

COMPLIANCE AUDIT

Southern Cove Volunteer Firemen's Relief Association Bedford County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

July 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Luke Ray Martin, President
Southern Cove Volunteer Firemen's
Relief Association
Bedford County

We have conducted a compliance audit of the Southern Cove Volunteer Firemen's Relief Association (relief association) for the period January 1, 2019, 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.

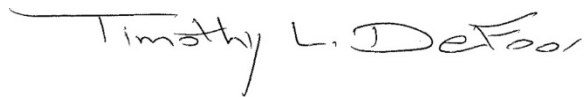
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 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, 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 finding listed below and discussed later in this report.

Finding – Failure To Obtain A Pennsylvania Sales Tax Exemption Number
And Payment Of Pennsylvania Sales Tax

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
June 23, 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 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>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bloomfield Township	Bedford	\$ 3,021	\$ 3,048	\$ 2,732	\$ 3,394
Hopewell Township	Bedford	\$ 2,615	\$ 2,656	\$ 2,385	\$ 2,826
South Woodbury Township	Bedford	\$12,254	\$12,352	\$11,282	\$13,643
Woodbury Borough	Bedford	\$ 1,266	\$ 1,284	\$ 1,167	\$ 1,431
Woodbury Township	Bedford	\$ 2,476	\$ 2,500	\$ 2,227	\$ 2,669

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$53,185, as illustrated below:

Cash	\$ 13,468
Fair Value of Investments	<u>39,717</u>
Total Cash and Investments	<u><u>\$ 53,185</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$121,553, 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>\$ 12,676</u>
Fire Services:	
Equipment purchased	\$ 40,677
Equipment maintenance	15,264
Training expenses	22,012
Fire prevention materials	<u>4,652</u>
Total Fire Services	<u>\$ 82,605</u>
Administrative Services:	
Bond premiums	\$ 1,362
Other administrative expenses *	<u>18,322</u>
Total Administrative Services	<u>\$ 19,684</u>
Total Investments Purchased	<u>\$ 6,407</u>
Other Expenditures:	
Unauthorized sales tax paid	<u>\$ 181</u>
Total Expenditures	<u><u>\$ 121,553</u></u>

* A majority of the other administrative expenses represent computer repairs of \$625, fees of \$65, internet costs of \$8,283, office supplies of \$1,642, postage of \$367, and subscriptions of \$4,733.

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:

Southern Cove Volunteer Fire Company

SOUTHERN COVE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

**Finding – Failure To Obtain A Pennsylvania Sales Tax Exemption Number And Payment
Of Pennsylvania Sales Tax**

Condition: The relief association failed to obtain a Pennsylvania sales tax exemption number and paid \$181 in Pennsylvania sales tax for equipment. These payments would not have been required if the relief association had provided a sales tax exemption number to the vendors.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: Relief association officials indicated that they were unaware of the necessity to obtain its own sales tax exemption number from the Department of Revenue and did not provide a reason for the unauthorized sales tax paid.

Effect: As a result of the relief association's continued failure to obtain a sales tax exemption number, the relief association was required to pay Pennsylvania sales tax on its purchases, which ultimately reduced the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We recommend that the relief association officials immediately obtain a state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment.

In addition, we recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$181, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, relief association officials furnish its state sales tax exemption number to all vendors from which the relief association purchases equipment. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

SOUTHERN COVE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Southern Cove Volunteer Firemen's Relief Association Governing Body:

Mr. Luke Ray Martin
President

Ms. Brittany McConnell
Secretary

Mr. Mark Clapper
Treasurer

SOUTHERN COVE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Charlene O'Dellick
Secretary
Bloomfield Township

Ms. Melissa J. Douglas
Secretary
Hopewell Township

Ms. Rachel White
Secretary
South Woodbury Township

Ms. Barbara A. Wilt
Secretary
Woodbury Borough

Ms. Denise L. Ott
Secretary
Woodbury 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.