

COMPLIANCE AUDIT

Citizen's Fire Company of Upper Milford Township Relief Association

Lehigh County, Pennsylvania

For the Period

January 1, 2022, to December 31, 2024

July 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Bryan Hamscher, President
Citizen's Fire Company of Upper Milford
Township Relief Association
Lehigh County

We have conducted a compliance audit of the Citizen's Fire Company of Upper Milford Township Relief Association (relief association) for the period January 1, 2022, to December 31, 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 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 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.

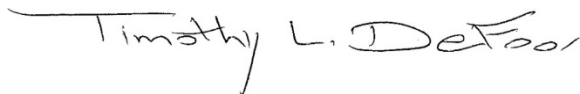
We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2024, the relief association had a cash balance of \$36,800 we were not able to verify.

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, 2022, to December 31, 2024:

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

Finding – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Inventory of Equipment

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
July 7, 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Upper Milford Township	Lehigh	\$30,654	\$30,578	\$31,626

Based on the relief association's records, its total cash as of December 31, 2024, was \$36,800, as illustrated below:

Cash	<u>\$ 36,800</u>
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BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2022, to December 31, 2024, were \$86,065, 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	\$ 44,843
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Fire Services:

Equipment purchased	\$ 3,985
Equipment maintenance	16,039
Training expenses	3,915
Total Fire Services	<u>\$ 23,939</u>

Administrative Services:

Bond premiums	\$ 750
Other administrative expenses	66
Total Administrative Services	<u>\$ 816</u>

Other Expenditures:

Payments on loan	\$ 12,749
Miscellaneous *	3,495
Undocumented expenditures **	223
Total Other Expenditures	<u>\$ 16,467</u>

Total Expenditures	<u><u>\$ 86,065</u></u>
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* A portion of the miscellaneous expenditures represent a reimbursement to the affiliated fire company on March 11, 2022, for the prior audit period's erroneous deposits of \$2,465. The remaining miscellaneous expenditures represents a reimbursement to the affiliated fire company on July 13, 2022, for an erroneous deposit of \$1,030 made to the relief association's account on June 7, 2022.

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

BACKGROUND – (Continued)

** The relief association was unable to provide adequate supporting documentation evidencing the propriety of expenditures totaling \$223 paid to the affiliated fire company during calendar year 2022. This expenditure was part of a large reimbursement to the affiliated fire company for expenditures paid on behalf of the relief association during calendar year 2021. We disclosed these issues to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount.

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:

Citizen's Fire Company of Upper Milford Township

CITIZEN'S FIRE COMPANY OF UPPER MILFORD TOWNSHIP RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Failure To Conduct Annual Physical Inventory of Equipment

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

CITIZEN'S FIRE COMPANY OF UPPER MILFORD TOWNSHIP RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Conduct Annual Physical Inventory of Equipment

Condition: The relief association officials failed to provide evidence that it conducted annual physical inventories of equipment and to ensure such inventory accounted for all equipment owned by the relief association.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association establish adequate internal control procedures to ensure a complete, accurate, and cumulative roster of equipment purchased by the relief association is maintained and that, at least once a year, the relief association performs and documents a physical inventory of all equipment. The results of the physical inventory should be noted, dated, and signed on the cumulative equipment roster and recorded in the meeting minutes of the relief association.

Cause: Relief association officials stated that the physical counts occur annually however they were not documented.

Effect: The continued failure to perform and document an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association owned equipment.

Recommendation: We again recommend that the relief association officials ensure an annual physical inventory of all relief association equipment is performed and documented. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

CITIZEN’S FIRE COMPANY OF UPPER MILFORD TOWNSHIP RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Citizen’s Fire Company of Upper Milford Township Relief Association Governing Body:

Mr. Bryan Hamscher
President

Mr. Gary Mohr
Vice President

Ms. Jamie Schoemaker
Secretary

Ms. Donna Reidenhour
Treasurer

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

Ms. Jessi O’Donald
Secretary
Upper Milford 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.