

COMPLIANCE AUDIT

Darby Township Volunteer Firemen's Relief Association, Inc. Delaware County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

February 2020



Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Edward McBride, President
Darby Township Volunteer Firemen's
Relief Association, Inc.
Delaware County

We have conducted a compliance audit of the Darby Township Volunteer Firemen's Relief Association, Inc. (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, 2017 to December 31, 2018.

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.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018:

- The relief association took appropriate corrective action to address one of the four findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the three remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Adhere To Relief Association Bylaws

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 4 – Undocumented Expenditures

Three of the four audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted 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.

February 5, 2020



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Adhere To Relief Association Bylaws.....	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings.....	5
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster	6
Finding No. 4 – Undocumented Expenditures	8
Supplementary Financial Information	10
Report Distribution List	12

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>2017</u>	<u>2018</u>
Darby Township	Delaware	\$46,856	\$43,100

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 VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with one of the four prior audit findings and recommendations, as follows:

- Unauthorized Expenditures

By receiving reimbursement of \$2,883 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with three of the four prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Adhere To Relief Association Bylaws
- Failure To Maintain Minutes Of Meetings
- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct those previously reported audit findings. The association management should strive to implement the recommendations and corrective actions noted in this audit report.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – 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 and Vice President. In addition, the relief association did not recoup \$800 for excess discretionary benefits paid during the prior audit period.

A similar condition was noted in our prior audit report.

Criteria: The relief association's bylaws at Article V, Sections 3 and 4 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 relief association issued \$1,200 in discretionary benefits for the current audit period. Therefore, the \$200 in excess salary payments are considered unauthorized according to the relief association's bylaws. As stated above, a similar condition was noted in our prior audit report and \$800 in excess salary payments were considered unauthorized according to the relief association's bylaws.

Furthermore, prudent business practice dictates 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: Even though notified of this condition during our prior audit, relief association officials again neglected to update the relief association's bylaws.

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.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials review 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 \$200 for the unauthorized payments made during the current audit period. We also recommend that the relief association be reimbursed \$800 for the unauthorized payments made during the prior audit period. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 118 and the relief association's bylaws. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(a) of Act 118 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 VII, Section 2 states, in part:

All expenditures must be approved by a majority vote at The Association meeting and duly recorded in the meeting minutes.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to maintain minutes in accordance with Act 118 and the relief association's bylaws.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We again recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118 and the relief association's bylaws. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – 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, these rosters were incomplete and did not accurately identify all of the \$31,919 of equipment purchased during the audit period. In addition, 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.

A similar condition was noted in our prior audit report.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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: Even though notified of this condition during our prior audit, relief association officials again 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 continued 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.

Recommendation: We again 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – 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>
07/11/18	1105	Training expense	\$ 15
08/09/18	1107	Insurance premium	9,798
08/09/18	1108	Equipment maintenance expense	110
08/09/18	1109	Equipment expense	3,744
09/20/18	1113	Equipment maintenance expense	691
09/20/18	1114	Fire prevention expense	700
09/20/18	1115	Equipment maintenance expense	2,364
Total			<u>\$ 17,422</u>

Criteria: Section 7418(a) of Act 118 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 invoices and/or itemized receipts, 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.

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, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. 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.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$17,422 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, as a result of our audit, the relief association provided this department with adequate supporting documentation for the \$17,422 in expenditures to ensure the propriety of the expenditures on December 18, 2019.

Auditor's Conclusion: We reviewed the supporting documentation received for the \$17,422 in expenditures verifying the propriety of the expenditures. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 63,278
Fair Value of Investments	<u>22,554</u>
Total Cash and Investments	<u><u>\$ 85,832</u></u>

DARBY TOWNSHIP VOLUNTEER FIREMEN’S RELIEF ASSOCIATION, INC.
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:

Insurance premiums	\$ 19,596
Death benefits	1,500
Tokens of sympathy and goodwill	84
Total Benefit Services	<u>\$ 21,180</u>

Fire Services:

Equipment purchased	\$ 31,919
Equipment maintenance	22,753
Training expenses	1,705
Fire prevention materials	3,673
Total Fire Services	<u>\$ 60,050</u>

Administrative Services:

Officer compensation **	\$ 2,800
Other administrative expenses	5,354
Bond premiums	697
Total Administrative Services	<u>\$ 8,851</u>

Other Expenditures:

NSF check *	<u>\$ 75</u>
Total Expenditures	<u><u>\$ 90,156</u></u>

* During 2017, the relief association deposited a \$75 loan payment which was returned and did not clear the bank. We disclosed this issue to relief association officials on November 15, 2019.

** The officer compensation may include \$200 of unauthorized payments – See Finding No. 1.

DARBY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Darby Township Volunteer Firemen's Relief Association, Inc. Governing Body:

Mr. Edward McBride
President

Mr. Eccelsiates Robinson
Vice President

Ms. Tina Mengini
Secretary

Mr. Luciano Neris
Treasurer

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

Ms. Beatrice Pope
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.