

COMPLIANCE AUDIT

Good Fellowship Relief Association, Inc. Chester County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

March 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Don L. Verdiani, President
Good Fellowship Relief
Association, Inc.
Chester County

We have conducted a compliance audit of the Good Fellowship Relief Association, Inc. (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, 2015 to December 31, 2016.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the 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. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that for the period January 1, 2015 to December 31, 2016:

- The relief association took appropriate corrective action to address one of the six findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the five remaining findings contained in our prior audit report as listed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, the relief association did not, in all significant respects, comply with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Duplicate Payment

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Inadequate Minutes Of Meetings

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inadequate Relief Association Bylaws

Finding No. 5 – Noncompliance With Prior Audit Recommendation –
Inadequate Internal Controls

Finding No. 6 – Untimely Receipt And Deposit Of State Aid

Finding No. 7 – Failure To Maintain A Complete And Accurate Membership
Roster

Finding No. 8 – Association May Not Comply With The Requirements Of Act
118

Five of the eight audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

February 15, 2018

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE
Auditor General

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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, 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 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 volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 relief associations 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Birmingham Township	Chester	\$ 6,357	\$ 6,300
East Bradford Township	Chester	\$ 9,389	\$ 9,322
Thornbury Township	Chester	\$ 4,850*	\$ 3,235
West Bradford Township	Chester	\$ 2,500	\$ 2,500
West Chester Borough	Chester	\$ 9,062	\$ 9,062
West Goshen Township	Chester	\$26,302	\$26,407
Westtown Township	Chester	\$12,016	\$11,926

* The 2015 state aid allocation received from Thornbury Township was not deposited by the relief association until March 9, 2016 as disclosed in Finding No. 6 in this report.

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

Good Fellowship Club of Chester County, Inc.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the six prior audit findings and recommendations, as follows:

- Failure To Deposit Proceeds From The Sale Of Jointly Purchased Vehicles

By depositing proceeds from the sale of the vehicles that adequately secured its proportional ownership interest in the jointly purchased vehicle.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with five of the six prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Unauthorized Expenditures

Although the relief association received reimbursement of \$14,972 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by Act 118 as further disclosed in Finding No. 1 of this report.

- Duplicate Payment

- Inadequate Minutes Of Meetings

- Inadequate Relief Association Bylaws

- Inadequate Internal Controls

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/22/15	1569	Immunization for paid Ambulance member	\$ 83
04/05/15	1575	EMT refresher training for paid Ambulance member	500
04/05/15	1577	Training reimbursement for paid Ambulance member	550
05/23/15	1589	Tuberculous skin test-12 paid Ambulance members	252
06/14/15	1594	EMS cyclist training for paid Ambulance members	800
08/23/15	1606	EMT training for paid Ambulance members	1,800
08/29/15	1609	Training for paid Ambulance members	3,156
09/13/15	1613	Training for paid Ambulance members	351
03/15/16	1635	Training for paid Ambulance members	375
03/17/16	1637	Training for paid Ambulance members	281
04/22/16	1642	Training for paid Ambulance members	125
05/12/16	1643	Training for paid Ambulance members	400
06/05/16	1648	Training for paid Ambulance members	219
08/10/16	1649	Immunization for paid Ambulance members	105
12/08/16	1457	Training for paid Ambulance members	450
Total			<u>\$ 9,447</u>

Although these types of training expenses are authorized by Act 118, due to the relief association being affiliated with Good Fellowship Club of Chester County, Inc., which includes a training institute that is a for-profit organization, these expenditures are not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(10) states:

The funds of any volunteer firefighters’ relief association may be spent:

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters’ training schools.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected the fact that the expenditures were not authorized by Act 118.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We again recommend that the relief association be reimbursed \$9,447 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future expenditures. 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.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Duplicate Payment

Condition: As disclosed in the prior audit report, on December 12, 2014, the relief association expended funds for 18 members to attend a training class amounting to \$900 for each member. However, one of the members was listed twice on the invoice. As such, the second payment was considered an unauthorized disbursement because no goods or services were received for the payment. The relief association failed to obtain reimbursement for the duplicate payment during the current audit period.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices and to ensure duplicate payments are recouped.

Cause: Even though notified of this condition during our prior audit, the relief association failed to obtain reimbursement for the duplicate payment made during the prior audit period.

