

# COMPLIANCE AUDIT

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## The Fireman's Relief Association of Upper Gwynedd Township, PA Montgomery County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

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April 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Matthew O'Brien, President  
The Fireman's Relief Association of  
Upper Gwynedd Township, PA  
Montgomery County

We have conducted a compliance audit of The Fireman's Relief Association of Upper Gwynedd Township, PA (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, 2017 to December 31, 2018.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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.

We were not able to obtain an independent confirmation of a portion of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2018, the relief association had a cash balance of \$574,261, we were not able to verify a portion of this cash balance.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed 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 and the effects, if any, of the matter described in the preceding paragraph, 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 –  
Inadequate Financial Record-Keeping System

Finding No. 2 – Undocumented Expenditures

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Failure To Adhere To Terms Of Rental Agreement With  
Affiliated Fire Company

Finding No. 5 – Failure To Maintain A Complete And Accurate Equipment  
Roster

Finding No. 6 – Undocumented Expenditures With Failure To Secure  
Ownership Interest In Jointly Purchased Equipment

We have also issued the observation below as detailed in the Observation section of this report.

Observation – FDIC Coverage Limits Exceeded

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.

March 26, 2020

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background.....	1
Status of Prior Finding.....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping System .....	4
Finding No. 2 – Undocumented Expenditures .....	5
Finding No. 3 – Unauthorized Expenditures.....	7
Finding No. 4 – Failure To Adhere To Terms Of Rental Agreement With Affiliated Fire Company.....	8
Finding No. 5 – Failure To Maintain A Complete And Accurate Equipment Roster.....	10
Finding No. 6 – Undocumented Expenditures With Failure To Secure Ownership Interest In Jointly Purchased Equipment .....	11
Observation:	
Observation – FDIC Coverage Limits Exceeded .....	14
Potential Withhold of State Aid.....	15
Supplementary Financial Information .....	16
Report Distribution List .....	18

## 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Upper Gwynedd Township	Montgomery	\$151,613	\$136,452

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:

West Point Volunteer Fire Company

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Inadequate Financial Record-Keeping System

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.



THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Financial Record-Keeping System**

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- Ledgers were not utilized to record the transactions of the relief association accounts.
- Journal did not include the vendor name for all checks.
- Bank statements were not available and copies had to be requested for the audit.
- Checks were written out of order.
- Documentation to support various expenditures was not available for examination at the time of the audit.
- Two duplicate payments were made during the audit period.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(a) of Act 118 states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected their various record-keeping responsibilities.

Effect: The continued failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

Recommendation: We again recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated that a condensed response would be provided from the relief association; however, as of the date of this report, we have received no response.

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. 2 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

Date	Check No.	Payee Description	Amount
01/03/17	2324	Equipment vendor	\$ 3,470
01/05/17	2354	Equipment vendor	94
01/09/17	2359	Equipment vendor	607
01/09/17	2368	Relief member reimbursement	22
06/04/17	2329	Relief member reimbursement	275
06/15/17	2327	Relief member reimbursement	345
06/20/17	2412	Equipment vendor	2,770
07/10/17	2341	Equipment vendor	3,450
07/10/17	2343	Equipment vendor	150
09/04/17	2429	Relief member reimbursement	137
09/10/17	2433	Equipment vendor	4,189
09/10/17	2434	Utility	16
10/09/17	2438	Equipment vendor	559
10/09/17	2444	Relief member reimbursement	120
11/13/17	1066	Relief member reimbursement	212
02/11/18	1515	Equipment vendor	338
03/08/18	1523	Relief member reimbursement	76
05/11/18	1547	Training vendor	2,250
05/11/18	1549	Utility	23
08/06/18	1563	Equipment vendor	129
Total			<u>\$ 19,232</u>

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as invoices and/or itemized receipts, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$19,232 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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, as a result of our audit, the relief association provided this department with adequate supporting documentation to ensure the propriety of \$15,592 of the expenditures, on February 11, 2020.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Auditor's Conclusion: We reviewed the documentation verifying the propriety of the \$15,592 expenditures; however, we continue to recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the remaining expenditures or that the relief association be reimbursed \$3,640 for the remaining undocumented expenditures. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

