

COMPLIANCE AUDIT

Alsace Manor Fire Co. Fireman's Relief Association

Berks County, Pennsylvania

For the Period

January 1, 2019, to March 7, 2024

March 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Chris Kline, President
Blandon Fire Company No. 1
Firemen's Relief Fund
Berks County

We have conducted a compliance audit of the Alsace Manor Fire Co. Fireman's Relief Association (relief association) for the period January 1, 2019, to March 7, 2024. 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 findings 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 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

On August 15, 2018, the Township of Alsace decertified Alsace Manor Fire Company as an approved provider of fire protection to Alsace Township and its residents. The Alsace Manor Fire Company was the affiliated fire company of the relief association. As a result of the decertification of the affiliated fire company, all members of the relief association resigned. On February 25, 2019, the Court of Common Pleas of Berks County, Pennsylvania, Orphan's Court Division appointed a receiver to inventory and settle the assets of the relief association at which time all monetary assets of the relief association were seized and placed in an escrow account.

On August 21, 2023, the appointed receiver filed a Petition for Distribution of Emergency Services Equipment. Such petition was filed by the Alsace Manor Fire Company on behalf of the Alsace Manor Fire Company Fireman's Relief Association. The Petition requested and Court Ordered that certain equipment of the relief association be distributed to Mt. Penn Fire Co. Relief Assn., Inc., Bandon Fire Company No. 1 Firemen's Relief Fund, Amity Fire Company Relief Association, and The Union Fire Company #1 of Walnuttown Firefighter's Relief Association. In addition, certain equipment was sold to the Bernville Volunteer Fire Company. The equipment distribution was outlined in Exhibit A of the Petition.

On March 7, 2024, as per Order of the Court, the relief association was dissolved, the proposed distribution of the equipment was ordered, and all remaining monetary assets of the relief association were divided equally between Mt. Penn Fire Co. Relief Assn., Inc. and Bandon Fire Company No. 1 Firemen's Relief Fund.

Based on our audit procedures, we conclude that, for the period January 1, 2019, to March 7, 2024:

- The relief association did not take appropriate corrective action to address the four findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

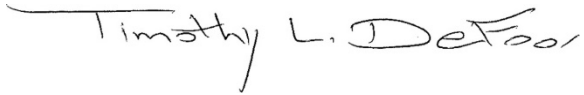
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Finding No. 5 – Failure To Maintain Surety (Fidelity) Bond Coverage

Four of the five audit findings contained in this report cite conditions that existed in the operation of the relief association during the prior audit period and were not corrected during the current audit period.

The contents of this report were provided to the management of the Mt. Penn Fire Co. Relief Assn., Inc. and Blandon Fire Company No. 1 Firemen's Relief Fund for review and consideration.

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 from the start of the name.

Timothy L. DeFoor
Auditor General
January 26, 2026

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ are properly expended.

The 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.

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.

¹ Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Alsace Township	Berks	*	*	*
<u>Municipality</u>	<u>County</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Alsace Township	Berks	*	*	*

* On August 15, 2018, Alsace Township decertified the Alsace Manor Fire Company, the affiliated fire company of the relief association, as an approved provider of fire protection to Alsace Township and its residents. Therefore, during the current audit period, the relief association did not receive an allocation of state aid from Alsace Township. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

Based on the relief association’s records, its total cash as of December 31, 2024, was \$0.

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to March 7, 2024 were \$2,836, 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.⁵ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Administrative Services:	
Other administrative expenses	<u>\$ 30</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 2,806</u>
Total Expenditures	<u><u>\$ 2,836</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

As of March 7, 2024, as per Order of the Court, the relief association was dissolved, and all remaining monetary assets were equally distributed Mt. Penn Fire Co. Relief Assn., Inc. and Blandon Fire Company No. 1 Firemen's Relief Fund.

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

The Alsace Manor Fire Company (decertified and dissolved)

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

Aside from the distributions of monetary assets and transfer of equipment related to the Order of the Court dissolution, the relief association has had no significant activity since December 31, 2018. As such, the relief association has not complied with the following prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Secure Ownership Interest In Jointly Purchased Vehicle
- Undocumented Expenditures
- Failure To Maintain A Complete And Accurate Membership Roster
- Failure To Secure Ownership Interest In Jointly Purchased Equipment

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

Condition: On January 22, 2018, the relief association expended \$25,000 for the joint purchase of a vehicle with the affiliated fire company. The total purchase price of the vehicle was \$345,307. The relief association did not adequately secure its ownership interest in the vehicle through a joint purchase agreement, and the vehicle is titled solely in the name of the affiliated fire company. The affiliated fire company defaulted on the loan for the vehicle and as a result, Alsace Township purchased the vehicle. On January 7, 2020, Alsace Township sold the vehicle to a non-affiliated fire company for \$320,000. The relief association would have been entitled to 7.24%, or \$23,168, of the sales proceeds. However, no proceeds were received by the relief association.

A similar condition was noted in our prior audit report.

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 ownership in the vehicle. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon the sale of the vehicle.

Cause: During the prior audit period, relief association officials failed to implement internal controls necessary to ensure adequate security of the proportional ownership interest in the jointly purchased vehicle.

Effect: Failure to adequately secure the relief association's proportional share of ownership interest in the jointly purchased vehicle placed its ownership interest at greater risk, as shown by the failure to recover its prorated share of the proceeds when the vehicle was sold by Alsace Township.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: Per Order of the Court, the relief association was dissolved on March 7, 2024. No recommendation for corrective action is required.

