

COMPLIANCE AUDIT

Darby Township Firemen's Relief Association Inc. of Darby Township, Delaware 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. Patrick Parmer, President
Darby Township Firemen's Relief
Association Inc. of Darby Township,
Delaware County, Pennsylvania

We have conducted a compliance audit of the Darby Township Firemen's Relief Association Inc. of Darby Township, Delaware County, Pennsylvania (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 objective of the audit was 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 objective 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, 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, for the period January 1, 2015 to December 31, 2016. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Failure To Adhere To Relief Association Bylaws

Finding No. 3 – Failure To Maintain Minutes Of Meetings

Finding No. 4 – Failure To Maintain A Complete And Accurate Equipment Roster

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 23, 2018



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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Darby Township	Delaware	\$50,682	\$50,892

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

Briarcliffe Fire Company

Darby Twp Volunteer Fire Company No. 4

Goodwill Fire Company No. 1

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – 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>
01/07/16	949	Building security system	\$ 5,000
08/18/16	1005	Hardship loan	500
09/20/16	1009	Hardship loan	500
11/09/16	1022	Hardship loan	500
12/01/16	1025	Hardship loan	1,400
12/08/16	1031	Hardship loan	700
Total			<u>\$ 8,600</u>

As disclosed in the table above, the relief association issued five hardship loans to members that totaled \$3,600. During the current audit period, the relief received one \$75 payment from a member who was granted a loan. Also, subsequent to the audit period, the relief received an additional \$750 of loan payments. Therefore, of the initial \$3,600 in loan disbursements, the relief association must be reimbursed the balance of the principal due in the amount of \$2,775 and the interest due of \$108 for a total of \$2,883 to be returned to the relief association for the hardship loans.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1 and 6) states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (6) To make cash payments to families in distressed circumstances by reason of age, infirmity or other disability suffered by one of the family members in the course of participation in the fire service as a volunteer firefighter.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

In addition, the relief association's bylaws at Article IX, Section 6 states, in part:

Membership Assistance Plan Benefits: All members of the Association who have been members for a minimum period of four (4) years may qualify for benefits as determined by the annual budget of the Association, to reimburse expenses, in part, or in their entirety, based upon the financial condition of the Association at the time, for any personal hardship or illness suffered by a member while said member is one in good standing. To qualify, those personal hardships must prohibit the member from effectively performing the duties expected of a member. Personal hardships may be, but not be limited to: alcoholism, substance abuse, critical incident stress and other personal problems that adversely affect fire department work performance which may be restored by professional counseling.

Furthermore, the relief association's bylaws at Article IX, Section 7 states, in part:

Other Situations of Distress: Any member who may suffer personally or, his or her family may suffer from a distressed situation caused by age, infirmity or other disability suffered by a family member in the course of participation in the fire service may be eligible for a single benefit from The Association. This benefit shall be limited to \$500 or any alternate amount if so determined, at the annual meeting held by the officers and/or directors of The Association. This benefit shall only be available if included within the annual budget.

Costs associated with a building security system and hardship loans to members 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. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$7,883 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 – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to provisions in the association's bylaws. Specifically, the relief association did not abide by the discretionary benefit for officers' compensation for the President, Vice-President, Secretary and Treasurer.

Criteria: The relief association's bylaws at Article V, Sections 3, 4, 5 and 7 states, in part:

The President shall: Receive payment of five hundred dollars (\$500.00) for faithful services rendered over the previous twelve (12) months, during the December meeting. If a full twelve (12) months service has not been performed, payment is to be made based upon one twelfth (1/12th), or, forty-one dollars and sixty six cents (\$41.66) per month of actual service.

The Vice-President shall: Receive payment of five hundred dollars (\$500.00) for faithful services rendered over the previous twelve (12) months, during the December meeting. If a full twelve (12) months service has not been performed, payment is to be made based upon one twelfth (1/12th), or, forty-one dollars and sixty six cents (\$41.66) per month of actual service.

