

COMPLIANCE AUDIT

Rush Township Volunteer Firemans' Relief Association

Dauphin County, Pennsylvania

For the Period

January 1, 2017 to December 31, 2018

December 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Dean L. Bender, President
Rush Township Volunteer Firemans'
Relief Association
Dauphin County

We have conducted a compliance audit of the Rush Township Volunteer Firemans' Relief Association (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 two of the five 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 – Relief Association Checking Account Inappropriately Registered Under Another Entity’s Name and Federal Tax ID Number

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage

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

Finding No. 4 – Failure To Adhere To Relief Association Bylaws

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.

October 29, 2019



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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>
Rush Township	Dauphin	\$1,239*	**

* Although Rush Township prepared and returned a Certification Form AG 385 for 2017, the date the township distributed the 2017 state aid to the relief association could not be determined because the township failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the 2017 state aid allocation received by the township disclosing this information.

Rush Township is still required to submit a 2017 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this Department as soon as possible.

** Concurrent with the ongoing withholding of the former relief association’s allocation of foreign fire state aid tax funds of 2018, which represented 100 percent of state aid allocations to the municipality, there was no distribution of state aid to Rush Township during 2018.

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:

Orwin Fire Company

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Untimely Deposit Of State Aid

By timely depositing all income received.

- Failure To Obtain A Federal Tax Identification Number

By obtaining a federal tax identification number and furnishing it to the financial institution in which the relief association maintains funds.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Relief Association Cash Account Inappropriately Registered Under Another Entity's Name And Federal Tax ID Number

- Failure To Maintain Surety (Fidelity) Bond Coverage

- Failure To Maintain A Complete And Accurate Membership 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.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Relief Association Checking Account Inappropriately Registered Under Another Entity's Name And Federal Tax Identification Number

Condition: As of December 31, 2018, the relief association held a checking account with a total cash value of \$3,174, which was inappropriately registered under the municipality's name and federal tax identification number rather than the relief association's name and identification number. This account represents 94 percent of the relief association's total assets.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association maintain ownership of all checking accounts (and investments) as a means of safeguarding its assets from unauthorized use or disposition.

Cause: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures to ensure that the cash account was registered with the relief association's name and federal tax identification number.

Effect: As a result of the cash account being inappropriately registered under another entity's name and federal tax identification number, this relief association asset was not properly safeguarded.

Recommendation: We again recommend that the relief association officials secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all cash accounts (and investments) are registered under the relief association's name and federal tax identification number. 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 secured ownership rights to the checking account.

Auditor's Conclusion: We reviewed documentation verifying that the relief association's checking account is now registered under the relief association's name and federal tax identification number. Continued compliance will be subject to verification through our next audit.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association has never purchased a surety bond. As of December 31, 2018, the relief association's cash assets totaled \$3,364.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(c)(4) of Act 118 states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to comply with the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We again recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by Act 118. 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.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

A similar condition was noted in our prior audit report.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Even though notified of this condition during our prior audit, relief association officials again neglected to maintain a comprehensive roster of relief association members.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We again recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – 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 following membership bylaw stipulations by having officers of the relief association who may not be members of the Orwin Fire Company be identified in the relief association's officers' roster as members of the fire company. In addition, there was no documentation to support that officers' nomination and voting provisions were followed.

Criteria: The relief association's bylaws stipulate the following:

Article 1, Section 2 – The membership of this association shall consist of any person who is an active firefighter or life member in good standing, of the Orwin Fire Company. They shall have all voting privileges concerning the business and the election of officers of the Rush Township Volunteer Firefighters' Relief Association.

Article III, Section 2 – Officers shall be responsible for a one-year term by a majority vote of the membership. Nomination for all officers shall be made at the last quarterly meeting of the calendar year. Officers shall be installed at the regular January meeting.

In addition, Section 7415(c) (5) of Act 118, stipulates that the relief association's bylaws should include the following provisions:

State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, according to the provisions which have been made for establishment of those positions.

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: Relief association officials indicated that they were unaware of the bylaw stipulation established by the relief association and the requirements of Act 118.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws and the requirements of Act 118, the relief association may have conducted its affairs without proper authorization.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association officials review the requirements of the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws and the requirements of Act 118 in order to assure that the association conducts its affairs with proper authorization. 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.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2018

Cash	<u>\$ 3,364</u>
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RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Administrative Services:

Other administrative expenses *	<u>\$ 772</u>
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* The relief association purchased a laptop computer (cost \$582) and unnecessary software (cost \$190) for the amount listed above. The relief association returned the software and received a \$190 credit in the form of a gift card for the returned items. While the relief association provided a copy of a return credit slip that indicated that, as of December 31, 2018, the relief association had a gift card with a cash balance of \$190, we were not able to verify that portion of the gift card balance.

RUSH TOWNSHIP VOLUNTEER FIREMANS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Rush Township Volunteer Firemans' Relief Association Governing Body:

Mr. Dean L. Bender
President

Mr. Bruce Messersmith
Vice President

Mr. Michael C. Brennan
Secretary

Ms. Katie N. Brennan
Treasurer

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

Ms. Katie N. Brennan
Secretary
Rush 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.