

COMPLIANCE AUDIT

Fireman's Relief Association of Jenkintown

Montgomery County, Pennsylvania
For the Period
January 1, 2021, to December 31, 2023

November 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. William Pross, President
Fireman's Relief Association
of Jenkintown
Montgomery County

We have conducted a compliance audit of the Fireman's Relief Association of Jenkintown (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 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 independent confirmations of a portion of the cash balance and a portion of the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2023, the relief association had a cash balance of \$420,421, and an investment balance with a fair value of \$5,305,983, we were not able to verify portions of those cash and investment balances.

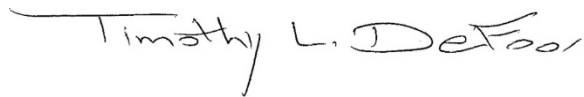
We were also not able to obtain copies of canceled or imaged checks from the relief association. While the relief association provided bank statements, the relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two relief association officers authorized and signed the checks as required by the VFRA Act.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matters described in the two preceding paragraphs, for the period January 1, 2021, to December 31, 2023, 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 – Unauthorized Expenditure

Finding No. 2 – Failure To Monitor And Comply With Bylaws For Fitness Club
Membership Usage

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.



Timothy L. DeFoor
Auditor General
November 8, 2024

CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Unauthorized Expenditure	5
Finding No. 2 – Failure To Monitor And Comply With Bylaws For Fitness Club Membership Usage	6
Report Distribution List	8

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("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 Law³ (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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Jenkintown Borough	Montgomery	\$27,950	\$35,229	\$34,828

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$5,856,936, as illustrated below:

Cash	\$ 420,421
Fair Value of Investments	5,305,983
Book Value of Other Investments	<u>130,531</u>
Total Cash and Investments	<u>\$ 5,856,936</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$489,181, 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.⁴ **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	\$ 290,293
Death benefits	500
Relief benefits	<u>125,350</u>
Total Benefit Services	<u>\$ 416,143</u>
Fire Services:	
Equipment purchased	\$ 29,748
Equipment maintenance	12,098
Training expenses	2,986
Fire prevention materials	<u>2,528</u>
Total Fire Services	<u>\$ 47,360</u>
Administrative Services:	
Bond premiums	\$ 979
Officer compensation	6,800
Other administrative expenses	<u>10,709</u>
Total Administrative Services	<u>\$ 18,488</u>
Other Expenditures:	
Miscellaneous *	\$ 6,530
Unauthorized expenditure – See Finding No. 1	<u>660</u>
Total Other Expenditures	<u>\$ 7,190</u>
Total Expenditures	<u>\$ 489,181</u>

* The miscellaneous expenditure represents an erroneous deposit of \$530 meant for the affiliated fire company. Once the relief association discovered the error, the affiliated fire company was reimbursed. The remaining miscellaneous expenditures of \$6,000 were two erroneous checks sent to two fire companies that were reimbursed by the affiliated fire company during the current audit period.

⁴ 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:

Independent Fire Company #2

Pioneer Fire Company #1

FIREMEN'S RELIEF ASSOCIATION OF JENKINTOWN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditure

Condition: The relief association expended \$660 for pediatric AED pads during the current audit period that are not authorized by the VFRA Act.

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the purchase of pediatric AED pads do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unaware that the expenditure for the pediatric AED pads was not authorized by the VFRA Act.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$660 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FIREMEN'S RELIEF ASSOCIATION OF JENKINTOWN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (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, the affiliated fire company reimbursed the relief association \$660 for the unauthorized expenditure on July 16, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$660 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

Finding No. 2 – Failure To Monitor And Comply With Bylaws For Fitness Club Membership Usage

Condition: Although the relief association expended \$39,000 for the purpose of paying for fitness club memberships for relief association members, the relief association officials failed to monitor and comply with their bylaws for the fitness membership usage. Specifically, the relief association did not adhere to their own policy that states: "members registering for the use of the fitness club, must at a minimum, use the club at least 24 times during the calendar year. An annual list of activity from the fitness club will be reviewed by the Board of Control or their delegated appointee(s)." Monitoring gym attendance is one of the criteria established in order for a relief association to pay for such an expense. Furthermore, the relief association should ensure that this benefit is only offered to first responders.

Criteria: The relief association's rules governing the use of the fitness club membership within their bylaws states, in part:

- 1.) Members must maintain Active Crew Status for 5 years to remain eligible.
- 2.) The Board of Control, or their designated appointee(s) shall review the Point system after the Active Crew Period has closed and prior to the December meeting of the Association, to determine eligibility for the following year.
- 3.) Members registering for the use of the fitness club must at a minimum use the club at least 24 times during the calendar year.
- 4.) An annual list of activity from the fitness club will be reviewed by the Board of Control or their designated appointee(s).

The relief association's governing body has ultimate authority and responsibility for the management of relief association's funds which includes an obligation to monitor the activity of fitness club memberships on a periodic basis which is a prerequisite for sound administration of the relief association's gym membership policy.

FIREMEN'S RELIEF ASSOCIATION OF JENKINTOWN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The relief association officials did not provide a reason for why this occurred.

Effect: The relief association's failure to adequately monitor the fitness club memberships and comply with their bylaws could result in paying for benefits that are not being utilized or authorized.

Recommendation: We recommend that the relief association officials review the rules governing the usage of the fitness club memberships within their bylaws to ensure they are in compliance with attendance requirements and proper operating procedures are monitored effectively. In addition, the management of the relief association should monitor all future fitness club memberships to ensure that members are maximizing their benefit. 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.

FIREMEN'S RELIEF ASSOCIATION OF JENKINTOWN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Fireman's Relief Association of Jenkintown Governing Body:

Mr. William Pross
President

Mr. Gerald West
Vice President

Ms. Pamela Lynch
Secretary

Mr. Dennis Cline
Treasurer

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

Mr. George K. Locke
Secretary
Jenkintown 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.