

# COMPLIANCE AUDIT

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## Pennsburg Fireman's Relief Association

Montgomery County, Pennsylvania  
For the Period  
January 1, 2018 to December 31, 2020

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August 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Scott Seip, President  
Pennsburg Fireman's Relief Association  
Montgomery County

We have conducted a compliance audit of the Pennsburg Fireman's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2018 to December 31, 2020.

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.

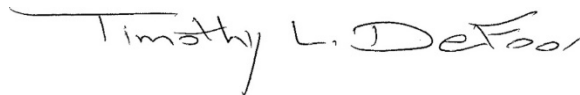
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2018 to December 31, 2020:

- 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 – Failure To Deposit Proceeds From Equipment Sold

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.



Timothy L. DeFoor  
Auditor General

August 3, 2021

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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>2018</u> | <u>2019</u> | <u>2020</u> |
|------------------------|---------------|-------------|-------------|-------------|
| Pennsburg Borough      | Montgomery    | \$19,068    | \$20,528    | \$20,596    |
| Upper Hanover Township | Montgomery    | \$16,034    | \$17,472    | \$17,636    |

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$53,904, as illustrated below:

|                            |                  |
|----------------------------|------------------|
| Cash                       | \$ 52,694        |
| Fair Value of Investments  | <u>1,210</u>     |
| Total Cash and Investments | <u>\$ 53,904</u> |

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$120,829, 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>1</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            | <u>\$ 25,535</u>  |
| Fire Services:                |                   |
| Equipment purchased           | \$ 23,246         |
| Equipment maintenance         | 17,577            |
| Training expenses             | <u>6,165</u>      |
| Total Fire Services           | <u>\$ 46,988</u>  |
| Administrative Services:      |                   |
| Other administrative expenses | \$ 179            |
| Bond premiums                 | <u>1,007</u>      |
| Total Administrative Services | <u>\$ 1,186</u>   |
| Other Expenditures:           |                   |
| Payments on loan              | <u>\$ 47,120</u>  |
| Total Expenditures            | <u>\$ 120,829</u> |

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<sup>1</sup> 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:

Pensburg Volunteer Fire Department

PENNSBURG 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 Monitor Investment Activity

By adopting sufficient internal control procedures to adequately monitor investment transactions.

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.



PENNSBURG FIREMAN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Failure To Deposit Proceeds From Equipment Sold**

Condition: On July 24, 2019, the proceeds from the sale of safeguard equipment owned by the relief association, in the amount of \$3,128, 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 officials stated that the check from the sale was made out to the affiliated fire company and was therefore deposited into a fire company account.

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 \$3,128 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 \$3,128 for the equipment sold on March 10, 2021.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$3,128 was received. Compliance for equipment sold and proceeds deposited during the next audit period will be subject to verification through our next audit.

PENNSBURG FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Pennsburg Fireman's Relief Association Governing Body:

**Mr. Scott Seip**  
President

**Mr. Ronald Diehl**  
Vice President

**Ms. Whitney Beshore**  
Secretary

**Mr. Robert Malay**  
Treasurer

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

**Ms. Lisa M. Hiltz**  
Secretary  
Pennsburg Borough

**Mr. Stanley W. Seitzinger, Jr.**  
Secretary  
Upper Hanover Township

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).