**Finding No. 3 – Unauthorized Expenditures**

Condition: 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>
02/10/17	2375	Medical supplies for use on general public	\$ 194
02/12/17	2381	Medical supplies for use on general public	14
02/12/17	2382	Medical supplies for use on general public	5
03/13/17	2397	Trashcan liners, toilet paper, urinal mats	378
04/02/17	2400	Medical supplies for use on general public	78
06/09/17	2326	Alterations to Class A uniform	89
07/17/17	2349	Medical supplies for use on general public	152
07/22/17	2346	Medical supplies for use on general public	43
10/29/17	1058	Medical supplies for use on general public	14
10/29/17	1059	Medical supplies for use on general public	165
11/13/17	1064	Medical supplies for use on general public	112
12/11/17	1500	Medical supplies for use on general public	135
09/05/18	1572	Medical supplies for use on general public	102
Total			<u>\$ 1,481</u>

Criteria: Section 7416(f) of Act 118 states:

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

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Costs associated with the purchase of medical supplies for use on the general public, household items for the fire company and Class A uniforms do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

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.

Recommendation: We recommend that the relief association be reimbursed \$1,481 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 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: Compliance will be subject to verification through our next audit.

**Finding No. 4 – Failure To Adhere To Terms Of Rental Agreement With Affiliated Fire Company**

Condition: During the current audit period, the relief association paid a total of \$24,000 to the affiliated fire company in rental fees for use of the fire company owned building, compared to the \$18,000 that was actually due according to the Residential Tenancy Rental Agreement in the same two year period. The agreement states that the quarterly rent is \$2,250; however, the relief association paid \$3,000 each quarter. Furthermore, the rental agreement only described 'Office and Storage Space' and did not include the function and use of each room and the amount of square footage.

Criteria: The terms of the rental agreement state that the quarterly rent of \$2,250 is payable on or before the first of each and every third month beginning on April 1, 2009 and continuing on a month-to-month basis until the Landlord or the Tenant terminates the tenancy.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Although Act 118 includes provisions for the payment of normal and reasonable running expenses as may be appropriate to the business conduct of a relief association's affairs, the amount of rent paid to the fire company during the period does not follow the terms of the agreement. Prudent business practice also requires that such an agreement clearly specify the function and use of each room/rental space and the amount of square footage, and that evaluation of the local going rate/comps is performed when considering the agreed upon rental payment amount.

As stipulated in Act 118, the primary purpose of a volunteer firefighters' relief association is to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. However, the payment of rent expense may appear to be excessive, unreasonable, and inconsistent with the intent of Act 118, which was enacted to ensure that funds shall be available for the protection of volunteer firefighters' and their heirs.

Cause: As a result of the emergency stay at home order issued by the Governor during the final stages of the audit, the relief association officials were unable to provide an answer due to their inability to access the fire company building to do a comprehensive search to further investigate why the additional rental payments may have been made.

Effect: Due to the relief association not adhering to the terms of the rental agreement and paying rental payments that were not authorized by the rental agreement, those funds were unavailable for general operating expenses or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials re-evaluate the payment of rental fees to the fire company and determine whether the amount of rental fees is appropriate considering the intent of Act 118 and operating needs for the relief association. We also recommend that the relief association be reimbursed \$6,000 for the unauthorized rental payments and that the relief association officials become familiar with Section 7416(f) of Act 118 to aid them in determining the propriety of future expenditures. We further recommend that the relief association officials ensure future rental payments are paid in accordance with the terms of the rental agreement. 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, as a result of our audit, on February 10, 2020, a new rental agreement was executed for the year 2020 which granted the relief association use of the rental space at the cost of \$500 per month for twelve months from January through December 2020 or \$6,000 in lieu of reimbursing the relief association.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Auditor's Conclusion: We reviewed the 2020 rental agreement and do not consider the development of a new rental agreement with updated terms to be adequate compliance for the unauthorized rental payments received by the fire company, as the relief association should receive monetary reimbursement for the unauthorized expenditures noted in our finding recommendation. Therefore, we continue to recommend that the relief association be reimbursed \$6,000 for the unauthorized rental payments. In addition, it should be noted that even though we do not accept the proposed rental agreement disclosed in the management's response, the agreement does not cover the full \$6,000 in reimbursement due the relief association, but, instead it only covers \$3,000 (\$9,000 due per year under original agreement minus \$6,000 due under new twelve-month agreement equals \$3,000). 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. 5 – Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. Specifically, the relief association purchased \$175,097 of equipment during the current audit period and the roster provided did not account for these purchases. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

Criteria: Prudent business practice dictates that 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 equipment. A cumulative equipment roster of all relief association equipment should include all of 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
- Evidence of the performance and results of an annual physical inventory

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Cause: Relief association officials failed to establish adequate internal control procedures over equipment by 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 equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. 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.

