

COMPLIANCE AUDIT

Delaware Township Volunteer Firemen's Relief Association

Pike County, Pennsylvania

For the Period

January 1, 2019 to December 31, 2021

August 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. George Beodeker, President
Delaware Township Volunteer Firemen's
Relief Association
Pike County

We have conducted a compliance audit of the Delaware Township Volunteer Firemen's Relief Association (relief association) for the period January 1, 2019 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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, nor was it required to be, 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, 2019 to December 31, 2021:

- The relief association took appropriate corrective action to address the finding contained in our prior audit 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.

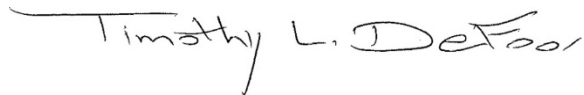
Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Inadequate Minutes Of Meetings

Finding No. 3 – Undocumented Expenditures

Finding No. 4 – Improper Equipment Donation Transaction

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.



Timothy L. DeFoor
Auditor General
July 5, 2022

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Delaware Township	Pike	\$44,131	\$44,292	\$39,245

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2021 was \$133,643, as illustrated below:

Cash	<u>\$ 133,643</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$169,051, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance 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.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:

Insurance premiums	\$ 24,405
Death benefits	4,000
Relief benefits	9,653
Tokens of sympathy and goodwill	314
Total Benefit Services	<u>\$ 38,372</u>

Fire Services:

Equipment purchased	\$ 94,064
Equipment maintenance	20,132
Training expenses	12,605
Total Fire Services	<u>\$ 126,801</u>

Administrative Services:

Officer compensation	\$ 2,100
Other administrative expenses	180
Bond premiums	800
Total Administrative Services	<u>\$ 3,080</u>

Other Expenditures:

Undocumented expenditures	\$ 367
Unauthorized expenditures	431
Total Other Expenditures	<u>\$ 798</u>

Total Expenditures	<u><u>\$ 169,051</u></u>
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⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

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:

Delaware Township Volunteer Fire Company

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
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 the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/05/2019	670	State inspection for fire company vehicle	\$ 70
03/05/2019	671	State inspection for fire company vehicle	56
11/09/2021	1007	State inspections for fire company vehicles	305
Total			<u>\$ 431</u>

Criteria: Section 7416(f) of the VFRA Act 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.

Costs associated with the payment of inspections for such fire company owned vehicles do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: Relief association officials indicated that the payment for the inspections resulted from a misinterpretation of the Act guidelines regarding expenses directly related to protecting firefighter safety through code/regulatory required inspections regardless of ownership of the equipment being inspected.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$431 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (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, the affiliated fire company reimbursed the relief association \$431 for the unauthorized expenditures on May 10, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$431 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Inadequate Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act. Although the relief association's minutes for 2019 were complete, the minutes for 2020 and 2021 did not address all of the financial-related transactions that occurred during the audit period and the minutes were not signed by the recording officer/secretary.

Criteria: Section 7415(a) of the VFRA Act 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 III, states:

The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at meetings.

Cause: Relief association officials indicated that this finding is directly related to the fact that the audit period covers meetings and activities/transactions that occurred during the COVID-19 pandemic.

Effect: Without detailed minutes of meetings that are signed and dated by the recording officer, evidence that relief association business was presented before the membership for approval does not exist.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings that are signed by the recording officer/secretary, evidencing the discussion and approval 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.

Finding No. 3 – 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>
02/17/2020	Debit	Relief benefit	\$ 149
04/26/2021	Debit	Training	44
04/26/2021	Debit	Training	116
12/16/2021	1020	Administrative expenditure	58
Total			<u>\$ 367</u>

Criteria: Section 7418(a) of the VFRA Act 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 supporting documentation be maintained to evidence the propriety of all financial transactions.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: The relief association officials stated that detailed receipts/invoices for the expenditures in question were misplaced or were inadequate/unsatisfactory as presented to the auditor to satisfy requirements. In one case a handwritten receipt and the other an electronic invoice from the vendor with no description was obtained and provided to the auditors.

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 the VFRA Act. 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.

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 \$367 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 affiliated fire company reimbursed the relief association \$367 for the undocumented expenditures on May 10, 2022 and June 10, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$367 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 4 – Improper Equipment Donation Transaction

Condition: The relief association improperly donated a 1992 Spartan Pumper truck to a local fire training center on April 12, 2018. Further, it should be noted that during the prior audit period, this vehicle was listed as being in service on the relief association's equipment roster but upon the completion of the current audit, our auditors found that the vehicle had been donated to a local fire training center during the prior audit period.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: Section 7418(a) of the VFRA Act 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.

In addition, Section 7416(f) of the VFRA Act states:

Funds of any volunteer firefighters' relief association may be spent:

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Furthermore, the relief association is not authorized to act as a donating agent for relief association-owned equipment that retains an appreciable value that can benefit the relief association in meeting its purpose under the VFRA Act. However, a relief association may donate relief association-owned equipment that is no longer in service or of use to that organization to another volunteer firefighter relief association within the Commonwealth of Pennsylvania, not another organization. Prudent business practice dictates that if such a donation of equipment occurs, an agreement documenting the transfer should be completed between the participating relief associations.

