

# COMPLIANCE AUDIT

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## Firefighter's Relief Association of Plumstead Township Bucks County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

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September 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Charles Rumble, President  
Firefighter's Relief Association  
of Plumstead Township  
Bucks County

We have conducted a compliance audit of the Firefighter's Relief Association of Plumstead Township (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 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 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 cash and investment account balance directly from the financial institution. Therefore, while the relief association provided account statements that indicated that, as of December 31, 2016, the relief association had a total cash and investment account balance of \$1,460,410, we were not able to verify this total cash and investment account balance.

Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2016:

- Except for the effects, if any, of the matter described in the preceding paragraph, the relief association took appropriate corrective action to address four of the five findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Finding No. 3 – Duplicate Payments

Finding No. 4 – Inadequate Internal Controls

The four findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations contained in this audit report.

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.

September 13, 2017

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Findings .....	3
Findings and Recommendations:	
Finding No. 1 – Undocumented Expenditures .....	4
Finding No. 2 – Noncompliance with Prior Audit Recommendation – Unauthorized Expenditures .....	6
Finding No. 3 – Duplicate Payments .....	7
Finding No. 4 – Inadequate Internal Controls .....	8
Potential Withhold of State Aid .....	11
Supplementary Financial Information .....	12
Report Distribution List .....	14

## 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. Volunteer firefighters' 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Bedminster Township	Bucks	\$ 24,165	\$ 24,065
Plumstead Township	Bucks	\$130,823	\$132,515
Solebury Township	Bucks	\$ 25,740	\$ 25,526
Tinicum Township	Bucks	\$ 5,664	\$ 6,393

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:

Point Pleasant Fire Company No. 1

Plumsteadville Volunteer Fire Company

Point Pleasant/Plumsteadville EMS

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with four of the five 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 during the current audit period.

- Untimely Deposit Of State Aid

By timely depositing all income received during the current audit period.

- Failure To Maintain A Complete And Accurate Membership Roster

By maintaining a comprehensive listing of the relief association's membership during the current audit period.

- Failure To Secure Ownership Interest In Jointly Purchased Equipment

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased equipment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit findings. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Unauthorized Expenditures

Although the relief association received reimbursement of \$10,207 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds during the current audit period that are not authorized by Act 118 as further disclosed in Finding No. 2 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.



FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/17/15	7297	Equipment Vendor	\$ 616
03/03/15	7316	Restaurant	268
03/17/15	7326	Cell Phone Provider	480
04/12/15	7340	Gym	1,500
04/14/15	7344	Cell Phone Provider	992
06/02/15	7356	Insurance Provider	3,156
08/11/15	7368	Gym	1,500
08/20/15	7379	Affiliated Fire Company	480
10/16/15	10007	Gym	1,500
12/21/15	10034	Affiliated Fire Company	616
03/08/16	10073	Individual member	525
04/19/16	10087	Gym	1,500
07/21/16	10122	Gym	1,500
07/21/16	10124	Affiliated Fire Company	34,136
11/13/16	10149	Gym	1,500
Total			<u>\$ 50,269</u>

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.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$50,269 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance with Prior Audit Recommendation – Unauthorized Expenditures**

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated fire company for the unauthorized expenditures made during the prior audit period, the relief association again 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>
02/21/15	7311	Maintenance for fire company equipment	\$ 375
03/28/15	7335	Maintenance for fire company equipment	112
10/27/15	10013	Maintenance for fire company equipment	264
11/10/15	10018	Fire company logo shirts	90
12/01/15	10030	Fire company logo shirts	2,098
04/19/16	10084	Training for non-relief members	225
09/06/16	10138	Maintenance for fire company equipment	264
11/13/16	10147	Training for non-relief members	3,300
Total			<u>\$ 6,728</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(10,11) 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.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs for the maintenance of the fire company owned equipment, fire company logo shirts, and training for non-relief member 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. Even though notified of this condition during our prior audit, relief association officials again neglected the fact that the expenditures were not authorized by Act 118.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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.

