

# COMPLIANCE AUDIT

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## Black Rock Volunteer Firefighters Relief Association Montgomery County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

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May 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Christopher Fostek, President  
Black Rock Volunteer Firefighters  
Relief Association  
Montgomery County

We have conducted a compliance audit of the Black Rock Volunteer Firefighters Relief Association (relief association) for the period January 1, 2019, to December 31, 2021. 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.

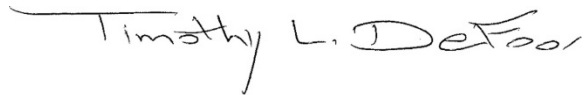
We were not able to obtain an independent confirmation of a portion of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$282,575, we were not able to verify a portion of this cash balance.

Based on our audit procedures, we conclude that, because of the significance of the matter described in Finding No. 1 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, 2019, to December 31, 2021. 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 – Failure To Secure Ownership In Jointly Purchased Equipment

Finding No. 2 – 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  
April 14, 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 Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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

Municipality	County	2019	2020	2021
Upper Providence Township	Montgomery	\$95,607	\$81,707	\$71,360

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

## BACKGROUND – (Continued)

Based on the relief association’s records, its total cash and investments as of December 31, 2021, were \$1,138,206, as illustrated below:

Cash	\$ 282,575
Fair Value of Investments	<u>855,631</u>
Total Cash and Investments	<u>\$ 1,138,206</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$311,324, 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>4</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	\$ 67,210
Relief benefits	<u>1,286</u>
Total Benefit Services	<u>\$ 68,496</u>
Fire Services:	
Equipment purchased	\$ 166,911
Equipment maintenance	38,730
Training expenses	<u>28,821</u>
Total Fire Services	<u>\$ 234,462</u>
Administrative Services:	
Bond premiums	\$ 1,461
Other administrative expenses *	<u>6,905</u>
Total Administrative Services	<u>\$ 8,366</u>
Total Expenditures	<u>\$ 311,324</u>

\* A portion of the Other administrative expenses include \$4,153 for web services and domain name rental.

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<sup>4</sup> 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:

Black Rock Volunteer Fire Company

BLACK ROCK VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

**Condition:** On May 16, 2019, the relief association and affiliated fire company entered into an agreement for the purchase of radio equipment. However, the total cost for the project and the amount the relief association was to contribute (\$15,256) did not agree to the amount expended, as detailed below. In addition, this agreement did not enumerate the relief association’s ownership interest. Also, this agreement referenced an attachment that was not provided. Furthermore, the agreement was only signed by one representative from each entity, when the signatures of two representatives from each entity is recommended.

<u>Date</u>	<u>Check No.</u>	<u>Amount Relief Association Contributed</u>	<u>Total Amount Due On Invoice</u>	<u>Relief Association Ownership Interest</u>
04/28/2019	1381	\$ 12,705	\$ 139,759	9.0%
08/10/2019	1395	637	6,375	10.0%
08/10/2019	1396	640	6,402	10.0%
		<u>\$ 13,982</u>	<u>\$ 152,536</u>	

Subsequent to the period under review, on March 1, 2022, the relief association expended \$5,305 toward a \$30,108 hose purchase without properly securing its 17.6 percent ownership interest.

**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 in the equipment purchased by the relief association by executing a formal written agreement that enumerates the relief association’s proportional share of the cost of the equipment. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds in the event the equipment is ever sold.



BLACK ROCK VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Cause: A relief association official indicated the radio equipment purchase occurred during a different administration and he could not explain why this occurred. He also indicated that he was unaware of the agreement requirement for the hose purchase but would ensure an agreement was executed.

Effect: The failure to adequately secure the proportional share of ownership interest in the equipment purchased places the relief association's ownership interest at greater risk. 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 officials execute and/or update formal written agreements with the fire company containing the required signatures of relief association and fire company officials and enumerating the relief association's proportional ownership interest in the purchase of the radio equipment and hose equipment, as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. In addition, the relief association should ensure all required supporting documentation/attachments for agreements are retained. If such action is not taken, we recommend that the relief association be reimbursed \$19,287. 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 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. 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.

BLACK ROCK VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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 were using a dated system for recording equipment that did not contain sufficient information to properly account for all relief association owned equipment, including the completion of annual physical inventories.

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 perform 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.

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.

BLACK ROCK VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is 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.

BLACK ROCK VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Black Rock Volunteer Firefighters Relief Association Governing Body:

**Mr. Christopher Fostek**  
President

**Ms. Kristin Irons**  
Vice President

**Mr. Jeff Moore**  
Director

**Ms. Jean Sullivan**  
Director

**Mr. Elijah Ward**  
Director

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

**Mr. Timothy J. Tieperman**  
Secretary  
Upper Providence 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).