Cause: The relief association officials indicated that they believed the transaction was allowable based on a prior year conversation between the relief association and the Department of Community Economic Development (DCED). However, it should be noted that the relief association did not provide our auditors with sufficient evidence to support that DCED informed the relief association that the donation was considered an allowable transaction.

Effect: As a result of the improper equipment donation transaction, relief association funds were not available for authorized purposes.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association officials determine the fair value of the donated vehicle and be reimbursed for the improper equipment donation and that the relief association officials constrain any such donations of equipment to those not in use and only to another relief association with the Commonwealth of Pennsylvania. We also recommend that the relief association officials maintain supporting documentation, such as a donation agreement, for all future donations. Further, going forward, the relief association may want to consider consulting the Office of the State Fire Commissioner regarding obtaining an opinion concerning the permissibility of the relief association loaning relief association owned equipment that is determined to have a minimal value and determined as not in service use by the relief association, to entities such as local fire training centers for an established time period. The relief association must maintain and provide to our auditors such supporting documentation for review during the conduct of relevant audit engagements. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

Finding No. 4 – (Continued)

Management's Response: The relief association officials stated the following:

With regards to the assertion/determination by the auditor and regional manager that this donation was both "improper" and inaccurately valued – it should first be noted that this transaction and all activities surrounding it occurred during the period of the previous audit for the years of 2017-2018 and at the time the auditor assigned did not even check to validate that equipment was still present or this issue could have been addressed at that time. Prior to the donation in the Spring of 2018, the Relief Association contacted the Commonwealth to inquire if this "exception" to the regulations (regarding limiting donations of equipment to only other relief associations) was allowable since the receiving organization was not just a "training center" but the Pike County Training Center where all local fire company relief associations and their memberships would benefit from its use. Based on verbal direction and approval from Mr. Sanderson on behalf of the Commonwealth and interpretation of the Act - the company proceeded with the donation – in good faith that the donation was allowable. Documentation of all aspects of this correspondence and compliance with his directions on how to proceed (including email correspondence, notes from the phone conference and meeting minutes) was provided to both the current auditor and the regional manager, yet the donation from over four years ago and a previous audit period have been deemed improper. If that is so, the primary cause of this finding should be listed determined as Inaccurate and Incorrect Advice From A State Official Who Had On Several Previous Occasions In Prior Years Provided "Authorized" Consultation On Relief Matters/Questions With No Resulting Problems. With regards to "fair value" of the apparatus in question, documentation was provided to the authorities conducting the audit of the listing of the truck for sale by a nationally recognized used fire apparatus broker (previously used by the fire company for sale of equipment) beginning in fall of 2017 and the corresponding reduction in price to \$12,000 in December 2017 – 5 months before the donation was even considered as a last resort. Neither the relief association or fire company has any expertise or qualification to determine the market value of the equipment, we accept the broker's recommendation as "subject matter experts". It should be noted that while the truck was fully functional, it would not meet both NFPA and ISO guidelines having reached its expected service life of 25 years in 2017 – which is the primary reason we received no offers in response to the advertised sale.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

Finding No. 4 – (Continued)

Relief association officials further noted, in part:

There was no malice or bad intent in this action on the part of the association, simply inaccurate guidance.

Although relief association management disagreed with the finding as presented at the audit exit conference, as a result of our audit, on June 10, 2022, the affiliated fire company reimbursed the relief association \$12,000 for the improper equipment donation.

Auditor's Conclusion: As previously stated in the Criteria above, the relief association is not authorized to act as a donating agent for relief association-owned equipment that retains an appreciable value that can benefit the relief association in meeting its purpose under the VFRA Act. Although the relief association officials indicated that they maintained approval for this donation and that it was obtained from a representative of DCED, this could not be verified by our auditors due to the said representative no longer holding that position with DCED. As it relates to approval of the donation, our auditors were provided with handwritten notes affixed to emails relating to the matter that were not signed by the said representative. Prior DCED practice would be to provide an official email or letter of written approval of this type of transaction to the relief association, and likely an updating of the VFRA database website. While the relief association indicated that they received oral guidance from a Mr. Sanderson, they were unable to produce formal documented evidence to support their assertion. It is incumbent on the relief association to obtain and maintain documented evidence of such conversations, especially when the relief association knowingly asks to deviate from regulations. In addition, as noted in the above finding, the donated vehicle was determined to still be in operation during our prior audit. Had the donated vehicle been designated as non-operational, as it apparently should have been, the non-operational status would have been subject to evaluation during the prior audit. As such, we were not able to obtain documentation indicating that this was not an improper equipment donation under the VFRA Act and therefore, the finding remains as stated. We reviewed documentation supporting reimbursement for the improper donation on June 13, 2022. Compliance for future donation transactions will be reviewed during our next audit of the relief association.

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Delaware Township Volunteer Firemen's Relief Association Governing Body:

Mr. George Beodeker
President

Mr. Rich Englehardt
Vice President

Ms. Stacy Hughes
Secretary

Ms. Kim Beodeker
Treasurer

Mr. Ed Hammond
Trustee

Mr. Ryan Hammond
Trustee

Mr. Jacob Hendershot
Trustee

DELAWARE TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Mr. Rick Koehler
Secretary
Delaware 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.