

COMPLIANCE AUDIT

Falls Township Fire Company No. 1 Fireman's Relief Association Bucks County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

April 2024



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**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Michael McClellan, President
Falls Township Fire Company No. 1
Fireman's Relief Association
Bucks County

We have conducted a compliance audit of the Falls Township Fire Company No. 1 Fireman's Relief Association (relief association) for the period January 1, 2020, to December 31, 2022. 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 findings 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.

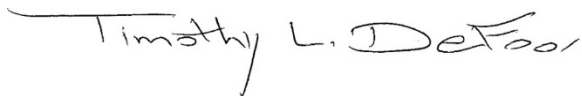
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2020, to December 31, 2022:

- The relief association took appropriate corrective action to address the findings 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 – Unauthorized Expenditure

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, flowing style.

Timothy L. DeFoor
Auditor General
April 8, 2024

CONTENTS

| | <u>Page</u> |
|--|-------------|
| Background | 1 |
| Status of Prior Findings | 4 |
| Finding and Recommendation: | |
| Finding – Unauthorized Expenditure | 5 |
| 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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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

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

| <u>Municipality</u> | <u>County</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---------------------|---------------|-------------|-------------|-------------|
| Falls Township | Bucks | \$74,179 | \$66,290 | \$81,574 |

Based on the relief association's records, its total cash as of December 31, 2022, was \$202,963, as illustrated below:

| | |
|------|-------------------|
| Cash | <u>\$ 202,963</u> |
|------|-------------------|

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$327,680, 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 | \$ 60,513 |
| Death benefits | 5,000 |
| Tokens of sympathy and goodwill | 3,036 |
| Total Benefit Services | <u>\$ 68,549</u> |

Fire Services:

| | |
|---------------------------|-------------------|
| Equipment purchased | \$ 67,194 |
| Equipment maintenance | 69,357 |
| Training expenses | 3,940 |
| Fire prevention materials | 1,756 |
| Total Fire Services | <u>\$ 142,247</u> |

Administrative Services:

| | |
|---------------------------------|------------------|
| Bond premiums | \$ 500 |
| Officer compensation | 900 |
| Other administrative expenses * | 12,484 |
| Total Administrative Services | <u>\$ 13,884</u> |

| | |
|-----------------------------|------------------|
| Total Investments Purchased | <u>\$ 95,000</u> |
|-----------------------------|------------------|

Other Expenditures:

| | |
|--|-----------------|
| Unauthorized expenditure – See Finding | \$ 500 |
| Miscellaneous ** | 7,500 |
| Total Other Expenditures | <u>\$ 8,000</u> |

| | |
|--------------------|--------------------------|
| Total Expenditures | <u><u>\$ 327,680</u></u> |
|--------------------|--------------------------|

* The majority of the other administrative expenses represent \$10,829 expended in calendar years 2020 through 2022 for phone data plans.

** The miscellaneous expenditures represent the reversal of two erroneous deposits made to the relief association during calendar year 2020.

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:

Falls Township Fire Company No. 1

FALLS TOWNSHIP FIRE COMPANY NO. 1 FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Failure To Maintain Surety (Fidelity) Bond Coverage

By updating their Surety (Fidelity) bond coverage to reflect the current relief association's authorized disbursing officer.

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Payment Of Pennsylvania Sales Tax

By furnishing the state sales tax exemption number to all vendors from which the relief association purchases equipment and by receiving reimbursement of \$342 from the affiliated fire company for the payment of sales tax made in the prior audit period.

FALLS TOWNSHIP FIRE COMPANY NO. 1 FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditure

Condition: The relief association expended \$500 for grant writing services during the current audit period that is not authorized by the VFRA Act.

Criteria: Section 7416(f) of the VFRA Act 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.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with grant writing services do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unaware that the expenditure for the grant writing services was not authorized by the VFRA Act.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by the VFRA Act.

FALLS TOWNSHIP FIRE COMPANY NO. 1 FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$500 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$500 for the unauthorized expenditure on December 18, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$500 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

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

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

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

Mr. Michael McClellan
President

Mr. Richard Behrman, III
Vice President

Mr. Clark Martin
Secretary

Mr. Doug Miller
Financial Secretary

Mr. Thomas Augustin
Treasurer

Mr. Ryan Farmer
Trustee

Mr. Sherwood Taylor
Trustee

Mr. David Shanberg
Trustee

Mr. Steven Lowden
Trustee

Mr. Christopher Kilmer
Trustee

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

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

Mr. Brian Galloway
Secretary
Falls 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.