

# COMPLIANCE AUDIT

---

## Upper Saucon Volunteer Fire Department #1 Relief Association Lehigh County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

---

May 2016



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. Charles Castetter, President  
Upper Saucon Volunteer Fire Department #1  
Relief Association  
Lehigh County

We have conducted a compliance audit of the Upper Saucon Volunteer Fire Department #1 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, 2013 to December 31, 2015.

The objective of the audit was to determine if the relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. Our audit was limited to the areas related to the objective identified above.

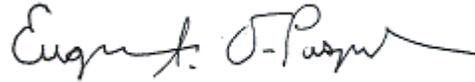
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 objective. 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, 2013 to December 31, 2015, the relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures, except as noted in the finding listed below and discussed later in this report.

Finding – Unauthorized Expenditures

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 response has 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.



EUGENE A. DEPASQUALE  
Auditor General

May 3, 2016

## CONTENTS

	<u>Page</u>
Background .....	1
Finding and Recommendation:	
Finding – Unauthorized Expenditures .....	3
Supplementary Financial Information .....	5
Report Distribution List .....	6

## 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. The relief association's bylaws define the specific operational procedures by which the relief association conducts 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 the relief association to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations 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>2013</u>	<u>2014</u>	<u>2015</u>
Upper Saucon Township	Lehigh	\$153,747	\$147,036	\$138,880

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:

Upper Saucon Volunteer Fire Department #1

UPPER SAUCON VOLUNTEER FIRE DEPARTMENT #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditures**

**Condition:** During 2013, the relief association paid a vendor to conduct a “combat-ready” firefighting training course at the affiliated fire company. The examination of the roster for the course found 58 percent of the students did not belong to this relief association. Therefore, the relief association expended funds for the following items for this course 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>
09/12/13	N/A	Pro-rated cost of training refreshments for non-relief association members	\$ 10
10/19/13	2423	Pro-rated cost of training course with food and refreshments for non-relief association members	<u>1,928</u>
Total			<u>\$ 1,938</u>

The first expenditure was a check card purchase made at a food merchant while the second expenditure was paid directly to the affiliated fire company

**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.

Costs associated with the training course along with the affiliated food and refreshments for non-members of this relief association 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.

UPPER SAUCON VOLUNTEER FIRE DEPARTMENT #1 RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditures – (Continued)**

**Recommendation:** We recommend that the relief association be reimbursed \$1,938 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 did not agree with the finding as presented at the audit exit conference and indicated that the cost of the course was a nonrefundable flat fee; and therefore, due to open seats available for this course, other fire departments were contacted to fill the minimum number of seats required. Furthermore, in the past, the fire department has hosted Volunteer Firefighters’ Relief Association Guidelines seminars and were asked to provide snacks for these seminars and these purchases were determined to be allowable according to the provisions of Act 118.

**Auditor’s Conclusion:** Costs associated with the training course along with the affiliated food and refreshments for non-members of this relief association do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under Act 118. Compliance will be subject to verification through our next audit.

UPPER SAUCON VOLUNTEER FIRE DEPARTMENT #1 RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2015

Cash Balance:	\$	39,938
Fair Value of Investments Balance:	\$	241,697
Expenditures:		
Benefit Services:		
Insurance premiums	\$	16,744
Relief benefits		27,767
Total Benefit Services	\$	<u>44,511</u>
Fire Services:		
Equipment purchased	\$	305,752
Equipment maintenance		56,491
Training expenses		21,359
Fire prevention materials		3,598
Total Fire Services	\$	<u>387,200</u>
Administrative Services:		
Other administrative expenses	\$	10,226
Bond premiums		777
Total Administrative Services	\$	<u>11,003</u>
Total Investments Purchased	\$	<u>240,000</u>
Other Expenditures:		
Payments on lease-financing	\$	74,380
Miscellaneous		623
Unauthorized expenditures		1,938
Total Other Expenditures	\$	<u>76,941</u>

UPPER SAUCON VOLUNTEER FIRE DEPARTMENT #1 RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Upper Saucon Volunteer Fire Department #1 Relief Association Governing Body:

**Mr. Charles Castetter**  
President

**Mr. Robert Jones**  
Secretary

**Mr. Gerard Cozzolino**  
Treasurer

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

**Mr. Thomas Beil**  
Secretary  
Upper Saucon 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).