

COMPLIANCE AUDIT

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

We have conducted a compliance audit of the Firefighter's Relief Association of Plumstead Township (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 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 three of the four findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 finding listed below and discussed later in this report.

Finding – Noncompliance With Prior Audit Recommendation – Duplicate Payment

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 response has 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.

January 29, 2020



EUGENE A. DEPASQUALE
Auditor General

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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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Bedminster Township	Bucks	\$ 22,220	\$ 20,504
Plumstead Township	Bucks	\$119,670	\$109,269
Solebury Township	Bucks	\$ 24,251	\$ 21,981
Tinicum Township	Bucks	\$ 5,587	\$ 4,721

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:

Plumsteadville Volunteer Fire Company

Point Pleasant Fire Company No. 1

Point Pleasant/Plumsteadville EMS

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By providing adequate documentation to evidence the propriety of the undocumented expenditures that were made in the prior audit period.

- Unauthorized Expenditures

By receiving reimbursement of \$2,188 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

- Inadequate Internal Controls

By adopting basic internal control procedures to safeguard relief association assets and provide reasonable assurance of the propriety of all relief association transactions.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Duplicate Payment

Although the relief association received partial reimbursement of \$884 for the duplicate payments that were made in the prior audit period, the relief association failed to obtain reimbursement for the remaining duplicate payment of \$182 made during the prior audit period as further disclosed in the finding of this report.

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

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Duplicate Payment

Condition: As disclosed in the Status of Prior Findings section of this report, although the relief association received partial reimbursement for two duplicate payments that were made in the prior audit period, the relief association failed to obtain reimbursement for the one remaining duplicate payment made during the prior audit period. On April 3, 2015, the relief association expended \$182 for equipment and, on June 11, 2015, the relief association erroneously made a duplicate payment for the same equipment. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment. The relief association failed to obtain reimbursement for the one remaining duplicate payment prior to the current audit period ending December 31, 2018.

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

Cause: Even though notified of this condition during our prior audit, the relief association failed to obtain reimbursement for all duplicate payments made during the prior audit period.

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

Recommendation: We recommend that the relief association be reimbursed \$182 for the erroneous duplicate payment. The relief association officials should consider contacting the vendor to recover the duplicate payment. In addition, the relief association officials should establish accounting and internal control procedures to monitor future relief association expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented and, as a result of our audit, the relief association received reimbursement of \$182 on February 4, 2020.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$182 was received. Compliance related to avoiding or recouping duplicate payments made during the next audit period will be subject to verification through our next audit.

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2018

Cash	\$ 160,671
Fair Value of Investments	<u>1,360,767</u>
Total Cash and Investments	<u>\$ 1,521,438</u>

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	\$ 90,411
Relief benefits	26,155
Total Benefit Services	\$ 116,566
Fire Services:	
Equipment purchased	\$ 118,709
Equipment maintenance	63,361
Training expenses	7,717
Total Fire Services	\$ 189,787
Administrative Services:	
Officer compensation	\$ 1,797
Other administrative expenses *	21,069
Total Administrative Services	\$ 22,866
Total Investments Purchased	\$ 185,597
Total Expenditures	\$ 514,816

* A portion of the miscellaneous expenditures represents brokerage fees from the investment account totaling \$14,062. These fees are included in the expenditures due to the relief association writing checks directly from the investment account.

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Firefighter's Relief Association of Plumstead Township Governing Body:

Mr. Charles Rumble
President

Mr. Scott Fleisher
Vice President

Mr. John Kalix
Secretary

Mr. Darrin Bodisch
Treasurer

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

Ms. Jean L. Herstine
Secretary
Bedminster Township

Mr. Ken Lichtenstein
Secretary
Plumstead Township

Ms. Catherine Cataldi
Secretary
Solebury Township

Ms. Teri Lewis
Secretary
Tinicum Township

FIREFIGHTER'S RELIEF ASSOCIATION OF PLUMSTEAD TOWNSHIP
REPORT DISTRIBUTION LIST

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.