

# COMPLIANCE AUDIT

---

## The Volunteer Firemen's Relief Association of the Bethel Township Hose Company No. 1, of Bethel Township, Delaware 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**

Mr. Craig E. Small, President  
The Volunteer Firemen's Relief Association  
of the Bethel Township Hose Company No. 1,  
of Bethel Township, Delaware County  
Pennsylvania

We have conducted a compliance audit of The Volunteer Firemen's Relief Association of the Bethel Township Hose Company No. 1, of Bethel Township, Delaware County 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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. 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 objectives 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain independent confirmations of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$196,054 and an investment balance with a fair value of \$127,539, we were not able to verify those cash and investment balances.

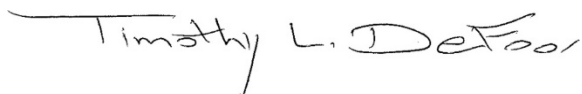
Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2021:

- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Failure To Adhere To Relief Association Bylaws And Inadequate Relief Association Bylaws

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.



Timothy L. DeFoor  
Auditor General  
February 9, 2023

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Finding .....	4
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster .....	5
Finding No. 2 – Failure To Adhere To Relief Association Bylaws And Inadequate Relief Association Bylaws .....	6
Report Distribution List .....	9

## 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.

---

<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>2019</u>	<u>2020</u>	<u>2021</u>
Bethel Township	Delaware	\$67,540	\$67,712	\$60,650

Based on the relief association’s records, its total cash, and investments as of December 31, 2021, were \$323,593, as illustrated below:

Cash	\$ 196,054
Fair Value of Investments	<u>127,539</u>
Total Cash and Investments	<u>\$ 323,593</u>

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$159,982, 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	\$	15,548
Death benefits		100
Total Benefit Services	\$	<u>15,648</u>

#### Fire Services:

Equipment purchased	\$	93,660
Equipment maintenance		29,705
Training expenses		14,836
Total Fire Services	\$	<u>138,201</u>

#### Administrative Services:

Bond premiums	\$	750
Other administrative expenses *		5,383
Total Administrative Services	\$	<u>6,133</u>

Total Expenditures	\$	<u><u>159,982</u></u>
--------------------	----	-----------------------

\* A majority of the other administrative expenses represent monthly cell phone bills in the amount of \$2,172 and financial services in the amount of \$2,142 for the audit period.

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:

Bethel Township Hose Company No. 1

---

<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 THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Failure To Maintain A Complete And Accurate Equipment Roster

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.



THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain  
A Complete And Accurate Equipment Roster**

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, it was incomplete because it did not contain the names of suppliers (vendors), dates of purchase, cost of equipment and serial numbers to accurately identify equipment owned by the relief association. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$93,660 was recorded. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials stated that the cause was due to lack of manpower and time.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We again recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Failure To Adhere To Relief Association Bylaws And Inadequate Relief Association Bylaws**

Condition: The relief association did not adhere to a provision in the relief association's bylaws. Specifically, the relief association did not abide by the bylaw stipulation for the relief association officer positions of Financial Secretary and Treasurer. During the current audit period, the relief association only had an elected President, Vice President, and Recording Secretary. It was also noted that if the Chief, Assistant Chiefs, Chief Engineer, and Fire Police Captain are only considered officers of the fire company; therefore, these positions should be removed from the relief association's bylaws.

In addition, the existing bylaws of the relief association contains language to invest funds based on Act 84 of June 11, 1968. Therefore, the relief association has not updated the bylaws to govern their organization to meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020).

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: The relief association's bylaws stipulate the following:

- Article IV, Section 1 – The Officers of this association shall be the duly elected officers of the Bethel Township Hose Company No. 1, who shall serve in the same capacities as in the said company: these being President, Vice President, Recording Secretary, Financial Secretary, Treasurer, Chief, Assistant Chiefs, Chief Engineer, Fire Police Captain, and Directors.
- Article VIII, Section 4 – The Financial Secretary shall keep a true and correct record of all moneys received and disbursed upon the treasury, and may countersign any check drawn upon the Treasury. At the expiration of term in office shall deliver to successor all records and funds.
- Article VIII, Section 5 – The Treasurer shall keep a true and correct record of all moneys belonging to the Association, and all disbursements of the same, and shall make a report of the condition of the treasury at all meetings of the Association. Shall not disburse any funds of the Association except those authorized at meetings of the Association or upon approval of the monthly benefits recommended by the Board of Directors. May countersign any check drawn upon the Treasury. At the expiration of term in office shall deliver to successor all books, records and funds.
- Article IX, Section 1 – Funds of this association may be invested in any security authorized by the provisions of Section 6 (c) of Act 84.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials were unaware that they were not following their bylaws and that the bylaws needed updated to govern their organization to meet the requirements set forth in the VFRA Act.

Effect: As a result of the relief association not following the mandatory provisions or including the appropriate provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws to assure that the association conducts its affairs with proper authorization. We also recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act (Act 118 of 2010 and Act 91 of 2020) by removing the language referring to Act 84 and properly authorize the operating procedures 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 and indicated they will take action to comply with the recommendation.

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

THE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF THE BETHEL TOWNSHIP  
HOSE COMPANY NO. 1, OF BETHEL TOWNSHIP, DELAWARE COUNTY  
PENNSYLVANIA  
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 the Bethel Township Hose Company No. 1, of  
Bethel Township, Delaware County Pennsylvania Governing Body:

**Mr. Craig E. Small**  
President

**Mr. Ray Stiles**  
Vice President

**Mr. Stuart Elman**  
Secretary

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

**Mr. William Addison**  
Manager  
Bethel Township

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).