Effect: As a result of failing to obtain reimbursement for the erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We again recommend that the relief association be reimbursed \$900 for the erroneous duplicate payment. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association expenditures. 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.

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Inadequate Minutes Of Meetings

Condition: As disclosed in the prior two audit reports, the relief association again failed to maintain adequate detailed minutes of meetings as required by Act 118. While the relief association maintained meeting minutes for 2015 and two months in 2016, the minutes failed to document the following:

- All of the financial-related transactions that occurred during the audit period.
- The number of members present to ensure quorum requirements were met.

Furthermore, we were unable to determine the number of meetings that are required to be held as discussed in Finding No. 4 in this report.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

... must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Even though notified of this condition during our prior two audit reports, relief association officials again neglected to maintain detailed minutes of meetings. In addition, due to the deficiencies found in the bylaws of the relief association as discussed in Finding No. 4 in this report, the relief association did not have regular scheduled meetings documenting the activity of the association as required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We again recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws

Condition: As disclosed in the prior audit report, the existing bylaws of the relief association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the relief association's bylaws do not state a definitive date or month for meetings to be held for relief association members in order to address all of the financial-related transactions that occur.

In addition, the relief association's bylaws currently provide a benefit for a donation to a charitable institution in memory of deceased members that is not authorized by Act 118.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7415(c) (1 and 2) states that the relief association’s bylaws shall:

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there be different classes, and conditions under which membership may be terminated.
- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.

In addition, the relief association’s bylaws at Article XVI, Section A(10) states, in part:

Funds may be disbursed to a charitable institution in the memory of deceased members in the amount of \$100 for each year of service while a volunteer of Good Fellowship Ambulance. The maximum donation is not to exceed \$1,000.

Furthermore, the relief association’s bylaws state the following which may not meet the standards set by Act 118:

- Article IV, Section B states:

The annual meeting of the members shall be held on the same day as the first annual meeting of Good Fellowship Club of Chester County, Inc. of the calendar year, when they shall elect a Board of Directors and transact such other business as may properly be brought before the meeting. If the annual meeting is not called and held within six months after the designated time, any member may call such a meeting. [Emphasis added.]

- Article IV, Section C states, in part:

Regular meetings of the membership of the corporation shall be held in conjunction with the regular meetings of the Good Fellowship Club of Chester County, Inc. normally three times a year in addition to the annual meeting. [Emphasis added.]

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

- Article IV, Section D states:

The Board of Directors may create an Executive Committee, composed of all or part of the board members, to oversee and manage the affairs of the corporation between regular meetings of the membership. The committee will be called and meet as the need arises, normally but not necessarily monthly. [Emphasis added.]

- Article VI, Section A states, in part:

The executive officers of the corporation shall be elected by the Board of Directors, and shall be President, Vice President, Secretary, Treasurer and any such officers and assistant officers as the needs of the corporation may require... It shall not be necessary for the officers to be directors and any number of offices may be held by the same person. [Emphasis added.]

Cause: Relief association officials indicated that they were unaware of the mandatory bylaw provisions established by Act 118 to ensure the proper management and oversight of relief association's activities and believed the bylaws as written were in compliance with Act 118.

Effect: As a result of the mandatory provision not being included in the bylaws and the inclusion of the unauthorized benefit, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. The relief association must ensure:

- A definitive time period is set to hold meetings in order to approve all financial-related transactions.
- To amend the bylaws to ensure appointed officers for President, Vice-President, Secretary, and Treasurer do not hold the same office.
- To amend the bylaws to discontinue the practice of donating up to \$1,000 to a charitable organization due to the death of a member.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (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 the recommendation.

Auditor's Conclusion: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Inadequate Internal Controls

Condition: As disclosed in the prior audit report, the relief association failed to establish adequate internal controls. A similar condition occurred during the current audit period as noted by the following conditions that are indicative of internal control weaknesses:

- An investment account was closed on October 6, 2016 and proceeds, in the amount of \$6,014, were not deposited until January 24, 2017.
- As noted in Finding No. 3, relief association meetings did not include presentation, discussion, and approval of all financial related activities.
- A complete and accurate membership roster was not available.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

.... must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, Article XVI, Section A(8) of the relief association's bylaws states, in part:

All expenditures must be approved by the Board of Directors or by a majority vote at an Association meeting, and duly recorded in the minutes.

