

COMPLIANCE AUDIT

The Bethlehem Volunteer Firemen's
Relief Association, of the City of
Bethlehem, State of Pennsylvania
Northampton County
For the Period
January 1, 2019, to December 31, 2021

March 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Merrill Simons, President
The Bethlehem Volunteer Firemen's Relief
Association, of the City of Bethlehem,
State of Pennsylvania
Northampton County

We have conducted a compliance audit of The Bethlehem Volunteer Firemen's Relief Association, of the City of Bethlehem, State of 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 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.

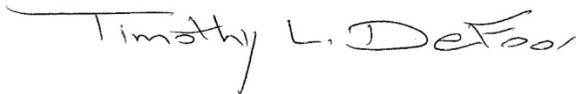
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures,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

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$89,070, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, 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 – Improper And Incomplete Dissolution

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
February 16, 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.

During the current audit period, the relief association did not receive an allocation of state aid from any funding municipalities. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire 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)

Based on the relief association’s records, its total cash as of December 31, 2021, was \$89,070, as illustrated below:

Cash	<u>\$ 89,070</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$7,817, 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:

Administrative Services:	
Bond premiums	\$ 617
Officer compensation	<u>7,200</u>
Total Administrative Services	<u>\$ 7,817</u>
Total Expenditures	<u>\$ 7,817</u>

The volunteer firefighters’ relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

- Central Fire Company
- Fairview Fire Company
- Goodwill Fire Company
- Monocacy Fire Company
- Reliance Fire Company
- Rosemont Fire Company

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

THE BETHLEHEM VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, OF THE CITY OF
BETHLEHEM, STATE OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Improper And Incomplete Dissolution

Condition: The relief association did not apply to the local common pleas court for dissolution after its membership diminished to five members. While the relief association did file articles of dissolution with the Pennsylvania Department of State as of February 2019, the relief association did not apply to the local common pleas court, as stipulated by the VFRA Act. As of December 31, 2019, the relief association retained a cash balance of \$89,070. Per relief association records provided to our auditors, it appears the relief association has three longtime qualifying members to which an established benefit obligation may be owed in the future.

Criteria: Section 7419 of the VFRA Act states, in part:

- (a) Withdrawal.**--If the voters elect to replace a volunteer fire company with a full-paid fire department or company and the volunteer company which has been replaced ceases to render fire service to any community, the volunteer company shall withdraw from the volunteer firefighters' relief association which had extended protection to its membership.
- (b) Continuation.**--Notwithstanding withdrawal of a company under subsection (a), the volunteer firefighters' relief association shall continue granting financial assistance to its remaining members and their families in death, sickness and distress suffered through the unfortunate elements of life.
- (d) Application.**--When the membership of a relief association functioning under subsection (b) diminishes to five members, the association shall apply to the local common pleas court for dissolution.
- (e) Determination.**--Upon receipt of an application under subsection (d), the court shall direct that:
 - (1) all bills, including the costs of dissolution, be paid; and
 - (2) the balance of funds in the treasury of the volunteer firefighters' relief association subject to dissolution be paid to the pension fund of the paid fire department created as set forth in subsection (a).

THE BETHLEHEM VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, OF THE CITY OF
BETHLEHEM, STATE OF PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

In addition, the relief association bylaws at Article 8, Section 1 states, in part:

Upon the death of a member in good standing in the Special Death Fund, there shall be paid to the beneficiary named in his will on file with the Financial Secretary, the amount set by the Representative of the Association.

Cause: Despite obtaining legal counsel, relief association officials were unaware of the requirement that the relief association is to apply to the local common pleas court for dissolution when the relief association's membership diminishes to five members.

Effect: Without guidance from the court of common pleas the relief association is unable to ensure that the relief association completes a proper dissolution, that all relief association obligations are satisfied properly, and that a final proper distribution of state aid funds occurs as specified by the VFRA Act.

Recommendation: We recommend that the relief association apply to the local common pleas court as stipulated by the VFRA Act. 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.

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

THE BETHLEHEM VOLUNTEER FIREMEN'S RELIEF ASSOCIATION, OF THE CITY OF
BETHLEHEM, STATE OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Bethlehem Volunteer Firemen's Relief Association, of the City of Bethlehem, State of
Pennsylvania Governing Body:

Mr. Merrill Simons
President

Mr. Louis R. Josar
Treasurer

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

Mr. Robert G. Vidoni
City Clerk
City of Bethlehem

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.