

COMPLIANCE AUDIT

Penndel-Middletown Emergency Squad Relief Association Bucks County, Pennsylvania For the Period January 1, 2011 to December 31, 2014

January 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Eileen McLaughlin, President
PENNDel-MIDDLETOWN EMERGENCY SQUAD
RELIEF ASSOCIATION
Bucks County

We have conducted a compliance audit of the PennDel-Middletown Emergency Squad 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, 2011 to December 31, 2014.

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 PennDel-Middletown Emergency Squad 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.

We were not able to obtain an independent confirmation of an investment balance directly from the financial institution. Therefore, while the Penn-del-Middletown Emergency Squad Relief Association provided copies of investment statements that indicated that, as of December 31, 2014, the volunteer firefighters' relief association had a total reported investment balance of \$1,571,988, we were not able to verify \$105,793 of the total reported investment balance.

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, 2011 to December 31, 2014:

- The Penn-del-Middletown Emergency Squad 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 otherwise noted in the Observation included herein).
- The Penn-del-Middletown Emergency Squad Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2014, had a cash balance of \$169,446 and an investment balance with a reported fair value of \$1,571,988.
- The Penn-del-Middletown Emergency Squad Relief Association is not affiliated with a volunteer fire company and was not formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in fire service. As further discussed in the Observation in this report, Act 118 defines a relief association's eligibility to receive state aid. Because the relief association is affiliated with the Penn-del-Middletown Emergency Squad, not a fire company, and the relief association states in its bylaws that its primary purpose is to protect, equip and train the members of the emergency squad, the observation addresses concerns we have with the relief association's eligibility for state aid under these provisions. Therefore, since the Penn-del-Middletown Emergency Squad Relief Association doesn't meet the statutory definition of a volunteer firefighter's relief association, its eligibility to continue to receive and expend state aid under Act 118 may be adversely impacted or discontinued unless the relief association takes the steps necessary to comply with the provisions of Act 118.

The contents of this report were discussed with the management of the Penn-del-Middletown Emergency Squad Relief Association. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

November 30, 2015



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 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 Penndel-Middletown Emergency Squad Relief Association is a charitable organization that was established by, and continues to be affiliated with, the Penndel-Middletown Emergency Squad in order to protect and support the Penndel-Middletown Emergency Squad's members.

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 volunteer firefighters' relief association to choose investments in a proper and prudent manner.

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. Relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations, which is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The Penn-del-Middletown Emergency Squad Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Middletown Township	Bucks	\$144,033	\$72,965	\$83,522	\$78,399

The relief association and the affiliated emergency squad are separate, legal entities. The Penn-del-Middletown Emergency Squad Relief Association is affiliated with the Penn-del-Middletown Emergency Squad.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
OBSERVATION

Observation – The PennDel-Middletown Emergency Squad Relief Association May Not Comply With the Requirements of Act 118 Because Its Stated Purpose Is to Protect, Equip and Train the Members Of the PennDel-Middletown Emergency Squad. The Association Is Not Affiliated With a Fire Company and Does Not Provide Financial Protection to Volunteer Firefighters Against the Consequences Of Misfortune Suffered As a Result of Their Participation In the Fire Service.

The PennDel-Middletown Emergency Squad Relief Association states in its bylaws that its purpose is to protect, equip, and train the members of the PennDel-Middletown Emergency Squad. 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 PennDel-Middletown Emergency Squad Relief Association 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 PennDel-Middletown Emergency Squad Relief Association is affiliated with The PennDel-Middletown Emergency Squad, the same is an emergency medical services organization and not a fire company as required under Act 118.

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 PennDel-Middletown Emergency Squad, 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.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
OBSERVATION

Observation – (Continued)

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]

The PennDel-Middletown Emergency Squad Relief Association 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. The association should 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 PennDel-Middletown Emergency Squad Relief Association with this determination.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the observation contained in this audit report may lead to a total withholding of state aid in the future unless the observation is corrected.

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2011 TO DECEMBER 31, 2014

USES OF FUNDS:

Ambulance Services:	
Insurance premiums	\$ 37,449
Relief benefits	10,084
Equipment purchased	50,684
Equipment maintenance	17,150
Training expenses	18,626
Bond premiums	1,028
Other administrative expenses	8,003
Payments on loan	125,483
Total Ambulance Services	<u>\$ 268,507</u>
Total Investments Purchased	<u>\$ 50,000</u>

PENNDel-MIDDLETOWN EMERGENCY SQUAD RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Penndel-Middletown Emergency Squad Relief Association Governing Body:

Ms. Eileen McLaughlin	President
Mr. Dennis Mitchell	Vice President
Mr. Michael Gumbert	Secretary
Mr. Jason Gunsenhouser	Treasurer
Ms. Nancy Blank	Trustee
Mr. Hugh Cooperman	Trustee
Ms. Kim Brandt	Trustee

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

Ms. Stephanie Teoli Kuhls Middletown Township	Secretary
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This report is a matter of public record and is available online at 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.