Management Response: Per Order of the Court the relief association was dissolved. Consequently, no response was obtained from the relief association.

Auditor's Conclusion: Per Order of the Court, the relief association was dissolved effective March 7, 2024. No further action is required.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Condition: During the prior audit period, the relief association was unable to provide adequate supporting documentation for \$4,541 of undocumented expenditures. No corrective action was taken to address the undocumented expenditures prior to March 7, 2024, the end of the current audit period.

A similar condition was noted in our prior audit report.

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 supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: During the prior audit period, relief association officials failed to establish adequate internal control procedure to ensure supporting documentation was maintained for all expenditures.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: Due to a lack of supporting documentation, such as invoices or itemized receipts, determination as to whether the expenditures were made in accordance with Section 7416(f) of the VFRA Act could not be made. In addition, failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: Per Order of the Court, the relief association was dissolved on March 7, 2024. No recommendation for corrective action is required.

Management Response: Per Order of the Court the relief association was dissolved. Consequently, no response was obtained from the relief association.

Auditor's Conclusion: Per Order of the Court, the relief association was dissolved effective March 7, 2024. No further action is required.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. Specifically, the membership roster has not been updated since 2016.

A similar condition was noted in our prior audit report.

Criteria: Relief association officials should maintain a complete and accurate roster of all current and relief association's members.

Prudent business practice dictates that a comprehensive roster of all relief association members should include, at minimum, the following:

- Names of each member
- Members' mailing addresses
- Members' date of birth
- Dates of memberships (start date and resignation or date of death)
- Membership classification, if applicable

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: During the prior audit period, relief association officials indicated that they were unaware that they should maintain an up-to-date comprehensive roster of relief association members.

Effect: Failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers or exclude eligible relief association members from receiving authorized benefits.

Recommendation: Per Order of the Court, the relief association was dissolved on March 7, 2024. No recommendation for corrective action is required.

Management Response: Per Order of the Court the relief association was dissolved. Consequently, no response was obtained from the relief association.

Auditor's Conclusion: Per Order of the Court, the relief association was dissolved effective March 7, 2024. No further action is required.

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Failure To Secure Ownership Interest In Jointly Purchased Equipment

Condition: On October 9, 2018, the relief association expended \$4,061 on the joint purchase of air packs with two fire companies. The relief association did not adequately secure its ownership interest in the jointly purchased equipment. As part of the dissolution, the air packs were sold to a non-affiliated fire company. The proceeds from the sale were remitted to the affiliated fire company. The relief association would have been entitled to a portion of the sales proceeds had it entered into a written joint purchase agreement with the affiliated fire company.

A similar condition was noted in our prior audit report.

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.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased equipment by executing a formal written agreement that enumerates the relief association's proportional ownership interest. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon the sale of the equipment.

Cause: During the prior period audit, relief association officials failed to implement internal controls necessary to ensure adequate security of the proportional ownership interest in the jointly purchased equipment.

Effect: Failure to adequately secure the relief association's proportional share of ownership interest in the jointly purchased vehicle placed its ownership interest at greater risk, as shown by the failure to recover its investment in the equipment after the sale.

Recommendation: Per Order of the Court, the relief association was dissolved on March 7, 2024. No recommendation for corrective action is required.

Management Response: Per Order of the Court the relief association was dissolved. Consequently, no response was obtained from the relief association.

Auditor's Conclusion: Per Order of the Court, the relief association was dissolved effective March 7, 2024. No further action is required.

Finding No. 5 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain surety (fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act and the relief association bylaws. The relief association's surety (fidelity) bond coverage expired on January 1, 2019. The relief association's cash assets were not placed into receivership until February 25, 2019.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

In addition, Article VII, Section II of the relief association's bylaws states:

The Association shall maintain an officer's bond on the Treasurer. The amount of the bond shall be at least as great as the maximum cash balance in the current funds of the Association at any time during the fiscal year.

Cause: The relief association members resigned when Alsace Township decertified the affiliated fire company. As such, there were no members to ensure the surety bond remained in effect through the date of dissolution.

Effect: As a result of the authorized disbursing officer of the relief association not having sufficient surety bond coverage through February 25, 2019, the date cash assets were transferred to the receiver, the relief association's cash balance was not adequately safeguarded in the event the disbursing officer committed a wrongful or fraudulent act. Additionally, without sufficient surety bond coverage, the relief association was not in compliance with the VFRA Act and its bylaws.

Recommendation: Per Order of the Court, the relief association was dissolved on March 7, 2024. No recommendation for corrective action is required.

Management Response: Per Order of the Court the relief association was dissolved. Consequently, no response was obtained from the relief association.

Auditor's Conclusion: Per Order of the Court, the relief association was dissolved effective March 7, 2024. No further action is required.

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Blandon Fire Company No. 1 Firemen's Relief Fund Governing Body:

Mr. Chris Kline
President

Mr. Jordan Gilmer
Vice President

Ms. Lyn Becker
Secretary

Mr. Daniel L. Miller
Treasurer

Mt. Penn Fire Co. Relief Assn., Inc. Governing Body:

Mr. John Theodossiou
President

Mr. Tyler Neiswender
Vice President

Ms. Cynthia Mitchell
Recording Secretary

Mr. Timothy Waldman
Treasurer

Ms. Samantha Theodossiou
Financial Secretary

ALSACE MANOR FIRE CO. FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Mr. Jan Moore
Secretary
Alsace Township

Ms. Christina Hafer
Secretary
Maidencreek Township

Mr. Hunter L. Ahrens
Secretary
Mount Penn Borough

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.