

# COMPLIANCE AUDIT

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## Texas Township Volunteer Firefighter's Relief Association Wayne County, Pennsylvania For the Period January 1, 2020, to December 31, 2022

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May 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Bill Vanhorn, President  
Texas Township Volunteer Firefighter's  
Relief Association  
Wayne County

We have conducted a compliance audit of the Texas Township Volunteer Firefighter's Relief Association (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 association 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.

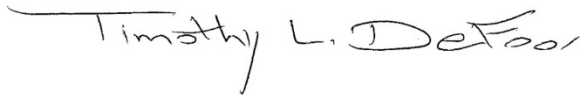
We were not able to obtain an independent confirmation of portions of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$66,399 and an investment balance with a fair value of \$424,612, we were not able to verify portions of the cash and investment balances.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, 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, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Untimely Receipt And Deposits Of State Aid

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of Jointly Purchased Vehicles

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  
April 17, 2024

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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<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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bethany Borough	Wayne	\$ 501	\$ 446	\$ 540
Cherry Ridge Township	Wayne	\$ 6,639	\$ 5,773	\$ 7,130
Dyberry Township	Wayne	\$ 3,473	\$ 2,999*	\$ 3,687*
Palmyra Township	Wayne	\$ 2,478	\$ 2,225	\$ 2,666
Texas Township	Wayne	\$17,196	\$14,958	\$17,421

\* The 2021 and 2022 state aid allocations received from Dyberry Township were not deposited by the relief association until March 8, 2022, and January 4, 2023, as disclosed in Finding No. 1 in this report.

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$491,011, as illustrated below:

Cash	\$ 66,399
Fair Value of Investments	<u>424,612</u>
Total Cash and Investments	<u>\$ 491,011</u>

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2022, were \$393,606, 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	\$ 14,397
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#### Fire Services:

Equipment purchased	\$ 72,811
Equipment maintenance	750
Total Fire Services	<u>\$ 73,561</u>

#### Administrative Services:

Bond premiums	\$ 862
Officer compensation	2,250
Other administrative expenses	286
Total Administrative Services	<u>\$ 3,398</u>

Total Investments Purchased	<u>\$ 302,250</u>
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Total Expenditures	<u><u>\$ 393,606</u></u>
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The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Seelyville Fire Company

White Mills Fire Department, Incorporated

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

TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Untimely Receipt And Deposits Of State Aid**

Condition: The relief association did not deposit the 2021 state aid allocation it received from Dyberry Township, in the amount of \$2,999, until March 8, 2022. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2021, who did not forward this state aid to the relief association until February 14, 2022, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocation, the relief association did not ensure the funds were deposited timely into a relief association account.

In addition, the relief association did not deposit the 2022 state aid allocation it received from Dyberry Township in the amount of \$3,687 until January 4, 2023. The foreign fire insurance tax allocation was distributed to the municipality treasurer on September 21, 2022, who did forward this state aid to the relief association on November 14, 2022, which is within the 60 days of receipt, as required by Section 706(b)(2) of the Act of December 1984, (P.L. 1005, No. 205); however, upon receipt of the 2022 state aid allocation, 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 allocations, the relief association should establish adequate internal control procedures to ensure the funds are deposited in a timely manner.

Cause: Relief association officials stated the delay in receipt of the municipality's issuance of the 2021 state aid allocation and a lack of oversight as reasons for not depositing the state aid allocations in a timely manner.

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



TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all future income received. 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.

**Finding No. 2 – Failure To Deposit Proceeds From The Sale Of Jointly Purchased Vehicles**

Condition: In 2003, the relief association expended \$27,746 towards the joint purchase of a 2002 International 750 GPM Tanker with the affiliated fire company which had a total cost of \$160,698. The relief association entered into an agreement with the affiliated fire company dated June 2, 2003, where the relief association would receive the pro-rata share percentage of 17.27% if the vehicle was ever sold. In 2015, the jointly purchased vehicle was sold for \$66,271; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

In addition, in 2009 the relief association expended \$35,201 towards the joint purchase of a 2006 GMC Rescue vehicle with the affiliated fire company which had a total cost of \$183,297. The relief association entered into an agreement with the affiliated fire company dated March 18, 2009, where the relief association would receive the pro-rata share percentage of 19.20% if the vehicle was ever sold. In 2022, the jointly purchased vehicle was sold for \$63,000; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

In addition, in 2010 the relief association expended \$100,000 towards the joint purchase of a 2010 Pierce Pumper vehicle with the affiliated fire company which had a total cost of \$259,676. The relief association entered into an agreement with the affiliated fire company dated March 1, 2010, where the relief association would receive the pro-rata share percentage of 38.51% if the vehicle was ever sold. In 2022, the jointly purchased vehicle was sold for \$95,000; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold. Once the vehicle is sold, the relief association officials should closely monitor all sales to ensure proceeds are received and timely deposited into a relief association account.

Cause: Although relief association officials did execute a formal written agreement with the fire company, a reason was not provided for why they did not receive the proportional ownership interest due from the proceeds of the sale of the jointly purchased vehicles with the affiliated fire company and deposit the proceeds into a relief association account.

Effect: The failure to receive and deposit the proceeds from the sale of the jointly purchased vehicles with the affiliated fire company places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$60,126 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicles. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, on April 2, 2024, the relief association and affiliated fire company entered into a formal written agreement where the relief association would receive a prorated portion using the \$60,126 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicles for a new 2020 HME Rescue Engine that was purchased by the affiliated fire company.

Auditor's Conclusion: We reviewed documentation verifying that the relief association entered into a formal written agreement with the affiliated fire company securing their prorated portion of the newly purchased vehicle. Compliance for securing ownership interest in jointly purchased vehicles will be subject to verification through our next audit.

TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Texas Township Volunteer Firefighter's Relief Association Governing Body:

**Mr. Bill Vanhorn**  
President

**Mr. John Stephens**  
Vice President

**Ms. Joni Stark**  
Secretary

**Mr. Mark Carey**  
Treasurer

TEXAS TOWNSHIP VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

**Ms. Laurie Alabovitz**  
Secretary  
Bethany Borough

**Mr. Gerald McDonald**  
Secretary  
Cherry Ridge Township

**Ms. Debbie Varco**  
Secretary  
Dyberry Township

**Ms. Shayla Gouger**  
Secretary  
Palmyra Township

**Ms. Joann Hancock**  
Secretary  
Texas Township

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