

COMPLIANCE AUDIT

Perkasie Firemen's Relief Association

Bucks County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2021

July 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. F. Andrew Wedman, President
Perkasie Firemen's Relief Association
Bucks County

We have conducted a compliance audit of the Perkasie Firemen's Relief Association (relief association) for the period January 1, 2018 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.

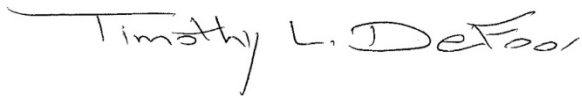
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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, 2018 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 – Failure To Adhere To Relief Association Bylaws

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
July 6, 2022

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Failure To Adhere To Relief Association Bylaws.....	5
Report Distribution List	8

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>	<u>2021</u>
East Rockhill Township	Bucks	\$26,306	\$28,101	\$28,112	\$24,638
Hilltown Township	Bucks	\$ 3,534	\$ 3,848	\$ 3,943	\$ 3,507
Perkasie Borough	Bucks	\$47,965	\$52,107	\$52,880	\$47,861

Based on the relief association's records, its total cash and investments as of December 31, 2021 were \$977,399, as illustrated below:

Cash	\$ 121,985
Fair Value of Investments	<u>855,414</u>
Total Cash and Investments	<u><u>\$ 977,399</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$420,921, 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	\$	52,835
Death benefits		5,620
Relief benefits		4,386
Tokens of sympathy and goodwill		2,331
Total Benefit Services	\$	<u>65,172</u>

Fire Services:

Equipment purchased	\$	24,460
Equipment maintenance		43,399
Training expenses		10,800
Total Fire Services	\$	<u>78,659</u>

Administrative Services:

Other administrative expenses*	\$	5,777
Bond premiums		1,627
Total Administrative Services	\$	<u>7,404</u>

Total Investments Purchased	\$	<u>96,514</u>
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Other Expenditures:

Payments on loan	\$	<u>173,172</u>
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Total Expenditures	\$	<u><u>420,921</u></u>
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* A majority of the Other administrative expenses represent preparation of tax Form 990 in the amount of \$5,405.

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:

Perkasie Fire Company No. 1

PERKASIE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Adhere To Relief Association Bylaws

Condition: The relief association did not adhere to provisions relating to death benefits in the association's bylaws. Specifically, the relief association paid death benefits to four out of five beneficiaries during the audit period which exceeded the death benefit amounts stipulated in the bylaws. Three non-life members' beneficiaries received \$1,000/each and it appears that one life member's beneficiary received \$1,500 plus interest, which represents an overpayment of \$2,000 in total. The relief association officials did not provide supporting documentation of interest calculations utilized, requirements and guidelines for "Life member status" and appropriate membership approval for these benefits.

Criteria: The relief association's bylaws, revised on December 7, 2017, stipulates the following:

Article IV, Section 1 – The Association shall maintain a Death Benefit Reserve Account for the purpose of paying death benefits to Life members of the Perkasio Fire Company. The principle amount of the account will consist of funds equal to the on-record number of Perkasio Fire Company Life members at the death benefit rate set forth in Article IV, Section 2. The treasurer will keep an accurate accounting of the funds in the reserve account and the number of life members those funds are payable too. (*Sic*)

Article IV, Section 2 – Upon an active member of the Perkasio Fire Company in good standing, reaching Life member status, the relief association treasurer will deposit the death benefit amount of One Thousand dollars (\$1,000.00), into the Death Benefit Reserve Account in that member's name. The deposit will be made at the first available deposit anniversary of the account following the member reaching Life status, as determined by the requirements and guidelines of the Perkasio Fire Company No. 1. (Emphasis added.)

Article IV, Section 3 – The death benefit deposited in Section 2, with earn interest, compounded annually, from the time of deposit until the death of the life member. The rate will be determined by the officers of the relief association and affirmed by a majority vote of the relief association membership. The rate will be reviewed at the maturity of the death benefit account. (*Sic*)

Article IV, Section 4 – Upon the death of a Life member, in good standing, whether natural or the result of firemen service, the Association shall pay from the reserve account, to the beneficiary, upon presentation of a certified copy of the death certificate, the initial death benefit deposited at the time of reaching life status plus any accumulated interest on that amount.

PERKASIE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Article IV, Section 5 – At all times, the funds in the Death Benefit Reserve Account will remain the property of the Relief Association. In the event of a life member being removed from the Fire Company roles for cause, the funds in the reserve account in that members name will be forfeited and become part of the balance of the death benefit reserve account.

Article IV, Section 6 – Upon the death of any Active (non-Life) member in good standing, whether natural or the result of firemen service, the Association shall pay to the beneficiary the sum of Five Hundred (\$500.00) Dollars. (Emphasis added.)

Article IV, Section 7 – At the time of a Life members 105th date of birth, if no death benefit has been paid, the secretary will contact the life member or the member's next of kin to verify status and contact information. In the event no contact can be made to the member or members next of kin, and after the secretary has made all due diligence to contact the member or member's next of kin, the death benefit and accumulated interest will revert to being surplus of the death benefit account, by majority vote of the eligible members present to vote at the annual meeting following the secretary's report on contacting the member.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials indicated that the relief association's death benefit is the same for all relief association members, \$1,000 per bylaw changes of December 2017. The relief officials further stated that relief association members that are non-life members receive a flat \$1,000 due to the fire company posthumously designating the deceased as a life member and members that have earned through their length of service the designation as a life member of the fire company are entitled to \$1,000 plus interest earned from the time the fire company member was designated as a life member.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

PERKASIE FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the relief association officials review and amend the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization or that the relief association be reimbursed \$2,000 from the affiliated fire company for the overpayment of death benefits. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated death benefits are being paid as stipulated in the bylaws.

Auditor's Conclusion: Based on the criteria, all death benefits paid to members by the relief association are not \$1,000. There is a difference between an active member and a life member; therefore, the finding remains as stated. We continue to recommend that the relief association officials review and amend the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization or that the relief association be reimbursed \$2,000 from the affiliated fire company for the overpayment of death benefits. Compliance will be subject to verification through our next audit.

PERKASIE FIREMEN'S RELIEF ASSOCIATION
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

Perkasie Firemen's Relief Association Governing Body:

Mr. F. Andrew Wedman
President

Mr. John Maven
Vice President

Mr. John Yannaccone
Secretary

Mr. Stephen Reutlinger
Treasurer

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

Ms. Marianne K. Morano
Secretary
East Rockhill Township

Ms. Lorraine Leslie
Secretary
Hilltown Township

Ms. Andrea Coaxum
Secretary
Perkasie Borough

PERKASIE FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.