

COMPLIANCE AUDIT

The Berwyn Fire Company Volunteer Firefighters Relief Association of Chester County Pennsylvania

For the Period
January 1, 2018 to December 31, 2020

October 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
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www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Tom Torresson, President
The Berwyn Fire Company Volunteer
Firefighters Relief Association of
Chester County Pennsylvania

We have conducted a compliance audit of The Berwyn Fire Company Volunteer Firefighters Relief Association of Chester 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, 2020.

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.

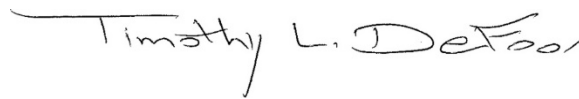
We were not able to obtain an independent confirmation of a portion of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$226,071, we were not able to verify a portion of this cash balance.

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 and the effects, if any, of the matter described in the preceding paragraph, 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, 2018 to December 31, 2020. 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 – Inappropriate Ownership Of Rescue Vehicles

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

September 16, 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.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Easttown Township	Chester	\$ 79,211	\$ 86,062	\$ 86,032
Tredyffrin Township	Chester	\$163,494	\$178,616	\$178,906

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$904,477, as illustrated below:

Cash	\$ 226,071
Fair Value of Investments	<u>678,406</u>
Total Cash and Investments	<u>\$ 904,477</u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$1,334,945, 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	\$ 306,564
Relief benefits	21,498
Total Benefit Services	<u>\$ 328,062</u>

Fire Services:

Equipment purchased	\$ 680,091
Equipment maintenance	58,342
Training expenses	23,391
Fire prevention materials	335
Total Fire Services	<u>\$ 762,159</u>

Administrative Services:

Bond premiums	\$ 1,509
Other Administrative expenses*	120,674
Total Administrative Services	<u>\$ 122,183</u>

Total Investments Purchased	<u>\$ 100,000</u>
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Other Expenditures:

Unauthorized expenditures	<u>\$ 22,541</u>
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Total Expenditures	<u><u>\$ 1,334,945</u></u>
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* Portions of the other administrative expenses include phone lines and data packages for authorized use in the amount of \$40,156, accounting services in the amount of \$12,052, dues and subscriptions in the amount of \$14,929 and community based risk programs in the amount of \$16,800.

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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Berwyn Fire Company

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY 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 Act 118:

Description	2018	2019	2020	Total
Phone lines and data plans on ambulances	\$ 6,260	\$ 3,714	\$ 2,310	\$ 12,284
Phone lines for career staff	3,447	3,939	2,731	10,117
				<u>\$ 22,401</u>

In addition, the relief association expended \$140 for training of career staff during the current audit period that is not authorized by Act 118.

Furthermore, the relief association spent an additional \$1,657 on phone and data plans for ambulances and career staff during 2021 through the date of our audit work.

Criteria: Section 7416(f) of Act 118 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.

Costs associated with phone and data plans for phones and iPads on ambulances used for transportation of the public and training of career staff 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 aforementioned expenditures were 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.

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$24,198 (\$22,541 + \$1,657) 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.

Finding No. 2 – Inappropriate Ownership Of Rescue Vehicles

Condition: On October 13, 2020, the relief association purchased two 2020 Chevy rescue vehicles totaling \$82,600 to carry personnel and safeguard equipment; however, the titles to these two vehicles were inappropriately issued jointly in the name of the fire company and the relief association.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: The relief association officials stated that an error occurred when titling the vehicles.

Effect: As a result of the rescue vehicles being inappropriately titled in the name of the fire company, these relief association assets were not properly safeguarded. Furthermore, the relief association’s future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the two rescue vehicles be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$82,600. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY 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: 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.

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY 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 327 Finance Building, Harrisburg, PA 17120.

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Berwyn Fire Company Volunteer Firefighters Relief Association of Chester County
Pennsylvania Governing Body:

Mr. Tom Torresson
President

Mr. Nam Truong
Vice President

Mrs. Linda DiMartini
Secretary

Mr. Andrew Olsen
Treasurer

Mr. Eamon Brazunas
Fire Chief

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

Mr. Eugene Briggs
Secretary
Easttown Township

Mr. William Martin
Secretary
Tredyffrin Township

THE BERWYN FIRE COMPANY VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION
OF CHESTER COUNTY PENNSYLVANIA
REPORT DISTRIBUTION LIST

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