Recommendation: We recommend that the relief association be reimbursed \$6,728 for the unauthorized expenditures and that relief association officials again, 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. 3 – Duplicate Payments**

Condition: The relief association erroneously made the following duplicate payments for equipment related expenses:

<u>1<sup>st</sup> Date</u>	<u>1<sup>st</sup> Check No.</u>	<u>2<sup>nd</sup> Date</u>	<u>2<sup>nd</sup> Check No.</u>	<u>Description</u>	<u>Amount</u>
01/29/15	7304	03/17/15	7319	Equipment	\$ 215
04/03/15	7345	06/11/15	7360	Equipment	182
08/12/16	10137	11/08/16	10159	Equipment	669
				Total	\$ 1,066

As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish adequate internal control procedures that require all invoices or other billing documents to be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of the erroneous payments, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$1,066 for the erroneous duplicate payments. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association 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 an internal audit, a relief association member who received one of the duplicate payments reimbursed the relief association \$669 for the duplicate payment (Check No. 10159) on January 28, 2017. The relief association provided documentation for the reimbursement at the audit exit conference.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$669 was received. Compliance for repayment of the remaining duplicate expenditures will be subject to verification through our next audit.

**Finding No. 4 – Inadequate Internal Controls**

Condition: The relief association has failed to establish adequate internal controls. The following conditions noted during the current audit period are indicative of internal control weaknesses:

- Checks were not written directly to vendors.
- Disbursements not authorized under Act 118 were made (Finding No. 2).
- Original invoices were not maintained (Finding No. 1).
- Duplicate payments were made (Finding No. 3).

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (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, Article III and V of the relief association's bylaws states, in part:

- The treasurer shall keep a journal and ledger, which details all financial transactions of the Association and shall maintain all documentation supporting the receipts and disbursements made by the association.
- All expenditures must be made through a Relief Association account and recorded, in detail, in the Association journal and ledger. Supporting documentation such as invoices, canceled checks, etc., shall be maintained to verify all disbursements.

Furthermore, prudent business practice dictates that:

- Checks should be written to and mailed directly to vendors.
- Expenditures should not be made without a detailed invoice and in accordance with Act 118.
- Original invoices shall be required prior to payment of purchases.
- Invoices should be marked paid to prevent reuse.

Cause: Relief association officials failed to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions. The relief association officials indicated that they were unaware of the relief association's ineffective internal control system.

Effect: The failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Recommendation: We recommend that the relief association officials adopt internal control procedures which will require the following:

- Payment of purchases made directly to vendors.
- Documentation of all expenditures to ensure propriety of expenditure in accordance with Act 118.
- Maintenance of original invoices.
- Invoices should be marked to prevent reuse.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
POTENTIAL WITHHOLD OF STATE AID

Conditions of findings such as those reported by Finding Nos. 1 and 2 may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will 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.



FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2016

Cash	\$ 212,953
Fair Value of Investments	<u>1,247,457</u>
Total Cash and Investments	<u>\$ 1,460,410</u>

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 88,696
Relief benefits	3,422
Total Benefit Services	<u>\$ 92,118</u>

Fire Services:	
Equipment purchased*	\$ 213,048
Equipment maintenance	24,062
Training expenses	12,395
Total Fire Services	<u>\$ 249,505</u>

Administrative Services:	
Officer compensation	\$ 599
Other administrative expenses	32,586
Bond premiums	472
Total Administrative Services	<u>\$ 33,657</u>

Total Investments Purchased	<u>\$ 490,000</u>
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Other Expenditures:	
Undocumented Expenditures	\$ 50,269
Unauthorized Expenditures*	7,794
Total Other Expenditures	<u>\$ 58,063</u>

Total Expenditures	<u><u>\$ 923,343</u></u>
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\* The unauthorized expenditures noted above includes \$1,066 in duplicate payments made by the relief association for equipment items purchased during the audit period. Refer to Finding No. 3 for further details.

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Firefighter's Relief Association of Plumstead Township Governing Body:

**Mr. Charles Rumble**  
President

**Mr. Scott Fleisher**  
Vice President

**Mr. John Kalix**  
Secretary

**Mr. Darrin Bodisch**  
Treasurer

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

**Mrs. Jean L. Herstine**  
Secretary  
Bedminster Township

**Mr. Nick Lykon**  
Secretary  
Plumstead Township

**Mrs. Gretchen K. Rice**  
Secretary  
Solebury Township

**Mrs. Teri Lewis**  
Secretary  
Tinicum Township

FIRE FIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP  
REPORT DISTRIBUTION LIST

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