

# COMPLIANCE AUDIT

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## The Volunteer Firemen's Relief Association of Willow Grove Volunteer Fire Company #1 Montgomery County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

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May 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Charles L. Gysi, Jr., President  
The Volunteer Firemen's Relief Association  
of Willow Grove Volunteer Fire Company #1  
Montgomery County

We have conducted a compliance audit of The Volunteer Firemen's Relief Association of Willow Grove Volunteer Fire Company #1 (relief association) for the period January 1, 2020, 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, 2020, 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.

The contents of this report were discussed with the management of the relief association. 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  
April 14, 2023

## CONTENTS

	<u>Page</u>
Background .....	1
Report Distribution List .....	4

## 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.

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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)**

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Upper Moreland Township	Montgomery	\$126,225	\$113,579	*

\* Upper Moreland Township did not distribute the 2022 state aid in the amount of \$138,518 to the relief association. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2022; however, the township failed to forward this state aid within 60 days of receipt to the relief association, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Consequently, the relief association did not receive their foreign fire tax allocation for the year 2022 from this municipality and those funds were not available to the relief association for general operating expenses or for investment purposes. **Upper Moreland Township should allocate the 2022 state aid funds to the relief association immediately as required by Act 205.**

**In addition, after the state aid is allocated to the relief association, Upper Moreland Township is still required to complete a 2022 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.**

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$1,656,327, as illustrated below:

Cash	\$ 977,699
Fair Value of Investments	<u>678,628</u>
Total Cash and Investments	<u><u>\$ 1,656,327</u></u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$665,315, 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	\$ 571,783
Relief benefits	6,915
Total Benefit Services	<u>\$ 578,698</u>

#### Fire Services:

Equipment purchased	\$ 38,557
Equipment maintenance	24,821
Total Fire Services	<u>\$ 63,378</u>

#### Administrative Services:

Bond premiums	\$ 1,348
Other administrative expenses *	21,891
Total Administrative Services	<u>\$ 23,239</u>

Total Expenditures \$ 665,315

\* A majority of the other administrative expenses represent \$19,695 expended in calendar years 2020, 2021 and 2022 for accounting services.

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:

Willow Grove Volunteer Fire Company #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.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WILLOW GROVE  
VOLUNTEER FIRE COMPANY #1  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

The Volunteer Firemen's Relief Association of Willow Grove Volunteer Fire Company #1  
Governing Body:

**Mr. Charles L. Gysi, Jr.**  
President

**Mr. Christopher Jones**  
Vice President

**Mr. James P. Lee, Sr.**  
Secretary

**Mr. Thomas Winterberg**  
Treasurer

**Mr. Charles W. Jones, Jr.**  
Director of Insurance

**Mr. James G. Hotchkiss, Jr.**  
Director of Membership

**Mr. Frank Kibler**  
Director of Audit & Bylaws

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

**Mr. Matthew Candland**  
Secretary  
Upper Moreland Township



THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF WILLOW GROVE  
VOLUNTEER FIRE COMPANY #1  
REPORT DISTRIBUTION LIST

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: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).