

COMPLIANCE AUDIT

Berwick Volunteer Fireman's Relief Association

Columbia County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

June 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. David Deitrich, President
Berwick Volunteer Fireman's
Relief Association
Columbia County

We have conducted a compliance audit of the Berwick Volunteer Fireman's Relief Association (relief association) for the period January 1, 2021, to December 31, 2023. 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.

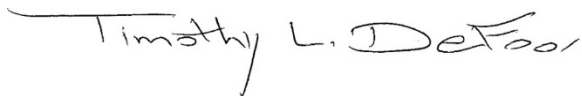
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative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

Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2023:

- The relief association took appropriate corrective action to address the findings 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 – Payment Of Pennsylvania Sales Tax

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
April 17, 2025

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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 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.

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 allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Berwick Borough	Columbia	\$42,274	\$51,162	\$51,438
Briar Creek Borough	Columbia	\$ 4,580	\$ 5,401	\$ 5,832

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$2,661,974, as illustrated below:

Cash	\$ 177,909
Fair Value of Investments	<u>2,484,065</u>
Total Cash and Investments	<u><u>\$ 2,661,974</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$810,403, 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:

Benefit Services:	
Insurance premiums	\$ 35,771
Death benefits	70,500
Total Benefit Services	<u>\$ 106,271</u>
Fire Services:	
Equipment purchased	\$ 352,243
Equipment maintenance	17,122
Training expenses	12,942
Total Fire Services	<u>\$ 382,307</u>
Administrative Services:	
Bond premiums	\$ 750
Officer compensation	18,000
Other administrative expenses	1,152
Total Administrative Services	<u>\$ 19,902</u>
Total Investments Purchased	<u>\$ 300,000</u>
Other Expenditures:	
Pennsylvania sales tax – (See Finding)	<u>\$ 1,923</u>
Total Expenditures	<u><u>\$ 810,403</u></u>

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

BACKGROUND – (Continued)

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:

Ranger Hose Company #2

Reliance Fire Company #1

West Berwick Hose Company #1

BERWICK VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Inappropriate Ownership Of Rescue Vehicle

By providing documentation of a title showing that the vehicle was titled in the name of the relief association.

- Failure To Secure Ownership Interest In Jointly Purchased Vehicle

By providing a signed formal written agreement between the municipality and the relief association documenting the relief association's proportional share of ownership interest.

BERWICK VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Payment Of Pennsylvania Sales Tax

Condition: The relief association has a Pennsylvania sales tax exemption number issued by the Department of Revenue. However, during the audit period, the relief association erroneously paid \$1,923 in Pennsylvania sales tax to two separate vendors related to the purchase and maintenance of equipment.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

In addition, the relief association should ensure it reviews all invoices to ensure sales tax is not included in the amount due, and that sales tax is not paid to vendors, and that the relief association's sales tax number is consistently provided to vendors.

Cause: Relief association officials indicated most of the payments of sales tax involved one vendor were the result of the vendor's demand for payment of the full invoice even though the relief association's sales tax exemption number was provided. The payment of sales tax to a second vendor was due to a relief association's oversight when payment was made.

Effect: As a result of the relief association's failure to reject the vendor's demand for the full payment, including sales tax, and failure to review invoices to ensure sales tax was not included in the invoice total, sales tax of \$1,923 was erroneously paid which reduced the funds otherwise available for general operating expenditures and for investment purposes.

Recommendation: We recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$1,923, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, the relief association officials furnish its sales tax exemption number to vendors and require that the sales tax be removed before payment is made. In addition, we recommend that the relief association review all invoices prior to payment to ensure sales tax is not included in the invoice total. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

BERWICK VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

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.

BERWICK VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Berwick Volunteer Fireman's Relief Association Governing Body:

Mr. David Deitrich
President

Mr. Keith Morgan
Vice President

Ms. Ashley Morgan
Secretary

Ms. Selanda Embee
Treasurer

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

Ms. Cassandra Mowery
Secretary
Berwick Borough

Ms. Carol A. Kieser
Secretary
Briar Creek Borough

BERWICK VOLUNTEER FIREMAN'S RELIEF ASSOCIATION
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.