

# COMPLIANCE AUDIT

---

## Wissahickon Fire Company Relief Association Montgomery County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

---

December 2020



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Albert Comly, President  
Wissahickon Fire Company  
Relief Association  
Montgomery County

We have conducted a compliance audit of the Wissahickon Fire Company Relief Association (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, 2019.

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, nor was it required to be, 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 independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2019, the relief association had a cash balance of \$104,134 and an investment balance with a fair value of \$2,021,374, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2017 to December 31, 2019:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The relief association, in all significant respects, 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, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Finding No. 2 – Unauthorized Expenditure

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.

November 20, 2020



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Background .....  | 1           |
| Status of Prior Findings .....  | 4           |
| Findings and Recommendations:   |             |
| Finding No. 1 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased<br>Vehicle ..... | 5           |
| Finding No. 2 – Unauthorized Expenditure .....  | 6           |
| Report Distribution List .....  | 8           |

## 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.

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

| <u>Municipality</u>    | <u>County</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|------------------------|---------------|-------------|-------------|-------------|
| Ambler Borough         | Montgomery    | \$40,375    | \$36,988    | \$40,534    |
| Lower Gwynedd Township | Montgomery    | \$86,947    | \$78,750    | \$84,781    |

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2019 were \$2,125,508, as illustrated below:

|                            |                     |
|----------------------------|---------------------|
| Cash                       | \$ 104,134          |
| Fair Value of Investments  | <u>2,021,374</u>    |
| Total Cash and Investments | <u>\$ 2,125,508</u> |

Based on the relief association's records, its total expenditures for the period January 1, 2017 to December 31, 2019 were \$528,762, as noted below. The accuracy of these expenditures was evaluated as part of the Department's audit to conclude on the relief association's compliance 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.<sup>1</sup> **The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.**

### Expenditures:

|                                 |                   |
|---------------------------------|-------------------|
| Benefit Services:               |                   |
| Insurance premiums              | \$ 163,195        |
| Tokens of sympathy and goodwill | 439               |
| Total Benefit Services          | <u>\$ 163,634</u> |
| Fire Services:                  |                   |
| Equipment purchased             | \$ 289,794        |
| Equipment maintenance           | 50,285            |
| Training expenses               | 13,590            |
| Total Fire Services             | <u>\$ 353,669</u> |
| Administrative Services:        |                   |
| Other administrative expenses*  | <u>\$ 9,773</u>   |
| Other Expenditures:             |                   |
| Unauthorized expenditure        | <u>\$ 1,686</u>   |
| Total Expenditures              | <u>\$ 528,762</u> |

---

<sup>1</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

## **BACKGROUND – (Continued)**

\* A portion of the other administrative expenses represents accounting services, finalizing records, and preparation of IRS Form 990 in the amount of \$8,844.

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:

Wissahickon Fire Company

WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Undocumented Expenditure

By receiving reimbursement of \$1,250 from the affiliated fire company for the undocumented expenditure that was made in the prior audit period.



WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle**

Condition: In 1998, the relief association had expended \$58,937 towards the joint purchase of a vehicle with the affiliated fire company which had a total cost of \$205,774. The relief association entered into an agreement with the affiliated fire company, dated June 11, 2003, where the relief association would receive the pro-rata share percentage of 28.64% if the vehicle was ever sold. In 2019, the jointly purchased vehicle was sold for \$25,000; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

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.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials did execute a formal written agreement with the fire company but failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of the jointly purchased vehicle into a relief association account.

Effect: The failure to receive and deposit the proceeds from the sale of the jointly purchased vehicle places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We recommend that the relief association be reimbursed its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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 affiliated fire company reimbursed the relief association \$7,250 for the proportionate ownership of the vehicle on November 14, 2020.

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$7,250 was received. Compliance for proceeds of vehicle sales made during the next audit period will be subject to verification through our next audit.

**Finding No. 2 – Unauthorized Expenditure**

Condition: The relief association expended \$1,686 for a funeral luncheon during the current audit period that is not authorized by Act 118.

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

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

- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.
- (5) To pay the cost of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.

WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Costs associated with a funeral luncheon do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the expenditure for the funeral luncheon was not authorized by Act 118.

Effect: As a result of this improper expenditure, 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 \$1,686 for the unauthorized expenditure 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$1,686 for the unauthorized expenditure on November 14, 2020.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,686 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Wissahickon Fire Company Relief Association Governing Body:

**Mr. Albert Comly**  
President

**Mr. Keith Bower**  
Vice President

**Mr. Matthew Strauss**  
Recording Secretary

**Mr. Mark Street**  
Treasurer

**Mr. John Oberholzer**  
Corresponding Secretary

**Mr. Robert Harris**  
Assistant Treasurer

**Mr. Steve Welsh**  
Sergeant-At-Arms

**Mr. Jay Leadbeater**  
Fire Chief

WISSAHICKON FIRE COMPANY RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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

**Ms. Mary Aversa**  
Secretary  
Ambler Borough

**Mr. Craig T. McAnally**  
Secretary  
Lower 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).