

# COMPLIANCE AUDIT

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## The Springfield Township, Delaware County, Firefighter's Relief Fund Association of Pennsylvania

For the Period  
January 1, 2016 to December 31, 2017

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. John Gallagher, President  
The Springfield Township, Delaware  
County, Firefighter's Relief Fund  
Association of Pennsylvania

We have conducted a compliance audit of The Springfield Township, Delaware County, Firefighter's Relief Fund Association of 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, 2016 to December 31, 2017.

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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain an independent confirmation of the investment balance directly from the financial institution. Therefore, while the relief association provided investment statements that indicated that, as of December 31, 2017, the relief association had an investment balance of \$788,366, we were not able to verify this 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, 2016 to December 31, 2017, 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 finding listed below and discussed later in this report.

Finding – Failure To Secure Ownership Interest In Jointly Purchased Equipment

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.

May 9, 2018



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background .....	1
Finding and Recommendation:	
Finding – Failure To Secure Ownership Interest In Jointly Purchased Equipment .....	3
Supplementary Financial Information .....	5
Report Distribution List .....	7

## **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>2016</u>	<u>2017</u>
Springfield Township	Delaware	\$197,754	\$177,052

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:

Springfield Fire Company

THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: On May 19, 2017, the relief association expended \$10,563 on equipment jointly purchased with the fire company without properly securing its ownership interest.

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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 equipment 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 adequately secure its proportional ownership interest in the jointly purchased equipment.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased equipment places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the jointly purchased equipment stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$10,563. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, provided a formal written agreement with the fire company for the relief association's proportional ownership interest in the jointly purchased equipment on May 10, 2018.

Auditor's Conclusion: We reviewed the documentation verifying the propriety of the agreement. Compliance for executing formal written agreements with the fire company on jointly purchased equipment made during the next audit period will be subject to verification through our next audit.



THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2017

Cash	\$ 161,964
Fair Value of Investments	<u>788,366</u>
Total Cash and Investments	<u>\$ 950,330</u>

THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:	
Insurance premiums	\$ 117,282
Death benefits	4,000
Relief benefits	73,614
Total Benefit Services	<u>\$ 194,896</u>
Fire Services:	
Equipment purchased	\$ 88,957
Equipment maintenance	76,444
Training expenses	9,826
Fire prevention materials	660
Total Fire Services	<u>\$ 175,887</u>
Administrative Services:	
Officer compensation	\$ 82,433
Other administrative expenses	5,600
Bond premiums	1,730
Total Administrative Services	<u>\$ 89,763</u>
Other Expenditures:	
Payments on lease-financing	<u>\$ 186,027</u>
Total Expenditures	<u><u>\$ 646,573</u></u>

THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Springfield Township, Delaware County, Firefighter's Relief Fund Association of  
Pennsylvania Governing Body:

**Mr. John Gallagher**  
President

**Mr. Steve Burns**  
Vice President

**Mr. William Woolston**  
Secretary

**Mr. Dave Osciak**  
Treasurer

**Mr. Robert Woolson**  
Director

**Ms. Catherine Meehan**  
Solicitor

**Mr. Robert Fanelli**  
Director

**Mr. Larry Greenwich**  
Director

**Mr. Paul Schaum**  
Director

**Mr. Peter Rothman**  
Financial Advisor

**Mr. Edward Abel**  
Business Manager

THE SPRINGFIELD TOWNSHIP, DELAWARE COUNTY, FIREFIGHTER'S RELIEF FUND  
ASSOCIATION OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

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

**Mr. J. Lee Fulton**  
Secretary  
Springfield 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).