



**DARBY TOWNSHIP FIREMEN'S RELIEF ASSOCIATION INC. OF
DARBY TOWNSHIP, DELAWARE COUNTY, PENNSYLVANIA**

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2009 TO DECEMBER 31, 2011



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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 Darby Township Firemen's Relief Association Inc. of Darby Township, Delaware County, Pennsylvania, herein referred to as Darby Township Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts 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 the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality. The Darby Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Darby Township	Delaware	\$50,095	\$56,385	\$84,753

BACKGROUND (Continued)

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The Darby Township Volunteer Firefighters' Relief Association is affiliated with the following fire service organizations:

Briarcliffe Fire Company
Darby Township Volunteer Fire Company No. 4
Goodwill Fire Company No. 1



**Commonwealth of Pennsylvania
Department of the Auditor General
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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Tyrone A. Fitzgerald, President
DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Delaware County

We have conducted a compliance audit of the Darby Township Volunteer Firefighters' 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, 2009 to December 31, 2011.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Darby Township Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's

compliance with those requirements and that we considered to be significant within the context of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Darby Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Darby Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period January 1, 2009 to December 31, 2011, found the Darby Township Volunteer Firefighters' Relief Association, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the Darby Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$44,764 and an investment balance with a fair value of \$35,006.

Finding No. 1 – Inappropriate Payment of Relief Benefits

Finding No. 2 – Inadequate Investment Records

Finding No. 3 – Failure to Maintain a Complete and Accurate Membership Roster

The contents of this report were discussed with the management of the Darby Township Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

December 5, 2012

EUGENE A. DEPASQUALE
Auditor General

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inappropriate Payment of Relief Benefits

Condition: During the audit period, the relief association inappropriately paid \$3,500 in relief benefits to three members. Two members received financial assistance to help pay funeral expenses for relatives. These two members each received a \$1,000 payment that constituted hardship benefits. The third member received two financial hardship payments, one for \$1,000 and the other for \$500 due to suffering from a severe illness. However, these relief benefits were paid without the members meeting specified criteria of the relief association bylaws. In addition, the dollar amount of each of these benefit payments are not specified in the relief association's bylaws or documented in the meeting minutes. Furthermore, these benefits were paid without meeting the criteria specified in Act 118.

Relief association officials stated that the relief association was permitted to provide these benefits by Article IX, Section 6, of the relief association's bylaws.

Article IX, Section 6, of the relief association bylaws states:

“All members of the association who have been members for a minimum period of four (4) years may qualify for benefits as determined by the annual budget of the association, to reimburse expenses, in part, or in their entirety, based upon financial condition of the association at the time, for any personal hardship or illness suffered by a member while said member is one in good standing.

To qualify, those personal hardships must prohibit the member from effectively performing the duties expected of a member. Personal hardships may be, but not limited to: alcoholism, substance abuse, critical incident stress and other personal problems that adversely effect fire department work performance which may be restored by personal counseling.

These benefits shall be made available only to the extent of any insurance provided for these matters and/or the annual amount budgeted for self-insured benefits each year. These benefits shall be determined in accordance to each company's policies regarding alcohol, substance abuse, critical incident stress and other matters, which could result in undue stress and poor job performance. This benefit will be one of the last lines of defense in restoring a suspended member's performance to good standing in lieu of expulsion for any violations stemming from these kinds of incidents.”

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

However, the relief association was unable to provide adequate supporting documentation to substantiate that the members receiving these benefits met the qualifications included in the relief association's bylaws, specifically:

- The member is required to be a member in good standing for a minimum of four (4) years; and
- The personal hardship must prohibit the member from effectively performing the duties expected of the member.

Furthermore, our ability to verify that these members were members in good standing was affected because the membership roster provided for the current audit period lacked required information. Deficiencies found in the relief association's membership roster are detailed in Finding No. 3 of this report.

Membership rosters provided for our prior and current audits listed one of the three members receiving these payments on a 2009 membership roster as joining the relief association in 1979 and the second member was listed on a 2005 membership roster as having joined the relief association in 1984. However, the third member was not listed on any membership rosters dating back as far as 2001.

Additionally, in no instance were we provided any documentation evidencing that the hardship prohibited the members from effectively performing the duties expected of them.

