

COMPLIANCE AUDIT

Volunteer Firemen's Relief Association
of the Milford Township Volunteer
Fire Co. No. 1 of Milford Square
Bucks County, Pennsylvania
For the Period
January 1, 2020, to December 31, 2022

March 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Charles Barker, President
Volunteer Firemen's Relief Association of
the Milford Township Volunteer Fire Co.
No. 1 of Milford Square
Bucks County

We have conducted a compliance audit of the Volunteer Firemen's Relief Association of the Milford Township Volunteer Fire Co. No. 1 of Milford Square (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 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 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

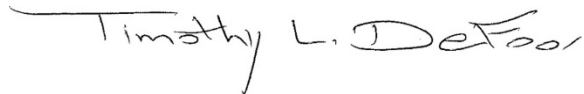
We were not able to obtain an independent confirmation of a portion of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$64,534 and an investment balance with a fair value of \$21,754, we were not able to verify portions of those cash and investment balances.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2020, to December 31, 2022, 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 findings listed below and discussed later in this report.

Finding No. 1 – Failure To Deposit Proceeds From Equipment Sold

Finding No. 2 – Unauthorized Expenditure

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.

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
March 1, 2024

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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 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.

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>
Milford Township	Bucks	\$47,969	\$43,077	\$53,489

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)

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$86,288, as illustrated below:

Cash	\$ 64,534
Fair Value of Investments	<u>21,754</u>
Total Cash and Investments	<u>\$ 86,288</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$191,153, 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	<u>\$ 21,117</u>
Fire Services:	
Equipment purchased	\$ 62,019
Equipment maintenance	18,348
Training expenses	7,540
Fire prevention materials	<u>647</u>
Total Fire Services	<u>\$ 88,554</u>
Administrative Services:	
Bond premiums	<u>\$ 750</u>
Other Expenditures:	
Payments on loan	\$ 80,132
Unauthorized expenditure – See Finding No. 2	<u>600</u>
Total Other Expenditures	<u>\$ 80,732</u>
Total Expenditures	<u>\$ 191,153</u>

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:

Milford Township Volunteer Fire Co. No. 1

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE MILFORD TOWNSHIP
VOLUNTEER FIRE CO. NO. 1 OF MILFORD SQUARE
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit Proceeds From Equipment Sold

Condition: In February 2020, the proceeds from the sale of equipment owned by the relief association, in the amount of \$3,400, was erroneously deposited into a fire company account.

Criteria: Prudent business practice dictates that the relief association should closely monitor that all proceeds from equipment sold are received and timely deposited into a relief association account.

Cause: The relief association failed to follow up with the fire company on the disposition of funds on the joint sale of combined items.

Effect: The failure to deposit all relief association proceeds from equipment sold in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the proceeds from equipment sold being deposited into a fire company account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$3,400 for the erroneous deposit. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all proceeds from equipment sold are timely deposited into 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 \$3,400 for the erroneous deposit on October 13, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$3,400 was received. Compliance for erroneous deposits made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Unauthorized Expenditure

Condition: The relief association expended \$600 for training during the current audit period that is not authorized by the VFRA Act.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE MILFORD TOWNSHIP
VOLUNTEER FIRE CO. NO. 1 OF MILFORD SQUARE
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Continued

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.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (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 providing training for members of non-affiliated fire companies and not securing reimbursement, do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: The member of the company who had arranged this class had not provided all information to the relief association, so they were uninformed and unaware of what proceeds to expect.

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.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE MILFORD TOWNSHIP
VOLUNTEER FIRE CO. NO. 1 OF MILFORD SQUARE
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association be reimbursed \$600 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 neighboring fire company reimbursed the relief association \$600 for the unauthorized expenditure on November 10, 2023.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$600 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE MILFORD TOWNSHIP
VOLUNTEER FIRE CO. NO. 1 OF MILFORD SQUARE
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Volunteer Firemen's Relief Association of the Milford Township Volunteer Fire Co. No. 1 of
Milford Square Governing Body:

Mr. Charles Barker
President

Ms. Alli Caputo
Vice President

Mr. Kenneth A. Butz
Secretary

Mr. Edward M. Carroll
Treasurer

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

Ms. Devan Ambron
Secretary
Milford 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.