

COMPLIANCE AUDIT

Upper Makefield Fire Company Relief Association

Bucks County, Pennsylvania

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



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Lauri Hosie, President
Upper Makefield Fire Company
Relief Association
Bucks County

We have conducted a compliance audit of the Upper Makefield Fire Company Relief Association (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.

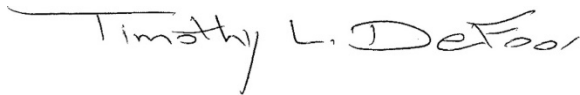
Based on our audit procedures, we conclude that, because of the significance of the matter described in Finding No. 1 below and discussed later in this report, the relief association did not, in all significant respects, comply with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, collectively as a whole, for the period January 1, 2019, to December 31, 2021. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Inappropriate Ownership Of Rescue Vehicle

Finding No. 3 – Inadequate Minutes Of Meetings

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.

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
January 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>
Upper Makefield Township	Bucks	\$120,491	\$120,975	\$105,444

Based on the relief association’s records, its total cash as of December 31, 2021, was \$173,828, as illustrated below:

Cash	<u>\$ 173,828</u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$414,437, 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	\$	33,157
Relief benefits		9,256
Total Benefit Services	\$	<u>42,413</u>

Fire Services:

Equipment purchased	\$	288,476
Equipment maintenance		47,913
Training expenses		5,044
Fire prevention materials		1,916
Total Fire Services	\$	<u>343,349</u>

Administrative Services:

Bond premiums	\$	2,525
Other administrative expenses *		19,658
Total Administrative Services	\$	<u>22,183</u>

Other Expenditures:

Unauthorized expenditures	\$	<u>6,492</u>
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Total Expenditures	\$	<u><u>414,437</u></u>
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* A majority of the other administrative expenses include cell phone bills for authorized use in the amount of \$7,274, tax preparation services in the amount of \$7,222, subscriptions in the amount of \$1,420, and software programs in the amount of \$2,790.

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:

Upper Makefield Fire Company

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
03/04/2019	3496	Maintenance on fire company owned vehicle	\$ 897
05/06/2019	3504	Maintenance on jointly owned vehicle	453
06/03/2019	3515	Maintenance on fire company owned vehicle	33
07/01/2019	3521	Maintenance on jointly owned vehicle	48
10/07/2019	3536	Maintenance on jointly owned vehicle	710
11/05/2019	3541	Maintenance on fire company owned vehicle	181
12/02/2019	3548	Maintenance on fire company owned vehicle	147
12/02/2019	3551	Maintenance on fire company owned vehicle	130
04/06/2020	3565	Oil dry	153
06/01/2020	3574	Maintenance on fire company owned vehicle	631
09/01/2020	3583	Maintenance on fire company owned vehicle	40
09/01/2020	3583	Oil dry	153
02/01/2021	3603	Maintenance on fire company owned vehicle	1,368
10/04/2021	3624	Maintenance on jointly owned vehicle	1,548
Total			<u>\$ 6,492</u>

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

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Costs associated with the purchase of oil dry, maintenance on fire company owned vehicles and 100 percent of maintenance on jointly owned vehicles with the affiliated fire company do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Three agreements between the relief association and the affiliated fire company contain pro-rated percentages of relief association ownership along with a statement on each agreement that the relief association is responsible for the maintenance on the vehicles; however, the relief association is only allowed to pay for their pro-rated share of each vehicle.

Cause: The relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by the VFRA Act. Relief association officials further stated that the relief association's joint purchase agreements with the fire company state the relief association is responsible for the maintenance for these vehicles and were not found to be objectionable previously.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$6,492 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. In addition, if the relief association and affiliated fire company intends for the relief association to be responsible for 100% of the maintenance of the vehicles, the joint purchase agreements should be amended to transfer full ownership of the vehicles to the relief association that stipulates the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. Furthermore, if the relief association has full ownership, the vehicles must be titled in the name of the relief association. 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$6,492 for the unauthorized expenditures on February 7, 2023 and amended one of the joint purchase agreements to remove the language stating that the relief association would be responsible for 100% of the maintenance of the vehicle.

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$6,492 was received and the amended agreement only allows the relief association to pay for the pro-rated amount of maintenance; however, the relief association and affiliated fire company must amend the remaining two joint purchase agreements. 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.

Finding No. 2 – Inappropriate Ownership Of Rescue Vehicle

Condition: On October 8, 2019, the relief association solely purchased a 2019 Ford F-150 rescue vehicle, in the amount of \$50,058, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the relief association and the affiliated fire company.

Criteria: Prudent business practice 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 titled solely in the name of the relief association.

Cause: The relief association officials stated that this was caused by a misunderstanding of ownership criteria.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the relief association and the affiliated fire company, this relief association asset was not properly safeguarded.

Recommendation: We recommend that the 2019 Ford F-150 rescue vehicle be titled solely in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$50,058. 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, as a result of our audit, the relief association provided a copy of the title for the 2019 Ford F-150 rescue vehicle solely in the name of the relief association, on February 2, 2023.

Auditor’s Conclusion: We reviewed documentation verifying that the title was solely in the name of the relief association. Compliance for appropriate ownership of vehicle titles made during the next audit period will be subject to verification through our next audit.

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Minutes Of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by the VFRA Act and the relief association’s bylaws. Specifically, the relief association’s minutes did not address all the financial-related transactions that occurred during the audit period.

Criteria: Section 7415(a) of the VFRA Act states, in part, that the relief association:

... must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

The relief association’s bylaws at Article III, Section 3 states, in part:

The secretary shall:

- ensure accurate minutes are taken for each regular and special business meeting;
- maintain complete and accurate meeting minutes... The minutes shall note all authorized expenditures, financial transactions and all other pertinent business discussed at the meeting.

The relief association’s bylaws at Article V, Section 1 states, in part:

Expenditures shall be approved at an Association meeting by a majority vote and recorded in the minutes before any purchase agreements are completed.

Cause: The relief association officials did not provide a reason why this occurred.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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.

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 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.

UPPER MAKEFIELD FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Upper Makefield Fire Company Relief Association Governing Body:

Ms. Lauri Hosie
President

Mr. Kevin Campbell
Secretary

Mr. Peter Cheyney
Treasurer

Mr. Robert Kay
Trustee

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

Mr. David R. Nynam
Secretary
Upper Makefield 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.