Criteria: Act 118 at 35 Pa. C.S. § 7413 Statement of Purpose and § 7413 (5) states:

The purpose of this subchapter is to encourage individuals to take part in the fire services as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure, as far as circumstances will reasonably permit, that funds shall be available for the protection of volunteer firefighters and their heirs in order to provide:

- (5) Financial assistance to volunteer firefighters who, after having actively participated in the fire service for a specified minimum term, are no longer physically able to continue participation and are in need of financial assistance.

In addition, prudent business practice dictates that amounts to be paid as relief benefits should be specified and that payments should be distributed in an equitable manner to all relief members who qualify for such payments.

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: Management of the relief association believed that its benefit program was allowed and clearly defined in the relief association's bylaws. However, relief association officials were not aware of the criteria for relief benefits required by Act 118.

Effect: The relief association is making relief association benefit payments to persons who may not meet the criteria specified the relief association's bylaws and the requirements of Act 118. Also, as a result of these inappropriate payments, relief funds were not available for investment purposes or to pay for other expenditures authorized by Act 118.

Recommendation: We recommend that the relief association perform the following:

- Discontinue making hardship payments until the relief association has amended its bylaws to be in accordance with the requirements of Act 118 regarding the specific criteria to be met before hardship payments can be made;
- Complete and maintain documentation regarding the conditions that result in hardship and how the condition prohibits affected members' active service as volunteer firefighters; and
- Complete and maintain documentation regarding the amounts to be paid for specified and allowable hardship conditions.

Finally, all approved hardship benefits or any other discretionary benefits should be in accordance with the provisions of Act 118. For additional guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Volunteer firefighters' relief association's management agreed with the finding as presented at the audit exit conference and stated they will take action to comply.

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Investment Records

Condition: Relief association officials did not maintain adequate records of investments purchased and sold. Specifically, while relief association officials maintained an investment roster, they failed to record all investment transactions occurring after June 2009. During the current audit period, the relief association made seven investment transactions that were not documented on the investment roster.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Additionally, sound accounting procedures for investment purchases and sales should include the recording of the following:

- Date of purchase or sale of the security;
- Identification number of the security;
- Rate of interest;
- Date of receipt of interest income; and
- Date of maturity.

Cause: Relief association officials failed to establish adequate accounting procedures to record the transactions of each investment.

Effect: The failure to maintain an adequate record-keeping system for investment transactions prevents officials from effectively monitoring the relief association's financial position.

Recommendation: We recommend the relief association take the necessary steps to record all investments purchased and sold, and identify the source and amount of investment income, so that all investment transactions are 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.

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain a Complete and Accurate Membership Roster

Condition: The relief association officials failed to maintain a complete and accurate roster of relief association members. While the relief association provided rosters for the three affiliated fire companies, two of the affiliated companies failed to identify the mailing addresses, dates of birth, dates of membership, and classification status of member.

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; and
- 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: Relief association officials were unaware that they should 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 (see related issue in Finding No. 1 of this report).

Recommendation: We recommend 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.

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2011

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 31,317
Death benefits	1,500
Relief benefits	3,989
Tokens of sympathy and goodwill	171
Total Benefit Services	\$ 36,977
Fire Services:	
Equipment purchased	\$ 78,582
Equipment maintenance	41,271
Training expenses	3,881
Fire prevention materials	4,816
Total Fire Services	\$ 128,550
Administrative Services:	
Officer compensation	\$ 4,500
Other administrative expenses	715
Total Administrative Services	\$ 5,215
Total Investments Purchased:	\$ 60,000

ACCOMPANYING EXPENDITURE INFORMATION

DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2011 (Continued)

Other Expenditures:	
Principal payments on lease-financing	\$ 5,398
Interest payments on lease-financing	<u>326</u>
Total Other Expenditures	<u>\$ 5,724</u>



DARBY TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Darby Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Tyrone A. Fitzgerald, President

Mr. Charles Wynn, Vice President

Mr. Joseph E. Leicht, III, Secretary

Mr. Larry M. Lemmon, Treasurer

Mr. James Cole, Former President

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

Mr. Thomas J. Judge, Sr., Secretary
Darby Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.