

# COMPLIANCE AUDIT

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## Sadsbury Firemens Relief Association of Chester County, Pennsylvania

For the Period  
January 1, 2019, to December 31, 2021

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June 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Brad Rust, President  
Sadsbury Firemens Relief Association  
of Chester County, Pennsylvania

We have conducted a compliance audit of the Sadsbury Firemens Relief Association of Chester County, Pennsylvania (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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding 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.

We were not able to obtain an independent confirmation of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$15,264 and an investment balance with a fair value of \$1,260, we were not able to verify those cash and investment balances.

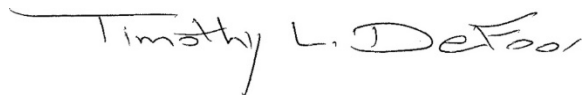
Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2021:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- Because of the significance of the matter described in Finding No. 2 below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Undocumented Expenditure

Finding No. 2 – Inadequate Documentation Of Purchase And  
Inappropriate Ownership Of Rescue Vehicle

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.



Timothy L. DeFoor  
Auditor General  
June 8, 2023

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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<sup>1</sup>, and the Volunteer Firefighters’ Relief Association Act<sup>2</sup> (“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 Law<sup>3</sup> (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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Sadsbury Township	Chester	\$24,587	\$24,981	\$23,330

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<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 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 \$16,524 as illustrated below:

Cash	\$ 15,264
Fair Value of Investments	<u>1,260</u>
Total Cash and Investments	<u>\$ 16,524</u>

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$81,525, 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>4</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>\$ 7,760</u>
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#### Fire Services:

Equipment purchased	\$ 67,816
Training expenses	<u>5,555</u>
Total Fire Services	<u>\$ 73,371</u>

#### Administrative Services:

Bond premiums	\$ 250
Other administrative expenses	<u>144</u>
Total Administrative Services	<u>\$ 394</u>

Total Expenditures	<u>\$ 81,525</u>
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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:

Sadsburyville Fire Company No. 1

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<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Undocumented Expenditure

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditure**

Condition: The relief association was unable to provide adequate supporting documentation for an expenditure amounting to \$600 to Berks County made during the prior audit period and did not receive reimbursement for the item during the current audit period.

This condition was noted in our prior audit report.

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials acknowledged that their failure to address the prior audit undocumented expenditure was an oversight.

Effect: Lack of supporting documentation, such as invoices, make it impossible to determine if the expenditures were made in accordance with Section 7416(f) of the VFRA Act.

Recommendation: We again recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$600 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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 indicated they will take action to comply with the recommendation.



SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Inadequate Documentation Of Purchase And Inappropriate Ownership Of Rescue Vehicle**

Condition: The relief association entered into an undated agreement to purchase a 2016 GMC Sierra to carry personnel and safeguard equipment from the affiliated volunteer fire company for the amount of \$40,000 to be paid in four annual payments in the amount of \$10,000 beginning in December 2020, with the final payment due in December 2023; however, we could not verify whether the rescue vehicle was purchased by the relief association at a fair market value due to a lack of supporting documentation. The relief association officials did not provide our auditors an appraisal for the vehicle to support the market value for the established agreed upon purchase amount. The relief association made two payments for a total of \$20,000 towards the purchase of the vehicle during the audit period. The volunteer fire company purchased this rescue vehicle in November 2016, at a cost of \$40,461 and, currently, the vehicle is solely titled to the volunteer fire company.

Criteria: Prudent business practice dictates that the relief association exercise due diligence to determine a fair market value of equipment purchased by the relief association. Prudent business practice also dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be valued and titled only in the name of the relief association.

Cause: According to the relief association officials, the vehicle must remain titled in the name of the affiliated fire company due to the township paying for the insurance coverage on the vehicle. The relief association did not provide supporting documentation to substantiate this statement. Furthermore, the relief association did not provide a reason why the fair market value of the vehicle was not determined.

Effect: As a result of the relief association’s inability to provide an appraisal establishing fair market value of the rescue vehicle at the time of purchase and evidence of an appropriate title of the rescue vehicle in the name of the relief association, the relief association may have paid more than the fair market value for the vehicle, which was also not properly safeguarded. Furthermore, the relief association’s future state aid allocations may be withheld until the finding recommendation is complied with.

SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials provide an appraisal for the vehicle and that the title to the 2016 GMC Sierra be in the name of the relief association. Further, the relief association should obtain and maintain this type of information for all such future purchases. If such action is not taken for the 2016 GMC Sierra vehicle purchase, we recommend that the relief association be reimbursed the amount of loan payments made to the affiliated fire company. 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; however, as a result of this audit, the relief association applied for a lien on the current title on December 17, 2022.

Auditor's Conclusion: The finding stands as cited. The VFRA Act and prudent business practices necessitates that relief association purchases be adequately documented and that such purchased assets are protected. Therefore, we maintain our recommendation as stated above. Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 2 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

SADSBURY FIREMENS RELIEF ASSOCIATION OF CHESTER COUNTY,  
PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Sadsbury Firemens Relief Association of Chester County, Pennsylvania Governing Body:

**Mr. Brad Rust**  
President

**Mr. Galen Conover**  
Vice President

**Ms. Debbie Supplee**  
Secretary

**Mr. Adam Grossman**  
Treasurer

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

**Ms. Linda Shank**  
Secretary  
Sadsbury 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: