

# COMPLIANCE AUDIT

---

East Brandywine  
Fire Company Volunteer Firefighters'  
Relief Association  
Chester County, Pennsylvania  
For the Period  
January 1, 2018 to December 31, 2020

---

January 2022



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  
Twitter: @PAAuditorGen  
[www.PaAuditor.gov](http://www.PaAuditor.gov)

TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Vincent D'Amico, President  
East Brandywine Fire Company  
Volunteer Firefighters'  
Relief Association  
Chester County

We have conducted a compliance audit of the East Brandywine Fire Company Volunteer Firefighters' Relief Association (relief association) for the period January 1, 2018 to December 31, 2020. 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, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 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.

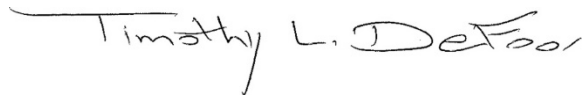
Based on our audit procedures, we conclude that, for the period January 1, 2018 to December 31, 2020, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the finding listed below and discussed later in this report.

Finding – Failure To Obtain And Deposit Total Proceeds Due From The Sale  
Of A Jointly Purchased Vehicle

We have also issued the observation below as detailed in the Observation section of this report.

Observation – NCUA Coverage Limits Exceeded

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.

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.

Timothy L. DeFoor  
Auditor General  
December 28, 2021

# CONTENTS

	<u>Page</u>
Background .....	1
Finding and Recommendation:	
Finding – Failure To Obtain And Deposit Total Proceeds Due From The Sale Of A Jointly Purchased Vehicle .....	4
Observation:	
Observation – NCUA Coverage Limits Exceeded.....	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 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.

---

<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)**

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>
East Brandywine Township	Chester	\$53,817	\$59,767	\$60,894
Upper Uwchlan Township	Chester	\$ 4,263	\$ 5,119	\$ 4,677
West Brandywine Township	Chester	\$26,223	\$32,004	\$23,361

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$763,315, as illustrated below:

Cash	\$ 146,843
Fair Value of Investments	<u>616,472</u>
Total Cash and Investments	<u><u>\$ 763,315</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$960,472, 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	\$ 22,605
Tokens of sympathy and goodwill	1,268
Total Benefit Services	<u>\$ 23,873</u>

#### Fire Services:

Equipment purchased	\$ 341,415
Equipment maintenance	45,830
Training expenses	19,552
Fire prevention materials	2,769
Total Fire Services	<u>\$ 409,566</u>

#### Administrative Services:

Other administrative expenses	\$ 505
Bond premiums	426
Total Administrative Services	<u>\$ 931</u>

Total Investments Purchased	<u>\$ 526,102</u>
-----------------------------	-------------------

Total Expenditures	<u><u>\$ 960,472</u></u>
--------------------	--------------------------

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:

East Brandywine Fire Company

---

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

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Obtain And Deposit Total Proceeds Due From The Sale Of A Jointly Purchased Vehicle**

Condition: In 1999, the relief association had expended \$96,028 towards the joint purchase of a vehicle with the affiliated fire company which had a total cost of \$397,000. Although the relief association did not enter into a formal agreement with the affiliated fire company as currently required, the relief association was to receive the pro-rata share percentage of 24.1% if the vehicle was ever sold. In 2018, the jointly purchased vehicle was sold for \$85,000; however, the relief association did not receive and deposit its total proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle. The relief association received \$19,380, but the relief association should have received a total of \$20,561. Therefore, the relief association should receive an additional \$1,181 to obtain its full proportional ownership interest of the proceeds.

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 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 stated the failure to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of a jointly purchased vehicle with the affiliated fire company into a relief association account was a result of a miscalculation of the percentage of the proceeds of the sale of the jointly purchased vehicle.

Effect: The failure to receive and deposit the total proceeds due from the sale of a jointly purchased vehicle with the affiliated fire company resulted in the relief association being unable to use the funds for general operating expenses or for investment purposes.



EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We recommend that the relief association be reimbursed an additional \$1,181 for its pro-rata share of the proceeds due 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 as a result of our audit, the affiliated fire company reimbursed the relief association \$1,181 for the remaining portion of the proceeds from the sale of the jointly purchased vehicle on November 19, 2021.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,181 was received. Compliance for ensuring deposits of proceeds are made during the next audit period will be subject to verification through our next audit.

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
OBSERVATION

**Observation – NCUA Coverage Limits Exceeded**

As disclosed in an observation in the previous audit, the relief association again failed to ensure that all cash deposits were below the NCUA coverage limits per account ownership in one credit union. As of December 31, 2020, the relief association's ending cash and investment balances with the credit union amounted to \$763,315.

The National Credit Union Administration (NCUA) is an independent agency of the United States government that regulates, charters and supervises federal credit unions. NCUA insurance is backed by the full faith and credit of the United States government.

NCUA insurance covers all deposit accounts, including:

- Regular shares
- Share drafts (similar to checking)
- Money market accounts
- Share certificates

NCUA insurance does not cover losses on money invested in stocks, bonds, mutual funds, life insurance policies and annuities. The standard share insurance amount is \$250,000 per share owner, per insured credit union, for each account ownership category.

Section 7413 of the VFRA Act states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonable permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly credit union reconciliations, the relief association should ensure the relief association's cash balance does not exceed NCUA limits set by credit union regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for NCUA insurance and ensure the balance of those assets per the credit union does not exceed NCUA coverage limits.

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

East Brandywine Fire Company Volunteer Firefighters' Relief Association Governing Body:

**Mr. Vincent D'Amico**  
President

**Mr. Sergio Ora**  
Vice President

**Ms. Cathie Rawlings**  
Secretary

**Mr. Kevin Shaffer**  
Treasurer

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

**Ms. Lisa Taraschi**  
Secretary  
East Brandywine Township

**Ms. Gwen Jonik**  
Secretary  
Upper Uwchlan Township

**Ms. Linda Formica**  
Secretary  
West Brandywine Township

EAST BRANDYWINE FIRE COMPANY VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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).