Furthermore, prudent business practice dictates that:

- All income received should be deposited in a timely manner.
- All purchases shall be presented to the association membership for discussion and approval.
- A complete and accurate membership roster should be maintained.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions.

Effect: The continued failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

Recommendation: We recommend that the relief association officials adopt internal control procedures which will require the following:

- All receipts deposited in a timely manner into a relief association account.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of a complete and accurate membership roster.

For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER’S RELIEF ASSOCIATION.

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.

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 6 – Untimely Receipt And Deposit Of State Aid

Condition: The relief association did not deposit the 2015 state aid allocation it received from Thornbury Township, in the amount of \$4,850, until March 9, 2016. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 24, 2015, who forwarded this state aid to the relief association on October 20, 2015, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). However, it appears as if the check that was meant for the relief association was sent to the affiliated ambulance club. Once the error was discovered, the affiliated ambulance club reimbursed the relief association on February 26, 2016. Although the relief association deposited the state aid allocation on March 9, 2016, the relief association did not ensure funds were received and deposited timely into a relief association account.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practices dictate that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Relief association officials failed to adequately establish internal control procedures to ensure the timely receipt and deposit of state aid.

Effect: As a result of the untimely receipt and deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, the untimely receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income due the relief association. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

Finding No. 7 – Failure To Maintain A Complete And Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (Continued)

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of relief association members.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Association May Not Comply With The Requirements Of Act 118

Condition: The Good Fellowship Relief Association, Inc. states in its bylaws that its purpose is to provide volunteer ambulance/medical service providers in the area served by Good Fellowship Club of Chester County, Inc. with training, equipment, and protection from misfortune suffered as a result of their participation in such ambulance service. Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act. The Good Fellowship Relief Association, Inc. is not affiliated with a volunteer fire company nor was the association formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service, as demonstrated in their stated purpose in the association’s bylaws. While the Good Fellowship Relief Association, Inc. is affiliated with the Good Fellowship Club of Chester County, Inc., the same is an ambulance/medical services organization and not a fire company as required under Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7412 states in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford 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. [Emphasis added.]

We are further concerned that the members of the Good Fellowship Relief Association, Inc., who primarily provide services to the general public, do not meet the definition of “Volunteer Firefighter” as defined in the Act. Because the primary purpose does not comport with the requirements of Act 118, we must question their status as a relief association under the Act.

In addition, Act 118 at 35 Pa.C.S. § 7412 further states in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or [Emphasis added.]
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. [Emphasis added.]

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

Cause: Association officials indicated that they were unaware of the specified provisions established by Act 118.

Effect: As a result of the Act 118 provisions, the Good Fellowship Relief Association, Inc. doesn't meet the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued in the future.

Recommendation: We recommend that the association officials consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take the steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the Good Fellowship Relief Association, Inc. with this determination. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by Finding No. 1 may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2016

Cash	<u>\$ 76,185</u>
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GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 59,524
Relief benefits	4,779
Total Benefit Services	\$ 64,303
Fire Services:	
Equipment purchased	\$ 4,633
Equipment maintenance	12,668
Training expenses	51,242
Total Fire Services	\$ 68,543
Administrative Services:	
Other administrative expenses	\$ 2,031
Bond premiums	889
Total Administrative Services	\$ 2,920
Other Expenditures:	
Unauthorized expenditures *	\$ 9,447
Total Expenditures	\$ 145,213

* The \$900 duplicate payment disclosed in Finding No. 2 was made during the prior audit period. Therefore, it was not included in the table above.

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Good Fellowship Relief Association, Inc. Governing Body:

Mr. Don L. Verdiani
President

Mr. Michael Coogan
Vice President

Ms. Lioba Menger
Secretary

Mr. William Delmedico
Treasurer

GOOD FELLOWSHIP RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

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

Ms. Quina Nelling
Secretary
Birmingham Township

Ms. Amanda M. Cantlin
Secretary
East Bradford Township

Ms. Teresa DeStefano
Secretary
Thornbury Township

Mr. Justin Yaich
Secretary
West Bradford Township

Mr. Michael A. Cotter
Secretary
West Chester Borough

Ms. Casey Lalonde
Secretary
West Goshen Township

Mr. Robert Pingar
Secretary
Westtown Township

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