

COMPLIANCE AUDIT

Doylestown Firefighters' Relief Association

Bucks County, Pennsylvania

For the Period

January 1, 2019 to December 31, 2021

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. John Edward Truman, President
Doylestown Firefighters'
Relief Association
Bucks County

We have conducted a compliance audit of the Doylestown 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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.

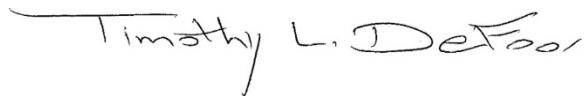
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2019 to December 31, 2021:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- 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 finding listed below and discussed later in this report.

Finding – Inadequate Administration Of Discretionary Benefits

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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 27, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	5
Finding and Recommendation:	
Finding – Inadequate Administration Of Discretionary Benefits	6
Report Distribution List	7

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>
Buckingham Township	Bucks	\$ 25,905	\$ 25,782	\$ 22,840
Doylestown Borough	Bucks	\$ 77,784	\$ 78,057	\$ 70,144
Doylestown Township	Bucks	\$136,805	\$136,771	\$119,696
New Britain Borough	Bucks	\$ 8,521	\$ 8,551	\$ 7,672
New Britain Township	Bucks	\$ 1,871	\$ 1,893	\$ 1,700

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$2,406,677, as illustrated below:

Cash	\$ 600,692
Fair Value of Investments	<u>1,805,985</u>
Total Cash and Investments	<u><u>\$ 2,406,677</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$2,213,767, 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	\$ 278,545
Relief benefits	17,915
Tokens of sympathy and goodwill	1,676
Total Benefit Services	<u>\$ 298,136</u>
Fire Services:	
Equipment purchased	\$ 712,582
Equipment maintenance	61,341
Training expenses	15,863
Fire prevention materials	3,180
Total Fire Services	<u>\$ 792,966</u>
Administrative Services:	
Bond premiums	\$ 1,851
Officer compensation	10,800
Other administrative expenses *	60,108
Total Administrative Services	<u>\$ 72,759</u>
Investments Purchased	<u>\$ 950,000</u>
Other Expenditures:	
Payments on loan	<u>\$ 99,906</u>
Total Expenditures	<u><u>\$ 2,213,767</u></u>

* A majority of the other administrative expenses include \$15,000 for ambulance standby service, \$18,000 in office rent and \$18,375 for annual audits and tax preparation.

⁴ 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:

Doylestown Fire Company No. 1

DOYLESTOWN FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Unauthorized Expenditure

By receiving reimbursement of \$400 from the affiliated fire company for the unauthorized expenditure made in the prior audit period.

DOYLESTOWN FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Administration Of Discretionary Benefits

Condition: During the current audit period, we detected the following material internal control weakness related to the administration of discretionary benefits:

- An adequate accounting was not maintained to ensure the discretionary benefit disbursed to members did not exceed the lifetime maximum benefit that an individual member could receive.

Criteria: Section 7413 of the VFRA Act states that funds shall be available:

- (5) Financial assistance to volunteer firefighters who, after having actively participated in the fire service for a specified minimum term, are no longer physically able to continue participation and are in need of financial assistance. (Emphasis added.)

In addition, Article VII, Section 6 of the relief association's bylaws states:

The Board of Directors shall be authorized to offer financial aid or relief up to a maximum of \$20,000 to any member of this Association who has ten years of service and is a member in good standing.

Furthermore, prudent business practice dictates that when a relief association offers discretionary benefits provided for under the VFRA Act, the relief association should ensure an adequate accounting is maintained to support the benefits being offered/paid, to track the amount of benefits disbursed, and to confirm that the amount of benefits disbursed do not exceed the maximum authorized benefit allowance.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: The relief association's failure to maintain an adequate accounting of discretionary benefits paid per member increases the risk of unauthorized expenditures being paid and could also lead to benefits not being applied equally to all members of the relief association.

Recommendation: We recommend that the relief association officials maintain an adequate accounting of discretionary benefits paid to members over their lifetime so as to not exceed the maximum benefit allowance authorized by the VFRA Act and 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

DOYLESTOWN FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Doylestown Firefighters' Relief Association Governing Body:

Mr. John Edward Truman
President

Mr. Steven Walther
Vice President

Mr. William Cope
Secretary

Mr. Steven Downs
Assistant Secretary

Ms. Barbarajean Wood
Treasurer

Mr. Jay Stough
Assistant Treasurer

DOYLESTOWN FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Mr. Dane S. Cozza, Esq.
Secretary
Buckingham Township

Mr. John H. Davis
Secretary
Doylestown Borough

Ms. Stephanie J. Mason
Secretary
Doylestown Township

Ms. Amanda Zimmerman
Secretary
New Britain Borough

Mr. Matt West
Secretary
New Britain 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.