

COMPLIANCE AUDIT

Bedford Firemen's Relief Association of the State of Pennsylvania Bedford County For the Period January 1, 2019, to December 31, 2022

September 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. David Shedlock, President
Bedford Firemen's Relief Association
of the State of Pennsylvania
Bedford County

We have conducted a compliance audit of the Bedford Firemen's Relief Association of the State of Pennsylvania (relief association) for the period January 1, 2019, to December 31, 2022. 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 objective of the audit was 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 objective 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

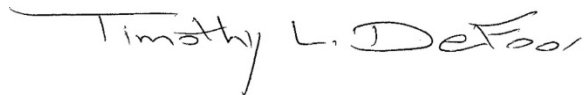
Based on our audit procedures, we conclude that, because of the significance of the matters described in Finding Nos. 1 and 2 below and discussed later in this report, the relief association did not, in all significant respects, comply with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, collectively as a whole, for the period January 1, 2019, to December 31, 2022. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Failure To Secure Joint Ownership Agreement In Building Project

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster

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
September 15, 2023

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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.

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)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bedford Borough	Bedford	\$14,672	\$14,793	\$13,421	\$16,483
Bedford Township	Bedford	\$36,751	\$36,926	\$32,942	\$39,486
Colerain Township	Bedford	\$ 8,249	\$ 8,271	\$ 7,271	\$ 8,716
East St. Clair Township	Bedford	\$ 2,429	\$ 2,429	\$ 1,986	\$ 2,286
Napier Township	Bedford	\$ 2,051	\$ 2,072	\$ 1,849	\$ 2,186
Rainsburg Borough	Bedford	\$ 560	\$ 568	\$ 511	\$ 650
Snake Spring Township	Bedford	\$ 5,859	\$ 5,998	\$ 5,345	\$ 6,802

Based on the relief association’s records, its total cash, and investments as of December 31, 2022, were \$1,731,151, as illustrated below:

Cash	\$ 57,145
Fair Value of Investments	<u>1,674,006</u>
Total Cash and Investments	<u><u>\$ 1,731,151</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$437,205, 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:

Insurance premiums	<u>\$ 83,959</u>
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Fire Services:

Equipment purchased	\$ 266,404
Equipment maintenance	37,220
Training expenses	<u>13,111</u>
Total Fire Services	<u>\$ 316,735</u>

Administrative Services:

Bond premiums	\$ 672
Other administrative expenses	<u>4,919</u>
Total Administrative Services	<u>\$ 5,591</u>

Other Expenditures:

Unauthorized expenditures	<u>\$ 30,920</u>
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Total Expenditures	<u><u>\$ 437,205</u></u>
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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:

Bedford Fire Department No. 1

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BEDFORD FIREMEN’S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

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

Date	Check No.	Description	Amount
2020	Multiple*	Main electrical distribution panels	\$ 6,240
2020	Multiple*	Electrical sub-panels	4,650
11/09/20	1612	Offsite siren repair	10,920
11/09/20	1613	Offsite siren repair	5,830
03/09/21	1622	Replacement ladder end caps, rungs, replace primer assembly, and rebuild valve	3,280
Total			\$ 30,920

*Multiple checks were written during calendar year 2020 for the items noted above as part of a building project. Each check was written for a percentage of the completion of the building project and included the noted unauthorized purchase items cumulatively totaling \$6,240 and \$4,650.

Criteria: Section 7416(f) of the VFRA Act states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (15) To purchase fire hoses and nozzles.
- (23) To purchase equipment used for emergency response.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings – If the Auditor General finds that money received by a volunteer firefighters’ relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters’ relief association until the improperly expended amount has been reimbursed to the relief association fund.

BEDFORD FIREMEN’S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Continued

Costs associated with the purchase of electrical panels and sub panels, ladder repair and primer maintenance do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association membership believed these items were authorized expenses.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act. 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 \$30,920 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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.

Finding No. 2 – Failure To Secure Joint Ownership Agreement In Building Project

Condition: On December 4, 2020, the relief association made the final payment for a building project with expenditures totaling \$196,788 without properly securing its ownership interest.

<u>Payee</u>	<u>Description of Work</u>	<u>Amount</u>
Mid-State Construction, Inc	No slip epoxy flooring	\$ 52,100
Mid-State Construction, Inc	Automatic sprinkler system	53,100
Mid-State Construction, Inc	Decon shower	988
Mid-State Construction, Inc.	Exhaust capture system	79,800
Air Cleaning Systems, Inc	Exhaust capture system	10,800
	Total	<u>\$ 196,788</u>

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7418(a) of the VFRA Act 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 by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the project. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the building, in the event the building is ever sold.

Cause: The affiliated fire department and the relief association approved a joint ownership interest agreement in the building as documented in relief association meeting minutes. Final ownership proportions were to be determined once final building expenses were available.

Effect: The failure to adequately secure the proportional share of ownership interest in the building for which relief association funded installation of equipment places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the building as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the building is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$196,788. 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.

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. The relief association purchased \$266,404 of equipment during the current audit period, but the equipment for \$5,431 of those purchases was not properly accounted for on the relief association's equipment roster. In addition, there was no documentation to sufficiently support that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

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 and perform and document an annual physical inventory of all operable equipment 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 indicated that these items were inadvertently not included in the equipment roster.

Effect: The 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 sufficiently document the performance of an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We 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.

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (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.

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those 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 316E Finance Building, Harrisburg, PA 17120.

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Bedford Firemen's Relief Association of the State of Pennsylvania Governing Body:

Mr. David Shedlock
President

Mr. Rocky Fetter
Vice President

Mr. Jay Speicher
Secretary

Mr. Marvin Bennett
Treasurer

BEDFORD FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Beverly Geller
Secretary
Bedford Borough

Ms. Janie L. McMillen
Secretary
Bedford Township

Ms. Jacquelyn Paxton
Secretary
Colerain Township

Ms. Bonnie Cornell
Secretary
East St. Clair Township

Ms. Lesley Kennedy
Secretary
Napier Township

Mr. Wayne C. Koontz
Secretary
Rainsburg Borough

Ms. Rose Diehl
Secretary
Snake Spring 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.