

COMPLIANCE AUDIT

Everett Fire Company No. 1 Fireman's Relief Association Bedford 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



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Thomas J. Stone, President
Everett Fire Company No. 1 Fireman's
Relief Association
Bedford County

We have conducted a compliance audit of the Everett Fire Company No. 1 Fireman's 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.

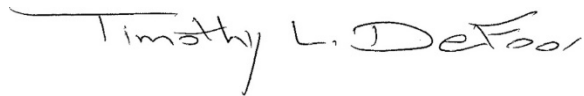
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures,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

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$231,691 and an investment balance with a fair value of \$60,544, we were not able to verify those cash and investment balances.

We were also not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by the VFRA Act.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the two preceding paragraphs, 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.

The contents of this report were discussed with the management of the relief association. 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
January 7, 2022

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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>2018</u>	<u>2019</u>	<u>2020</u>
Everett Borough	Bedford	\$ 7,160	\$ 7,763	\$ 7,851
Hopewell Township	Bedford	\$ 4,808	\$ 5,230	\$ 5,313
Mann Township	Bedford	\$ 1,908*	\$ 2,043	\$ 2,053
Monroe Township	Bedford	\$ 4,937	\$ 5,312	\$ 5,464
Snake Spring Township	Bedford	\$ 5,457	\$ 5,859	\$ 5,998
West Providence Township	Bedford	\$16,453	\$17,834	\$17,996

* The 2018 state aid allocation received and deposited by the relief association from Mann Township was \$5 less than recorded on the 2018 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B. The municipality allocated \$1,903 to the relief association on September 25, 2018; however, the relief association never received the additional \$5 check that was supposedly sent on October 16, 2018. The township is still required to distribute the remaining \$5 state aid allocation to the relief association.

In addition, Mann Township is required to revise the 2018 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) once the check is sent to the relief association.

Based on the relief association’s records, its total cash and investments as of December 31, 2020 were \$292,235, as illustrated below:

Cash	\$ 231,691
Fair Value of Investments	<u>60,544</u>
Total Cash and Investments	<u><u>\$ 292,235</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 \$86,329, 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	\$	27,805
Tokens of sympathy and goodwill		1,327
Total Benefit Services	\$	<u>29,132</u>

Fire Services:

Equipment purchased	\$	12,122
Equipment maintenance		35,941
Training expenses		4,952
Total Fire Services	\$	<u>53,015</u>

Administrative Services:

Other administrative expenses	\$	769
Bond premiums		813
Total Administrative Services	\$	<u>1,582</u>

Other Expenditures:

Miscellaneous*	\$	<u>2,600</u>
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Total Expenditures	\$	<u><u>86,329</u></u>
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* During 2020, the relief association made a disbursement in the amount of \$2,600 which was for the purchase and installation of security cameras which were not authorized by the VFRA Act; however, the relief association found the mistake and obtained reimbursement from the fire company for the total amount.

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:

Everett Fire Company No. 1

EVERETT FIRE COMPANY NO. 1 FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Everett Fire Company No. 1 Fireman's Relief Association Governing Body:

Mr. Thomas J. Stone
President

Mr. Samuel Breckenridge
Secretary

Mr. Charles Stone
Treasurer

EVERETT FIRE COMPANY NO. 1 FIREMAN'S 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:

Ms. Eileen L. Reyan
Secretary
Everett Borough

Ms. Elizabeth Thomas
Secretary
Hopewell Township

Ms. Jacqueline McCusker
Secretary
Mann Township

Ms. Shellie Hood
Secretary
Monroe Township

Ms. Rose Diehl
Secretary
Snake Spring Township

Ms. Patricia Foor
Secretary
West Providence 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.