

COMPLIANCE AUDIT

Sharon Hill Volunteer Fire Fighters
Relief Association of Sharon Hill, Pa.
Delaware County, Pennsylvania
For the Period
January 1, 2019 to December 31, 2021

October 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Michael Galli, President
Sharon Hill Volunteer Fire Fighters
Relief Association of Sharon Hill, Pa.
Delaware County

We have conducted a compliance audit of the Sharon Hill Volunteer Fire Fighters Relief Association of Sharon Hill, Pa. (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.

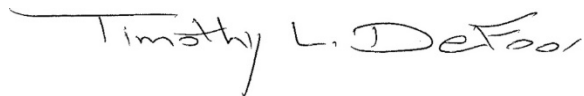
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures,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

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

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- 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 – Untimely Deposits Of State Aid

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.



Timothy L. DeFoor
Auditor General
September 30, 2022

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Finding	4
Finding and Recommendation:	
Finding – Untimely Deposits Of State Aid	5
Report Distribution List	7

BACKGROUND – (Continued)

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>
Sharon Hill Borough	Delaware	\$26,117	\$26,298*	\$23,587*

* The 2020 and 2021 state aid allocations received from Sharon Hill Borough were not deposited by the relief association until February 2, 2021, and January 27, 2022, respectively, as disclosed in the finding in this report.

Based on the relief association’s records, its total cash and investments as of December 31, 2021 were \$1,738,192, as illustrated below:

Cash	\$ 77,990
Fair Value of Investments	<u>1,660,202</u>
Total Cash and Investments	<u><u>\$ 1,738,192</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$106,826, 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	\$	26,283
Tokens of sympathy and goodwill		414
Total Benefit Services	\$	<u>26,697</u>

Fire Services:

Equipment purchased	\$	57,412
Equipment maintenance		15,017
Training expenses		4,945
Total Fire Services	\$	<u>77,374</u>

Administrative Services:

Bond premiums	\$	750
Other administrative expenses*		2,005
Total Administrative Services	\$	<u>2,755</u>

Total Expenditures	\$	<u>106,826</u>
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* A portion of the other administrative expenses include expenses related to an alerting system for members.

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:

Volunteer Fire Company of Sharon Hill

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

SHARON HILL VOLUNTEER FIRE FIGHTERS RELIEF ASSOCIATION OF
SHARON HILL, PA
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

SHARON HILL VOLUNTEER FIRE FIGHTERS RELIEF ASSOCIATION OF
SHARON HILL, PA
FINDING AND RECOMMENDATION

Finding – Untimely Deposits Of State Aid

Condition: The relief association did not deposit the 2020 and 2021 state aid allocations it received from Sharon Hill Borough, in the amounts of \$26,298 and \$23,587, respectively, until February 8, 2021 and January 27, 2022, respectively. The foreign fire insurance tax allocations were distributed to the municipal treasurers on September 22, 2020 and September 21, 2021, who forwarded the state aid to the relief association on October 18, 2020 and November 23, 2021, respectively, which was/nearly was within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, upon receipt of the state aid allocations, the relief association did not ensure the funds were deposited timely into a relief association account.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that upon receipt of its state aid allocation, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

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

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely deposit of receipts increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely deposit of all future income received. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

SHARON HILL VOLUNTEER FIRE FIGHTERS RELIEF ASSOCIATION OF
SHARON HILL, PA
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management did not sign and return the exit conference memorandum stating agreement or disagreement with the finding as presented.

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

SHARON HILL VOLUNTEER FIRE FIGHTERS RELIEF ASSOCIATION OF
SHARON HILL, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Sharon Hill Volunteer Fire Fighters Relief Association of Sharon Hill, Pa. Governing Body:

Mr. Michael Galli
President

Mr. Christopher Miller
Vice President

Mr. Wayne Little
Secretary

Mrs. Jennifer Orr
Treasurer

Mr. John Croce
Head Trustee

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

Ms. Celandra Rice-Adeloye
Secretary
Sharon Hill Borough

SHARON HILL VOLUNTEER FIRE FIGHTERS RELIEF ASSOCIATION OF
SHARON HILL, PA
REPORT DISTRIBUTION LIST

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.