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

**Finding No. 6 – Undocumented Expenditures With Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: The relief association was unable to provide adequate supporting documentation for two expenditures totaling \$55,915 and \$27,957 paid to Upper Gwynedd Township on September 27, 2017 and November 11, 2018, respectively. Although relief association officials indicated that these expenditures are part of a financing or loan arrangement entered into with the township for radios, there is not a formal written loan or financing agreement between the relief association, the fire company or the township establishing or evidencing the existence of such an arrangement and the relief association's equipment roster does not account for any newly acquired equipment being financed, wholly or in part, by the relief association as further discussed in Finding No. 5 of this report. Therefore, the relief association expended \$83,872 on radio equipment without properly securing its ownership interest.



THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as invoices and/or a loan or financing agreement, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions and that the relief association should secure its proportional ownership interest in the equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the equipment. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures. In addition, relief association officials failed to adequately secure its proportional ownership interest in the radio equipment for which the relief association purchased and identify all of the equipment owned by the relief association on the equipment roster.

Effect: Lack of supporting documentation, such as invoices and/or a loan or financing agreement, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Also, the failure to adequately secure the proportional share of ownership interest in the equipment purchased places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or a loan or financing agreement, to evidence the propriety of the expenditures or that the relief association be reimbursed \$83,872 for the undocumented expenditures. In addition, we recommend that relief association officials execute a formal written agreement, if applicable, with the fire company and/or township that enumerates the relief association's ownership of equipment acquired or being financed wholly or in part by the relief association. Finally, we recommend that relief association officials maintain supporting documentation for all 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.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
OBSERVATION

**Observation – FDIC Coverage Limits Exceeded**

As disclosed in a verbal observation in the two previous audits, the relief association again failed to ensure that all cash deposits were below the FDIC coverage limits per account ownership in one institution. As of December 31, 2018, the relief association's ending cash balance with the financial institution amounted to \$386,540.

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United State government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit

FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities and securities. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

Section 7413 of Act 118 states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonable permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly bank reconciliations, the relief association should ensure the relief association's cash balance does not exceed FDIC limits set by banking regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for FDIC insurance and ensure the balance of those assets per banking institution does not exceed FDIC coverage limits.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
SUPPLEMENTARY FINANCIAL INFORMATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 4 and 6 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are 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.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2018

Cash	\$ 574,261
Fair Value of Investments	<u>470,140</u>
Total Cash and Investments	<u>\$ 1,044,401</u>

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 50,328
Death benefits	1,000
Relief benefits	756
Tokens of sympathy and goodwill	817
Total Benefit Services	\$ 52,901
Fire Services:	
Equipment purchased	\$ 175,097
Equipment maintenance	25,593
Training expenses	18,166
Total Fire Services	\$ 218,856
Administrative Services:	
Other administrative expenses*	\$ 18,502
Bond premiums	1,070
Total Administrative Services	\$ 19,572
Total Investments Purchased	\$ 54,000
Other Expenditures:	
Miscellaneous	\$ 10,537
Undocumented expenditures	19,232
Unauthorized expenditures**	7,481
Total Other Expenditures	\$ 37,250
Total Expenditures	\$ 382,579

\* A portion of the other administrative expenses represent quarterly rent totaling \$18,000 for the two year audit period.

\*\* A portion of the unauthorized expenditures represent the overpayment of quarterly rent totaling \$6,000 for the two year audit period as noted in Finding No. 4 of this report.

THE FIREMAN'S RELIEF ASSOCIATION OF UPPER GWYNEDD TOWNSHIP, PA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

The Fireman's Relief Association of Upper Gwynedd Township, PA Governing Body:

**Mr. Matthew O'Brien**  
President

**Mr. David O'Neill**  
Vice President

**Mr. Jeff Gold**  
Secretary

**Mr. Andrew Phipps**  
Treasurer

**Mr. Ross Goodhart**  
Assistant Treasurer

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

**Ms. Sandra Zadell**  
Secretary  
Upper Gwynedd Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).