

COMPLIANCE AUDIT

Third District Volunteer Fire Company
Number 1, Firemen's Relief Association
of Bristol Township, Pennsylvania
Bucks County
For the Period
January 1, 2019, to December 31, 2022

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. Herbert Schoell, Jr., President
Third District Volunteer Fire Company
Number 1, Firemen's Relief Association
of Bristol Township, Pennsylvania
Bucks County

We have conducted a compliance audit of the Third District Volunteer Fire Company Number 1, Firemen's Relief Association of Bristol Township, Pennsylvania (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.

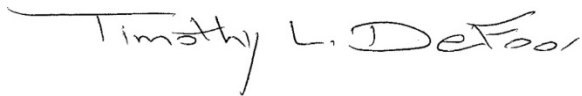
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective 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 – Inappropriate Payments On Lease-Purchase Agreement

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
May 26, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bristol Township	Bucks	\$59,981	\$60,372	\$54,318	\$66,382

Based on the relief association’s records, its total cash as of December 31, 2022, was \$109,504, as illustrated below:

Cash \$ 109,504

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$286,733, 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	\$ 76,702
Tokens of sympathy and goodwill	3,677
Total Benefit Services	<u>\$ 80,379</u>

Fire Services:

Equipment purchased	\$ 124,906
Equipment maintenance	22,577
Training expenses	1,895
Total Fire Services	<u>\$ 149,378</u>

Administrative Services:

Bond premiums	\$ 1,004
Other administrative expenses *	15,851
Total Administrative Services	<u>\$ 16,855</u>

Total Investments Purchased	<u>\$ 5,000</u>
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Other Expenditures:

Payments on loan	\$ 8,844
Payments on lease-financing	26,277
Total Other Expenditures	<u>\$ 35,121</u>

Total Expenditures	<u><u>\$ 286,733</u></u>
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* A majority of the other administrative expenses represent \$7,600 expended in calendar years 2019 through 2022 for financial services, and \$7,066 expended in calendar years 2019, 2020, and 2022 for emergency reporting software.

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:

Third District Volunteer Fire Company Number 1, Bristol Township, Pennsylvania

THIRD DISTRICT VOLUNTEER FIRE COMPANY NUMBER 1, FIREMEN'S
RELIEF ASSOCIATION OF BRISTOL TOWNSHIP, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Inappropriate Payments On Lease-Purchase Agreement

Condition: During the current financial period, the relief association made four payments totaling \$35,036 under a lease-purchase agreement to finance the purchase a 2019 Chevy Tahoe; however, the lessee named on the agreement was the affiliated fire company rather than the relief association.

Criteria: Section 7416(f) of the VFRA Act states:

Funds of any volunteer firefighters' relief association may be spent:

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

In addition, prudent business practice dictates that the relief association maintain ownership of all equipment purchased by the relief association in order to provide protection over all relief association assets.

Cause: The relief association failed to ensure that the paperwork for the lease agreement was completed properly.

Effect: As a result of the lease-purchase agreement inappropriately naming the fire company as lessee, the relief association is deemed to be making payments on equipment which will be owned by the fire company. Although payments to finance a rescue vehicle is considered an authorized expenditure, the relief association must be named as the lessee in the agreement to ensure that the relief association is documented as the owner of the equipment.

Recommendation: We recommend that the relief association officials take appropriate action to ensure that all future lease-purchase agreements financing relief association equipment are in the name of the relief association. In addition, once the 2019 Chevy Tahoe is paid in full, the vehicle must be titled in the name of the relief association. We further recommend that relief association officials refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS, for further guidance in administering the operations of the relief association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, on February 15, 2023, the relief association and the affiliated fire company entered into an agreement showing the relief association had full ownership of the leased vehicle.

THIRD DISTRICT VOLUNTEER FIRE COMPANY NUMBER 1, FIREMEN'S
RELIEF ASSOCIATION OF BRISTOL TOWNSHIP, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Auditor's Conclusion: We reviewed the agreement verifying that the relief association had full ownership of the leased vehicle. Once the lease is paid in full, the vehicle must be titled in the name of the relief association. Full compliance for the transfer of the title from the affiliated fire company to the relief association and any future lease agreements will be subject to verification through our next audit.

THIRD DISTRICT VOLUNTEER FIRE COMPANY NUMBER 1, FIREMEN'S
RELIEF ASSOCIATION OF BRISTOL TOWNSHIP, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Third District Volunteer Fire Company Number 1, Firemen's Relief Association of Bristol
Township, Pennsylvania Governing Body:

Mr. Herbert Schoell, Jr.
President

Mr. DeShawn Newkirk
Vice President

Mr. Ray Finnell
Secretary

Mr. Joseph Gasper
Treasurer

Mr. Gene Hathaway
Financial Secretary

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

Ms. Amy Siefker
Secretary
Bristol 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.