

# COMPLIANCE AUDIT

---

## Palmer Township Fireman's Relief Association, Inc. Northampton County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

---

November 2019



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. Richard Rau, President  
Palmer Township Fireman's  
Relief Association, Inc.  
Northampton County

We have conducted a compliance audit of the Palmer Township Fireman'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 five findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the four remaining findings 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 – Noncompliance With Prior Audit Recommendation –  
Undocumented Expenditures

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

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

Finding No. 4 – Noncompliance With Prior Audit Recommendation –  
Inappropriate Ownership of Rescue Vehicle

All 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 fully 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.



EUGENE A. DEPASQUALE  
Auditor General

October 29, 2019

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Findings .....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures .....	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures .....	5
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster .....	7
Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inappropriate Ownership Of Rescue Vehicle.....	8
Potential Withhold of State Aid.....	10
Supplementary Financial Information .....	11
Report Distribution List .....	13

## 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>
Palmer Township	Northampton	\$140,763	\$128,336

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:

Palmer Municipal Fire Department

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure To Secure Ownership Interest In Jointly Purchased Vehicles and Equipment

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

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

- Unauthorized Expenditures

Although the relief association received reimbursement of \$2,068 from the affiliated fire company for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by Act 118 as further disclosed in Finding No. 2 of this report.

- Failure To Maintain A Complete And Accurate Equipment Roster

- Inappropriate Ownership Of Rescue Vehicle

Although the relief association officials did ensure that the title of the 2013 Ford rescue vehicle was transferred to the relief association, a similar condition occurred during the current audit period with another vehicle as further disclosed in Finding No. 4 of this report.

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.

PALMER TOWNSHIP FIREMAN’S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: The relief association again failed to provide adequate supporting documentation for undocumented expenditures totaling \$2,920 that were made during the prior audit period. In addition, 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>
09/11/17	2362	Training Vendor	\$ 1,275
05/02/18	2438	Equipment/Supplies Vendor	504
05/07/18	2439	Training Vendor	1,500
Total			<u>\$ 3,279</u>

As noted above, a similar condition was noted in our prior audit report.

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: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.



PALMER TOWNSHIP FIREMAN’S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

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. 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 and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$6,199 (\$2,920 + \$3,279) 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.

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

Condition: The relief association 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>
06/05/17	2326	Lodging for extra night in Pensacola, Florida	\$ 400
01/23/18	2402	Lodging for extra night in Pensacola, Florida	175
05/25/18	2450	Lodging for extra night in Pensacola, Florida	175
05/25/18	2452	Lodging for extra night in Pensacola, Florida	233
06/18/18	2459	Two infant/child smart pad AED cartridges	134
10/22/18	2493	Three infant/child smart pad AED cartridges	200
Total			\$ 1,317

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

A similar condition was noted in our prior audit report.

Criteria: Section 7416(f) of Act 118 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.

The extra nights of lodging did not occur immediately before the day training began nor did they occur the night the training concluded; therefore, these lodging costs do not qualify as authorized volunteer firefighters' relief association disbursements under Act 118. Costs associated with the purchase of infant/child AED smart pad cartridges 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.

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.

Recommendation: We recommend that the relief association be reimbursed \$1,317 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 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: 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.

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**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 a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. The relief association purchased \$201,406 of equipment during the current audit period, but the equipment for \$25,859 of those purchases was not properly accounted for on the relief association's equipment roster. 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.

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.

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

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.

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inappropriate Ownership Of Rescue Vehicle**

Condition: On April 13, 2017, the relief association solely purchased a rescue vehicle, in the amount of \$40,703, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the relief association and the affiliated fire company without any agreement enumerating the relief association's 100 percent ownership interest in the jointly purchased vehicle as well as stipulating that all of the proceeds upon sale of the vehicle shall revert to the relief association.

A similar condition was noted in our prior audit report.

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 only in the name of the relief association. If the title is in the name of the relief association and the affiliated fire company, an agreement should be in place that enumerates the relief association's 100 percent ownership interest in the vehicle as well as stipulating that all sales proceeds shall revert to the relief association in the event the vehicle is ever sold.

Cause: Relief association officials stated that they attempted but were not able to get the rescue vehicle titled in the name of the relief association because the PennDOT office would not title the vehicle solely in the name of the relief association. Relief association officials further stated that they were unaware of the necessity of executing an agreement with the fire company when the rescue vehicle could not be titled solely in the name of the relief association.

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the relief association and the affiliated fire company, and the lack of a related agreement enumerating the relief association's 100 percent ownership interest in the jointly purchased vehicle as well as that all of the proceeds upon sale of the vehicle shall revert to the relief association, this relief association asset was not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the rescue vehicle be titled only in the name of the relief association or that the relief association officials execute a formal written agreement with the affiliated fire company that enumerates the relief association's 100 percent ownership interest in the jointly purchased vehicle as well as stipulating that all sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$40,703. 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.

PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings such as those reported by Finding Nos. 1 and 4 may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action may 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.

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

Cash	\$ 157,801
Fair Value of Investments	<u>217,985</u>
Total Cash and Investments	<u>\$ 375,786</u>

PALMER TOWNSHIP FIREMAN'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	\$ 96,624
Relief benefits	3,109
Total Benefit Services	\$ 99,733
Fire Services:	
Equipment purchased	\$ 243,109
Equipment maintenance	10,981
Training expenses	39,372
Total Fire Services	\$ 293,462
Administrative Services:	
Other administrative expenses	\$ 1,192
Bond premiums	947
Total Administrative Services	\$ 2,139
Total Investments Purchased	\$ 25,000
Other Expenditures:	
Undocumented expenditures	\$ 3,279
Unauthorized expenditures	1,317
Total Other Expenditures	\$ 4,596
Total Expenditures	\$ 424,930



PALMER TOWNSHIP FIREMAN'S RELIEF ASSOCIATION, INC.  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Palmer Township Fireman's Relief Association, Inc. Governing Body:

**Mr. Richard Rau**  
President

**Mr. John Zwally**  
Vice President

**Mr. Stephen Gallagher**  
Secretary

**Mr. Kenneth Sobieski**  
Treasurer

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

**Mr. Robert Williams**  
Secretary  
Palmer Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).