

COMPLIANCE AUDIT

Tinicum Firemen's Relief Association of Tinicum Township, Delaware County and Pennsylvania For the Period January 1, 2018 to December 31, 2021

May 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jonathan Buschmeier, President
Tinicum Firemen's Relief Association
of Tinicum Township, Delaware
County and Pennsylvania

We have conducted a compliance audit of the Tinicum Firemen's Relief Association of Tinicum Township, Delaware County and Pennsylvania (relief association) for the period January 1, 2018 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.

We were not able to obtain an independent confirmation of a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided investment statements that indicated that, as of December 31, 2021, the relief association had an investment balance with a fair value of \$166,377, we were not able to verify a portion of this investment balance.

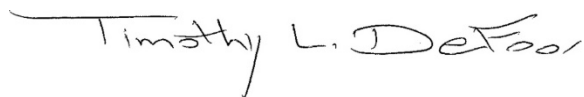
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2018 to December 31, 2021:

- 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 – Inadequate Relief Association Bylaws

Finding No. 2 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

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
April 29, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	4
Findings and Recommendations:	
Finding No. 1 – Inadequate Relief Association Bylaws	5
Finding No. 2 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number	7
Report Distribution List	9

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>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Tinicum Township	Delaware	\$37,544	\$42,138	\$41,817	\$38,709

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 and investments as of December 31, 2021 were \$243,628, as illustrated below:

Cash	\$ 77,251
Fair Value of Investments	<u>166,377</u>
Total Cash and Investments	<u>\$ 243,628</u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$118,784, 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:	
Death benefits	\$ 26,000
Tokens of sympathy and goodwill	<u>291</u>
Total Benefit Services	<u>\$ 26,291</u>
Fire Services:	
Equipment purchased	\$ 35,203
Equipment maintenance	40,139
Training expenses	<u>5,810</u>
Total Fire Services	<u>\$ 81,152</u>
Administrative Services:	
Other administrative expenses*	\$ 10,509
Bond premiums	<u>832</u>
Total Administrative Services	<u>\$ 11,341</u>
Total Expenditures	<u>\$ 118,784</u>

* A majority of the other administrative expenses represent monthly cell phone bills in the amount of \$2,320 and copier lease and copies in the amount of \$7,831 for the four year audit period.

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:

Tinicum Township Fire Company

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
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:

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the relief association do not clearly address all of the provisions required by Section 7415(c) of the VFRA Act considered to be beneficial to the operation of relief associations. Specifically, the bylaws do not address:

- The correct wording for the death benefits offered to the relief association members. The bylaws are inconsistent and refer to insured death benefits (life insurance policies) instead of the revised cash payment benefits. (Emphasis added.)
- The defined job duties of the Solicitor.
- The correct reference change from Act 84 to the VFRA Act.

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws should include the following provisions:

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there be different classes, and conditions under which membership may be terminated.
- (10) Contain such other provisions to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Additionally, Section 7413 of the VFRA Act states that funds shall be available:

- (3) For payment, either by insurance or by operation of a beneficial fund, of a sum certain to designated beneficiaries of a participating member following the death of a member for any cause and to establish criteria which members must meet in order to qualify as participants in a death benefit fund. (Emphasis added.)

Furthermore, prudent business practice dictates that when a relief association offers death benefits, or any other type of discretionary benefit provided by the VFRA Act, it should establish a precedent for those benefits being offered. Such a precedent should be documented in the bylaws, a formal association policy, or in the official meeting minutes. The formal approval is necessary to clarify the types and amounts of benefits offered to its membership as well.

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

The relief association's bylaws at Article II states, in part:

The officers of this Association shall be President, Vice-President, Secretary, Treasurer, Trustees consisting of five (5) members and Solicitor.

In addition, the relief association's bylaws at Article VIII (A) states:

Members of the Association will be eligible for death benefits after being a member of the Tinicum Fireman's Relief Association for one- (1) year (365 days). After the one- year has been served, the member is now eligible for the current insured death benefit of the Tinicum Fireman's Relief Association, the amount not to be less than \$1500.00. [*Sic*] (Emphasis added.)

Furthermore, the relief association's bylaws at Article VIII (B), amended on September 6, 2018 states, in part:

The Association will provide a death benefit for all eligible members of the Relief Association funded by the Treasury of the Association. The death benefit for eligible members shall be in the amount of two thousand (\$2,000) dollars. An eligible member of the Relief Association MUST have a valid Tinicum Firemens Relief Association Beneficiary Form on file with the Relief Association Secretary in order for the death benefit to be paid. To initiate the process of requesting a death benefit claim, the beneficiary must present a valid death certificate along with a request in writing to the Relief Association Secretary. In order to ensure that there are sufficient funds available to pay death benefit claims, the Treasurer shall ensure that there is at least \$12,000.00 (twelve thousand dollars) always available in the Relief checking account **without having to have to liquidate investments.**

Cause: Relief association officials indicated that they were unaware of the required bylaw provisions established by the VFRA Act.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of 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. 2 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Condition: As cited as a verbal observation in our prior audits, the relief association failed to maintain a Pennsylvania sales tax exemption number. Although the relief association did have its own sales tax exemption number, it expired on August 31, 2004, and is no longer valid.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: Relief association officials indicated that as of a few years ago they were exempt and did not believe they needed a sales tax number.

Effect: As a result of the relief association's failure to maintain a sales tax exemption number, the relief association may be required to pay Pennsylvania sales tax on their purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We again recommend that the relief association officials immediately reapply for a new state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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.

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
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

Tinicum Firemen's Relief Association of Tinicum Township, Delaware County and
Pennsylvania Governing Body:

Mr. Jonathan Buschmeier
President

Mr. Raymond Lonabaugh
Vice President

Ms. Rachel Keenan
Secretary

Mr. Steve Giancristoforo
Treasurer

Mr. Michael Golden
Trustee

Mr. Kevin Lincoln
Trustee

Mr. Louis Clarke, Jr.
Trustee

Mr. Thomas Badey
Trustee

Mr. Walter Lee, Sr.
Trustee

TINICUM FIREMEN'S RELIEF ASSOCIATION OF TINICUM TOWNSHIP,
DELAWARE COUNTY AND PENNSYLVANIA
REPORT DISTRIBUTION LIST

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

Mr. David D. Schreiber
Secretary
Tinicum 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.