

COMPLIANCE AUDIT

Temple Volunteer Firefighters' Relief Association Berks County, Pennsylvania For the Period January 1, 2018 to March 10, 2021

June 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Anthony Zappacosta, President
Temple Volunteer Firefighters'
Relief Association
Berks County

We have conducted a compliance audit of the former Temple Volunteer Firefighters' Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2018 to March 10, 2021.

The objective of the audit was to determine if the former 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.

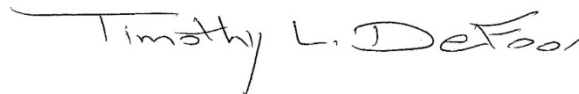
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 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, 2018 to March 10, 2021, the former 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 Ownership Of Rescue Vehicle

In addition, as of March 10, 2021, the former relief association completed the process of dissolution and merged with the Volunteer Firemen’s Relief Association of Muhlenberg Township. Consequently, all remaining monetary assets and equipment were transferred to the Volunteer Firemen’s Relief Association of Muhlenberg Township.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has been included in the report. We would like to thank former 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 7, 2021

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The former relief association was a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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.

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Muhlenberg Township	Berks	\$37,157	*	*

* Muhlenberg Township did not distribute state aid to the former relief association in 2019 and 2020.

BACKGROUND – (Continued)

As of March 10, 2021, the former relief association dissolved its organization and merged with the Volunteer Firemen’s Relief Association of Muhlenberg Township. Thereafter, it did not receive any further state aid allocations.

Based on the former relief association’s records, its total cash as of March 10, 2021 was zero, as illustrated below:

Cash	<u><u>\$ 0</u></u>
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Based on the former relief association’s records, its total expenditures for the period January 1, 2018 to March 10, 2021 were \$125,215, 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.¹ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Fire Services:	
Equipment purchased	\$ 86,564
Equipment maintenance	30,704
Training expenses	<u>3,201</u>
Total Fire Services	<u>\$ 120,469</u>
Administrative Services:	
Officer compensation	<u>\$ 325</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 4,421</u>
Total Expenditures	<u><u>\$ 125,215</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

As of March 10, 2021, the former relief association completed the process of dissolution and merged with the Volunteer Firemen's Relief Association of Muhlenberg Township. Consequently, all remaining monetary assets and equipment were transferred to the Volunteer Firemen's Relief Association of Muhlenberg Township. Due to the dissolution of the former relief association, we are providing officials of the Volunteer Firemen's Relief Association of Muhlenberg Township copies of this report.

The former volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The former relief association was affiliated with the following fire service organization:

Temple Fire Company No. 1

TEMPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inappropriate Ownership Of Rescue Vehicle

Condition: On November 26, 2018, the former relief association solely purchased a rescue vehicle, in the amount of \$45,000, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the former relief association and the affiliated fire company without any agreement enumerating the former relief association's 100 percent ownership interest in the purchased vehicle as well as stipulating that all of the proceeds upon sale of the vehicle shall revert to the former relief association.

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 only in the name of the relief association. If the title is in the name of the relief association and the affiliated fire company, an agreement should be in place that enumerates the relief association's 100 percent ownership interest in the vehicle as well as stipulating that all sales proceeds shall revert to the relief association in the event the vehicle is ever sold.

Cause: The former relief association officials stated that this was an oversight.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the former relief association and the affiliated fire company and the lack of a related agreement enumerating the former relief association's 100 percent ownership interest in the jointly purchased vehicle as well as that all of the proceeds upon sale of the vehicle shall revert to the former relief association, this relief association asset was not properly safeguarded.

Recommendation: Due to the dissolution of the former relief association and the affiliated Temple Fire Company No. 1 and subsequent merger, we are providing officials of the Volunteer Firemen's Relief Association of Muhlenberg Township copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association during the course of our audit. We recommend that the Volunteer Firemen's Relief Association of Muhlenberg Township title the rescue vehicle only in the name of the relief association or that the relief association officials execute a formal written agreement with the affiliated fire company that enumerates the relief association's 100 percent ownership interest in the purchased vehicle as well as stipulating that all sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the Volunteer Firemen's Relief Association of Muhlenberg Township be reimbursed \$45,000 or any future state aid may be withheld. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

TEMPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the Volunteer Firemen's Relief Association of Muhlenberg Township.

TEMPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Temple Volunteer Firefighters' Relief Association Governing Body:

Mr. Anthony Zappacosta
President

Mr. Todd Wentzel
Vice President

Mr. Jeffrey Gilbert
Secretary

Mr. Anthony Morganti
Treasurer

Mr. Jason Binder
Trustee

Mr. Juan Hernandez
Trustee

Mr. Daniel Wade
Trustee

TEMPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

Volunteer Firemen's Relief Association of Muhlenberg Township Governing Body:

Mr. Anthony Zappacosta
President

Mr. Todd Wentzel
Vice President

Mr. Jeffrey Gilbert
Secretary

Mr. Brandon Grube
Treasurer

Mr. Anthony Morganti
Financial Secretary

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

Ms. Dawn Cieniewicz
Secretary
Muhlenberg 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.