

# COMPLIANCE AUDIT

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## Lower Chichester Firemens Relief Association

Delaware County, Pennsylvania  
For the Period  
January 1, 2018 to December 31, 2020

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September 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Mark Lamplugh, President  
Lower Chichester Firemens Relief  
Association  
Delaware County

We have conducted a compliance audit of the Lower Chichester Firemens 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, 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 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, 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 copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by Act 118.

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 findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 – Failure To Secure Ownership Of Assets

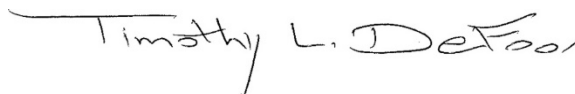
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws

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

Finding No. 4 – Untimely Receipt And Deposit Of State Aid

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 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.



August 27, 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.

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>
Lower Chichester Township	Delaware	\$14,745*	\$16,418	\$16,535

\* The 2018 state aid allocation from Lower Chichester Township was not disbursed to the relief association until January 4, 2019 as disclosed in Finding No. 4 in this report.

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$26,832, as illustrated below:

Cash	\$ 21,712
Fair Value of Investments	<u>5,120</u>
Total Cash and Investments	<u>\$ 26,832</u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$49,043, 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.<sup>1</sup> **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	\$ 20,373
Tokens of sympathy and goodwill	<u>470</u>
Total Benefit Services	<u>\$ 20,843</u>
Fire Services:	
Equipment purchased	\$ 5,022
Equipment maintenance	14,918
Training expenses	5,337
Fire prevention materials	<u>1,603</u>
Total Fire Services	<u>\$ 26,880</u>
Administrative Services:	
Other administrative expenses	\$ 375
Bond premiums	<u>750</u>
Total Administrative Services	<u>\$ 1,125</u>
Other Expenditures:	
Undocumented expenditure*	<u>\$ 195</u>
Total Expenditures	<u>\$ 49,043</u>

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<sup>1</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

## **BACKGROUND – (Continued)**

\* The relief association was unable to provide adequate supporting documentation evidencing the propriety of an insignificant expenditure amounting to \$195 made during 2019. We disclosed this issue to relief association officials during the conduct of our audit.

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:

Lower Chichester Fire Company No. 1

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Secure Ownership Of Assets
- Inadequate Relief Association Bylaws
- Failure To Maintain A Complete And Accurate Equipment 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.



LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Of Assets**

Condition: The relief association held cash and investments inappropriately registered under an unknown employer tax identification number. As of December 31, 2020, the relief association held equity investments totaling \$5,120, a brokerage depository account of \$5,008 and an interest bearing checking account with a balance of \$16,704, which were all inappropriately registered under an unknown employer tax identification number. These assets represent 100 percent of the relief association's total monetary assets.

A similar condition was noted in our three prior audit reports.

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

Cause: The relief association officials stated that they thought the correct EIN was on the accounts; however, relief officials failed to register the account with the correct EIN.

Effect: As a result of the investments being inappropriately registered under a federal tax identification number that is not associated with the relief association, these relief association assets were not properly safeguarded and federal tax withholding has been placed on the interest bearing account of the relief association.

Recommendation: We again recommend that the relief association secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all bank 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 indicated they will request a letter with the correct EIN.

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 the audit report. Compliance with the finding recommendation will be subject to verification through our next audit.

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws**

Condition: The existing bylaws of the relief association do not contain all of the provisions required by Section 7415(c) of Act 118 and considered to be beneficial to the operation of relief associations. Specifically, the bylaws do not address the procedure to be followed in nominating and electing officers, trustees, directors, and members of any executive committee and all elective positions. Further, the position of Head Trustee has not been filled.

A similar condition was noted in our three prior audit reports.

Criteria: Section 7415(c) of Act 118 states that the relief association’s bylaws shall:

- (1) 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.

In addition, Article III, Section 1 of the relief association bylaws states:

The elective officers of this association shall be, President, Vice-President, Treasurer, Recording Secretary and Head Trustee.

Cause: The current relief association officials thought that the bylaws were in order and that all required positions elected.

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.

Recommendation: We again recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 118 and properly authorize the operating procedures of the relief association. In addition, elections should be held for all required positions set forth in the relief association bylaws. 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 by amending the current bylaws.

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.

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: The relief association did not maintain a complete and accurate roster of equipment owned by the relief association. Equipment has not been recorded to an equipment roster since 2016. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all equipment owned by the relief association.

A similar condition was noted in our two prior audit reports.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials stated that most of the equipment was not purchased with relief funds but were purchased by grants received by the fire company, and as a result of the mixed purchases items were missed and not added to the equipment roster.

Effect: The continued failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be 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 by updating the equipment roster with equipment purchased by the relief.

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.

**Finding No. 4 – Untimely Receipt And Deposit Of State Aid**

Condition: Lower Chichester Township failed to forward the 2018 state aid allocation to the relief association within 60 days of receipt, which resulted in the untimely deposit of state aid into the relief association’s account. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 17, 2018, however, the funds were not distributed to the relief association until January 4, 2019, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Since there was no documentation indicating that the relief association attempted to retrieve the funds, the relief association did not ensure the funds were received and deposited timely. Upon receipt of the state aid allocation, the relief association deposited the funds into a relief association account on January 22, 2019.

Criteria: The municipal secretary is required to forward the tax allocation to the relief association within 60 days of receipt, as required by Section 706 (b)(c) of Act 205 of December 18, 1984, (P.L. 1005, No. 205). Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: The relief association officials did not provide a reason for why there was no contact made with the municipality to attempt to retrieve the state aid funds during the audit period.

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Effect: As a result of the state aid not being received and deposited timely, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend relief officials monitor the municipality's distribution of state aid allocations and that the relief association officials adopt internal control procedures documenting the timely receipt and deposit of all future income received, including their attempts to ensure the timely receipt and deposit of all future income is received. 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.

LOWER CHICHESTER FIREMENS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Lower Chichester Firemens Relief Association Governing Body:

**Mr. Mark Lamplugh**  
President

**Mr. Michael Elder**  
Vice President

**Ms. Michelle Hibbs**  
Secretary

**Ms. Jeanine Walker-Porter**  
Treasurer

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

**Mr. Joseph Possenti, Jr.**  
Secretary  
Lower Chichester Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).