



**MORRISVILLE FIREMEN'S RELIEF ASSOCIATION OF  
MORRISVILLE, PENNSYLVANIA**

**BUCKS COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**OCTOBER 25, 2004 TO DECEMBER 31, 2011**

**RELEASED MARCH 2014**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen

**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Matthew Wiedenhaefer, President  
MORRISVILLE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Bucks County

We have conducted a compliance audit of the Morrisville Volunteer Firefighters' 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 October 25, 2004 to December 31, 2011.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' 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.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Morrisville Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Morrisville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Morrisville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period October 25, 2004 to December 31, 2011, found the Morrisville Volunteer Firefighters' 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 findings listed below and discussed later in this report. The results of our tests also indicated the Morrisville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$237,135 and an investment balance with a fair value of \$210,936.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Failure to Maintain Minutes of Meetings

Finding No. 3 – Inappropriate Ownership of Rescue Vehicle

Finding No. 4 – Inadequate Relief Association Bylaws (Discretionary Benefits)

The contents of this report were discussed with the management of the Morrisville Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

June 2, 2013



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

Background.....	1
Findings and Recommendations:	
Finding No. 1 – Unauthorized Expenditures .....	3
Finding No. 2 – Failure to Maintain Minutes of Meetings .....	4
Finding No. 3 – Inappropriate Ownership of Rescue Vehicle .....	5
Finding No. 4 – Inadequate Relief Association Bylaws (Discretionary Benefits) .....	6
Accompanying Expenditure Information .....	8
Report Distribution List .....	9

## 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 Morrisville Firemen's Relief Association of Morrisville, Pennsylvania, herein referred to as Morrisville Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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.

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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Morrisville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2004-2006</u>	<u>2007-2008</u>	<u>2009-2011</u>
Lower Makefield Township	Bucks	\$ 10,205	\$ 11,210	\$ 10,833
Lower Makefield Township	Bucks	\$ 10,205	\$ 11,420	\$ 11,800
Lower Makefield Township	Bucks	\$ 10,205	*	\$ 17,176
Morrisville Borough	Bucks	\$ 52,327	\$ 64,481	\$ 61,280
Morrisville Borough	Bucks	\$ 59,104	\$ 65,835	\$ 68,974
Morrisville Borough	Bucks	\$ 59,418	*	\$ 95,060

\*The municipality did not allocate state aid to the Morrisville Volunteer Firefighters' Relief Association in 2007 and 2008 and the municipality has full discretion in distributing such state aid to relief associations of its choice that are providing fire service to the municipality.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Morrisville Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Morrisville Fire Company

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for exercise and fitness equipment items totaling \$7,874 for the exclusive use of its volunteer firefighters. However, the costs associated with the purchase of this exercise and fitness equipment exceeded the allowable amount that can be expended according to Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(14) states:

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

- (14) To purchase exercise and fitness equipment for use by volunteer firefighters, except that expenditures for exercise and fitness equipment shall not exceed \$2,000 in any two-year period.

Although the relief association may purchase exercise and fitness equipment for the exclusive use of its volunteer firefighters, these expenditures exceeded the allowable amount that can be expended in a two-year period as prescribed by Act 118. Consequently, expenditures amounting to \$5,874 do not qualify as authorized volunteer firefighters' relief association expenditures according to Act 118.

Cause: Relief association officials 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.

Subsequent to the period under review, on April 30, 2013, the relief association received a reimbursement of \$5,874 from the affiliated fire company.

Recommendation: We recommend 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.

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – Failure to Maintain Minutes of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118.

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.

Cause: Relief association officials 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 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.

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 3 – Inappropriate Ownership of Rescue Vehicle

Condition: On July 2, 2010, the relief association purchased a rescue vehicle, in the amount of \$33,668, to carry personnel and safeguard equipment. In addition, the relief association paid for additions to this rescue vehicle in the amount of \$7,781, for a total cost to the relief association amounting to \$41,449. Furthermore, the relief association also maintains a 2003 rescue boat. The titles to these rescue vehicles are inappropriately issued in the name of the affiliated fire company.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: The relief association failed to establish adequate internal control procedures to ensure that the rescue vehicles purchased and owned by the relief association were properly titled in the name of the relief association.

Effect: As a result of the rescue vehicles being inappropriately titled in the name of the affiliated fire company, the relief association assets were not properly safeguarded.

Recommendation: We recommend that the rescue vehicles be properly titled in the name of 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.

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 4 – Inadequate Relief Association Bylaws (Discretionary Benefits)

Condition: The existing bylaws of the Morrisville Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 118 at 35 Pa.C.S. § 7415(c). Specifically, the bylaws do not address the following:

- The requirement that the signatures of at least two officers, one of whom shall be the authorized disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association did not formally define discretionary benefits that were being offered to its members in its bylaws. During the current audit period, the relief association paid \$20,000 for death benefits to four members of the relief association. Although these expenditures were authorized by Act 118, the types, amounts, and criteria to be met before receiving such death benefits were not described in a formal policy approved by the association membership. Furthermore, Section 9 of Article X of the relief association's bylaws, states in part, "upon the death of an active member, or life member." However, the roster provided did not identify the status of each member.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) states, the relief association's bylaws should include the following provisions:

- (3) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, Act 118 at 35 Pa.C.S. § 7413(3) states, funds shall be available:

- (3) For payment, either by insurance or by operation of a beneficial fund, of a sum certain to designated beneficiaries of a participating member following the death of a member for any cause and **to establish criteria which members must meet in order to qualify** as participants in a death benefit fund. (emphasis added).

Furthermore, prudent business practice dictates that when a relief association offers death benefits, or any other type of discretionary benefit provided by Act 118, it should establish a precedent for those benefits being offered. Such a precedent should be documented in the bylaws, a formal association policy, or in the official meeting minutes. The formal approval is necessary to clarify the types and amounts of benefits offered to its membership as well.

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 4 – Inadequate Relief Association Bylaws (Discretionary Benefits) (Continued)

Cause: Relief association officials were unaware of the specific bylaw stipulations established by Act 118 and did not perceive the formal approval to be an essential internal control in safeguarding relief association assets. As a result, the relief association failed to establish procedures to formally define the benefits and related criteria for the benefits offered to members.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization. In addition, the relief association's failure to formally define discretionary benefits prevents the membership from being aware of the types and amounts of benefits offered to its membership. The absence of formal approval increases the risk of unauthorized expenditures and could also lead to benefits not being applied equally to all members of the association.

Recommendation: We recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of 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.

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD OCTOBER 25, 2004 TO DECEMBER 31, 2011

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording 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.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 95,150
Death benefits	20,000
Relief benefits	16,248
Total Benefit Services	\$ 131,398
Fire Services:	
Equipment purchased	\$ 416,476
Equipment maintenance	56,641
Training expenses	6,120
Fire prevention materials	10,969
Total Fire Services	\$ 490,206
Administrative Services:	
Other administrative expenses	\$ 19,017
Total Administrative Services	\$ 19,017
Total Investments Purchased:	\$ 100,000
Other Expenditures:	
Principal payments on loan	\$ 34,090
Interest payments on loan	1,970
Total Other Expenditures	\$ 36,060

MORRISVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Morrisville Volunteer Firefighters' Relief Association Governing Body:

Mr. Matthew Wiedenhaefer, President

Mr. Richard Stintsman, Vice President

Mr. John Weiss, III, Secretary

Mr. Tim Weiss, Treasurer

Mr. John Weiss, Jr., Director

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

Terry Fedorchak, Secretary  
Lower Makefield Township

Ms. Dorothy M. Gaydula, Secretary  
Morrisville Borough

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).