The Secretary shall: Receive payment of five hundred dollars (\$500.00) for faithful services rendered over the previous twelve (12) months, during the December meeting. If a full twelve (12) months service has not been performed, payment is to be made based upon one twelfth (1/12th), or, forty-one dollars and sixty six cents (\$41.66) per month of actual service.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

The Treasurer shall: Receive payment of five hundred dollars (\$500.00) for faithful services rendered over the previous twelve (12) months, during the December meeting. If a full twelve (12) months service has not been performed, payment is to be made based upon one twelfth (1/12th), or, forty-one dollars and sixty six cents (\$41.66) per month of actual service.

Consequently, the relief association issued \$2,400 in discretionary benefits during the current audit period. Therefore, the \$800 in excess salary payments are considered unauthorized according to the relief association's bylaws.

Furthermore, prudent business practices dictate that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials indicated that they were unaware of the bylaw guidelines established by the relief association.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization and, establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization or that the relief association be reimbursed \$800 for the unauthorized payments. 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 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. 3 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings for the year 2015 as required by Act 118 and the relief association's bylaws. In addition, the meeting minutes provided for the year 2016 did not show approval for all expenditures.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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, the relief association's bylaws at Article IV, Section 1 states, in part:

The regular meetings of The Association shall be held the first Monday of the following months: January, February, April, June, September, and November at 19:30 hrs. (7:30 PM).

Furthermore, the relief association's bylaws at Article V, Section 5 states, in part:

The Secretary's duties shall be to:

- Keep an accurate record of meeting attendance,
- Keep a true record of the proceedings of every meeting in a book of minutes,
 - minutes shall note:
 - all authorizations by the membership for,
 - financial Transactions, and;
 - all other pertinent businesses discussed at all of The Association's meetings.

Cause: Relief association officials indicated that they were unaware that maintaining minutes of meetings was 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 recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record 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: Compliance will be subject to verification through our next audit.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – 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 the relief association provided three separate rosters of equipment owned by the relief association for the three affiliated fire companies, these separate rosters were compiled by each respective affiliated fire company rather than the relief association. In addition, the rosters were incomplete and did not accurately identify all of the \$17,361 of equipment purchased during the audit period. While it is not necessary for each of the affiliated fire companies and the relief association to maintain separate records, it is the relief association's responsibility to have sufficient records to be able to determine that all relief association owned equipment has been recorded and accounted for. Furthermore, 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

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.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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.

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report 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.

DARBY TOWNSHIP FIREMEN’S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 55,536
Fair Value of Investments	<u>25,599</u>
Total Cash and Investments	<u>\$ 81,135</u>

DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
 DELAWARE COUNTY, PENNSYLVANIA
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 20,424
Death benefits	1,500
Tokens of sympathy and goodwill	426
Total Benefit Services	<u>\$ 22,350</u>
Fire Services:	
Equipment purchased	\$ 17,361
Equipment maintenance	14,350
Training expenses	3,150
Fire prevention materials	5,198
Total Fire Services	<u>\$ 40,059</u>
Administrative Services:	
Officer compensation	\$ 6,100
Other administrative expenses	1,424
Bond premiums	1,008
Total Administrative Services	<u>\$ 8,532</u>
Total Investments Purchased	<u>\$ 13,600</u>
Other Expenditures:	
Unauthorized expenditures	<u>\$ 8,600</u>
Total Expenditures	<u><u>\$ 93,141</u></u>

DARBY TOWNSHIP FIREMEN’S RELIEF ASSOCIATION INC. OF DARBY TOWNSHIP,
DELAWARE COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Darby Township Firemen’s Relief Association Inc. of Darby Township, Delaware County,
Pennsylvania Governing Body:

Mr. Patrick Parmer
President

Ms. Tina Menginie
Secretary

Mr. Larry M. Lemmon
Treasurer

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

Mr. John B. Ryan, Jr.
Secretary
Darby Township

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.