available at the department's website at www.auditor.gen.state.pa.us.

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

August 15, 2007

JACK WAGNER
Auditor General

LENNOX PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Deposit State Aid

Condition: During the current audit engagement, we determined that the relief association did not deposit the 2005 state aid allocation distributed by Trainer Borough, in the amount of \$6,006, into a relief association account. The foreign fire insurance tax allocation was distributed to the municipal treasurer, who forwarded this state aid to the volunteer firefighters' relief association treasurer on September 29, 2005. However, the funds were deposited into a fire company account on November 3, 2005, rather than a relief association account.

While the relief association provided documentation of expenditures paid by the fire company, we deemed the documentation questionable due to the dates of the documentation and nature of the documentation provided. However, upon further review, we did note that the fire company paid the relief association's bond coverage and accident and health insurance premiums for the entire audit period, which totaled in excess of the 2005 state aid allocation amount of \$6,006.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) requires, upon receipt of the state aid allocation, that the relief association ensure the funds are timely deposited into a relief association account.

Cause: The relief association failed to establish internal control procedures to ensure that all state aid is timely received and deposited into a relief association account. The 2005 state aid from Trainer Borough was not deposited into a relief association account because it was erroneously deposited into the affiliated fire company's account on November 3, 2005.

Effect: As a result of the state aid not being deposited into a relief association account, there is an increased risk that state funds may have been misappropriated.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Lennox Park Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected at the Lennox Park Volunteer Firefighters' Relief Association during the course of the audit.

Management's Response: Management of the Lennox Park Volunteer Firefighters' Relief Association agreed with the finding as presented at the audit exit conference.

LENNOX PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2003 TO AUGUST 6, 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:

Other Expenditures:	
Equipment purchased	\$ 42,000
Transfer of monetary assets *	<u>16,841</u>
Total Other Expenditures	<u>\$ 58,841</u>

* Transfer of Monetary Assets/Dissolution of Lennox Park Volunteer Firefighters' Relief Association.

As of August 6, 2007, the Lennox Park Volunteer Firefighters' Relief Association completed the process of dissolution and merged with the Marcus Hook Trainer Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets were transferred to the Marcus Hook Trainer Volunteer Firefighters' Relief Association.

LENNOX PARK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Former Lennox Park Volunteer Firefighters' Relief Association Governing Body:

Mr. Anthony Capasso, President

Mr. Donald Krupa, Secretary

Mr. James MaGaw, Treasurer

Marcus Hook Trainer Volunteer Firefighters' Relief Association Officers:

Mr. Dave 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.

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.