

COMPLIANCE AUDIT

Ottsville Volunteer Fire Company Relief Association of Ottsville, PA Bucks County, Pennsylvania For the Period January 1, 2019 to December 31, 2021

September 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jeffrey Lauble, President
Ottsville Volunteer Fire Company Relief
Association of Ottsville, PA
Bucks County

We have conducted a compliance audit of the Ottsville Volunteer Fire Company Relief Association of Ottsville, PA (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 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, 2019 to December 31, 2021, 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 style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
August 25, 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.

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>
Bedminster Township	Bucks	\$21,424	\$21,539	\$19,056
Nockamixon Township	Bucks	\$22,005	\$22,009	\$18,965
Tinicum Township	Bucks	\$16,633	\$16,868	\$14,851

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, 2021 were \$308,864, as illustrated below:

Cash	\$ 127,855
Fair Value of Investments	<u>181,009</u>
Total Cash and Investments	<u>\$ 308,864</u>

Based on the relief association's records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$342,157, 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>\$ 20,321</u>
Fire Services:	
Equipment purchased	\$ 112,822
Equipment maintenance	14,360
Training expenses	<u>17,479</u>
Total Fire Services	<u>\$ 144,661</u>
Administrative Services:	
Bond premiums	\$ 750
Other administrative expenses	<u>125</u>
Total Administrative Services	<u>\$ 875</u>
Total Investments Purchased	<u>\$ 166,300</u>
Other Expenditures:	
Unauthorized expenditure	<u>\$ 10,000</u>
Total Expenditures	<u>\$ 342,157</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:

Ottsville Fire Company

OTTSVILLE VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION OF OTTSVILLE, PA
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditure

Condition: During the current audit period, the relief association expended \$10,000 for a training center membership at an emergency training center that only allowed for the use of the training center's facility. The membership did not include a comprehensive training plan conducted by the training center nor does the relief association have a comprehensive training plan in place that would constitute paying for the use of the building one night a week for training activities for its members. Furthermore, the membership agreement did not contain any other terms and conditions to justify the expenditure.

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.

Costs associated with a training center membership that does not offer a comprehensive training plan does not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: Relief association officials indicated that they were unaware that the expenditure for the training center membership that did not provide a specific training plan 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.

Recommendation: We recommend that the relief association be reimbursed \$10,000 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.

OTTSVILLE VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION OF OTTSVILLE, PA
FINDING AND RECOMMENDATION

Finding – (Continued)

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 \$10,000 for the unauthorized expenditure on August 4, 2022.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$10,000 was received August 5, 2022. Compliance for training expenditures made during the next audit period will be subject to verification through our next audit.

OTTSVILLE VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION OF OTTSVILLE, PA
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

Ottsville Volunteer Fire Company Relief Association of Ottsville, PA Governing Body:

Mr. Jeffrey Lauble
President

Mr. Kyle Milligan
Vice President

Ms. Alyssa Lake
Secretary

Mr. Robert Milligan
Treasurer

OTTSVILLE VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION OF OTTSVILLE, PA
REPORT DISTRIBUTION LIST

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

Ms. Jean L. Herstine
Secretary
Bedminster Township

Mr. Keith R. DeLuca
Manager
Nockamixon Township

Ms. Teri Lewis
Manager
Tinicum 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.