

COMPLIANCE AUDIT

Plymouth Township Firemen's Union and Relief Association of Plymouth Township, Montgomery County, Pennsylvania

For the Period
January 1, 2018 to December 31, 2019

March 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. John Heleniak, Jr., President
Plymouth Township Firemen's Union and
Relief Association of Plymouth Township,
Montgomery County, Pennsylvania

We have conducted a compliance audit of the Plymouth Township Firemen's Union and Relief Association of Plymouth Township, Montgomery 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, 2019.

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.

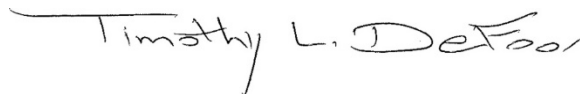
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2019:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matters described in the findings 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 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Finding No. 2 – Unauthorized Expenditures

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

February 16, 2021

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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>
Plymouth Township	Montgomery	\$145,766	\$164,479

Based on the relief association’s records, its total cash and investments as of December 31, 2019 were \$825,916, as illustrated below:

Cash	\$ 16,803
Fair Value of Investments	<u>809,113</u>
Total Cash and Investments	<u><u>\$ 825,916</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2019 were \$675,919, 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	\$ 29,177
Death benefits	9,000
Relief benefits	12,400
Total Benefit Services	<u>\$ 50,577</u>

Fire Services:

Equipment purchased	\$ 207,639
Equipment maintenance	74,110
Training expenses	25,696
Total Fire Services	<u>\$ 307,445</u>

Administrative Services:

Officer compensation	\$ 2,490
Other administrative expenses	4,694
Bond premiums	368
Total Administrative Services	<u>\$ 7,552</u>

Total Investments Purchased	<u>\$ 310,245</u>
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Other Expenditures:

Unauthorized expenditure *	<u>\$ 100</u>
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Total Expenditures	<u><u>\$ 675,919</u></u>
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* The remaining \$5,700 of unauthorized expenditures were expended subsequent to the current audit period as further disclosed in Finding No. 2 of this report.

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:

Harmonville Fire Co No 1

Plymouth Fire Co No 1

PLYMOUTH TOWNSHIP FIREMEN'S UNION AND RELIEF ASSOCIATION OF
PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By providing adequate supporting documentation and executing two formal written agreements between the affiliated fire companies and the relief association assigning ownership of the radios to the relief association.

- Failure To Secure Ownership Interest In Jointly Purchased Equipment

By executing two formal written agreements between the affiliated fire companies and the relief association assigning ownership to the relief association.

- Failure To Disclose Related Party Transactions

By adopting internal control procedures to ensure that any related party situation and/or transaction is voted on by the membership and documented in the meeting minutes.

PLYMOUTH TOWNSHIP FIREMEN'S UNION AND RELIEF ASSOCIATION OF
PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

Condition: In 1999, the relief association had expended \$49,575 towards the purchase of safeguard equipment identified as “Contract F4113” on a fire company owned vehicle known as Squirt 43 which had a total cost of \$337,543. The relief association entered into an agreement with the affiliated fire company dated January 16, 2006 where the relief association would receive the pro-rata share percentage of 14.69% if the vehicle was ever sold. On July 24, 2018, the vehicle was sold for \$70,000; however, the relief association did not receive and deposit its \$10,283 proportional ownership interest share of the proceeds from the sale of the jointly purchased vehicle.

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Relief association officials did not provide a reason for why this occurred.

Effect: The failure to receive and deposit the proceeds from the sale of a jointly purchased vehicle with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

PLYMOUTH TOWNSHIP FIREMEN’S UNION AND RELIEF ASSOCIATION OF
 PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
 FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$10,283 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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.

Finding No. 2 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during and subsequent to the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/22/2018	1056	First aid training – career firefighter	\$ 50
03/22/2018	1056	First aid training – career firefighter	50
05/14/2020	1198	Personal loan to relief member *	<u>5,700</u>
		Total	<u>\$ 5,800</u>

* During 2020, the relief association collected payments on this personal loan totaling \$866, leaving an outstanding balance of \$4,934 due to the relief association.

PLYMOUTH TOWNSHIP FIREMEN'S UNION AND RELIEF ASSOCIATION OF
PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7416(f) of Act 118 states:

The funds of any volunteer firefighters' relief association may be spent:

- (6) To make cash payments to families in distressed circumstances by reason of age, infirmity or other disability suffered by one of the family members in the course of participation in the fire service as a volunteer firefighter.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

Costs associated with training for career fire fighters and costs associated with granting a personal loan to members do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the expenditures for training for career firefighters was not authorized by Act 118. Additionally, relief association officials had amended their bylaws to include personal loans to members as a financial hardship benefit that covered mortgage, foreclosure and tax liens which are not covered under existing relief benefits. Relief association officials indicated that they were unaware that the expenditure for the personal loan was not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$4,934 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 to aid them in determining the propriety of future 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: 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.

PLYMOUTH TOWNSHIP FIREMEN'S UNION AND RELIEF ASSOCIATION OF
PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

Conditions such as that reported by Finding Nos. 1 and 2 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are 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.

PLYMOUTH TOWNSHIP FIREMEN’S UNION AND RELIEF ASSOCIATION OF
PLYMOUTH TOWNSHIP, MONTGOMERY COUNTY, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Plymouth Township Firemen’s Union and Relief Association of Plymouth Township,
Montgomery County, Pennsylvania Governing Body:

Mr. John Heleniak, Jr.
President

Mr. Jim Behr
Vice President

Mr. Scott Forsyth
Secretary

Mr. Thomas Leedom
Treasurer

Mr. Jim McGlinchey
Assistant Secretary

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

Ms. Karen B. Weiss
Secretary
Plymouth 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.