

COMPLIANCE AUDIT

The Ridley Township Volunteer
Firemen's Relief Association of
Ridley Township,
Delaware County, Pennsylvania
For the Period
January 1, 2018 to December 31, 2020

October 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Joseph Hudyma, President
The Ridley Township Volunteer Firemen's
Relief Association of Ridley Township,
Delaware County, Pennsylvania

We have conducted a compliance audit of The Ridley Township Volunteer Firemen's Relief Association of Ridley Township, Delaware County, Pennsylvania (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, 2018 to December 31, 2020.

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.

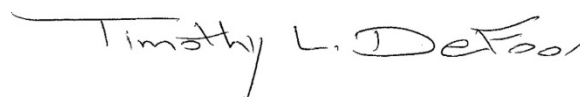
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Because of the significance of the matter described in Finding No. 1 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 –
Inappropriate Ownership Of Rescue Vehicle

Finding No. 2 – Duplicate Payment

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.



September 23, 2021

Timothy L. DeFoor
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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Ridley Township	Delaware	\$152,838	\$166,422	\$167,563

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$310,667, as illustrated below:

Cash	\$ 220,136
Fair Value of Investments	<u>90,531</u>
Total Cash and Investments	<u><u>\$ 310,667</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$564,201, 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.¹ **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	\$	41,171
Death benefits		11,000
Tokens of sympathy and goodwill		89
Total Benefit Services	\$	<u>52,260</u>

Fire Services:

Equipment purchased	\$	356,861
Equipment maintenance		38,006
Training expenses		7,960
Fire prevention materials		1,379
Total Fire Services	\$	<u>404,206</u>

Administrative Services:

Officer compensation	\$	5,700
Other administrative expenses*		25,826
Bond premiums		1,605
Total Administrative Services	\$	<u>33,131</u>

Total Investments Purchased	\$	<u>71,788</u>
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Other Expenditures:

Duplicate expenditure (See Finding No. 2)	\$	<u>2,816</u>
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Total Expenditures	\$	<u><u>564,201</u></u>
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* Portions of the other administrative expenditures include \$13,025 for phone and data plans, \$3,237 for electricity for the compressor, \$2,560 for website maintenance and \$1,957 for dispatch service.

¹ 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 organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Folsom Fire Company No. 1

Holmes Fire Company

Leedom Fire Company

Milmont Park Fire Company

SM Vauclain Fire Company

Woodlyn Fire Company

THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Inappropriate Ownership Of Rescue Vehicle

The relief association provided two titles issued in the name of the relief association to satisfy the prior audit potential withhold finding on August 17, 2018; however, the relief association again paid for a vehicle that was titled in the name of the affiliated fire company as detailed in Finding No. 1 in the Findings and Recommendations section of this report.

THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inappropriate
Ownership Of Rescue Vehicle**

Condition: On June 2, 2017, a lease purchase agreement for a rescue vehicle was satisfied. This agreement was in the name of an affiliated fire company; however, all payments for this agreement, totaling \$185,367, were made by the relief association. The title of this vehicle was inappropriately issued in the name of the fire company.

A similar condition was noted in our prior audit report for two other vehicles that were purchased by the relief association.

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 officials were unaware that the vehicle was not properly titled to the relief association.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the fire company, 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 in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$185,367. 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.

THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Duplicate Payment

Condition: On February 10, 2018, the relief association expended \$2,816 for an equipment purchase. On May 7, 2018, 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.

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

Cause: The relief association officials were unaware that a duplicate payment was made. Once it was brought to their attention during our audit, it was discovered that the vendor applied the duplicate payment to a fire company obligation.

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 \$2,816 for the erroneous duplicate payment. The relief association officials should consider contacting the affiliated fire company for reimbursement. 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 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.

THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is 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.

THE RIDLEY TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF
RIDLEY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Ridley Township Volunteer Firemen's Relief Association of Ridley Township, Delaware
County, Pennsylvania Governing Body:

Mr. Joseph Hudyma
President

Mr. Michael Poltrock
Vice President

Mrs. Kathleen Salmieri
Secretary

Mr. Richard Holmes
Treasurer

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

Mr. Joseph A. Ryan
Secretary
Ridley 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.