COMPLIANCE AUDIT

Lower Merion Township Firemen’s Relief Association

Montgomery County, Pennsylvania

For the Period

January 1, 2023, to December 31, 2024

August 2026

Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. John Derham, President
Lower Merion Township Firemen's
Relief Association
Montgomery County

We have conducted a compliance audit of the Lower Merion Township Firemen's Relief Association (relief association) for the period January 1, 2023, 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.

Based on our audit procedures, we conclude that, for the period January 1, 2023, to December 31, 2024:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.

- Because of the significance of the matter described in Finding No. 1 below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

  Finding No. 1 – Improper Reimbursements Of Cell Phone Expenditures Not Authorized By The VFRA Act

  Finding No. 2 – Failure To Secure Ownership Agreements For Equipment Purchased And Installed On Vehicles Owned By Affiliated Fire Companies

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

Timothy L. DeFoor
Auditor General
May 18, 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 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:

Municipality	County	2023	2024
Lower Merion Township	Montgomery	$783,366	$793,531

Based on the relief association's records, its total cash and investments as of December 31, 2024, were $15,899,762, as illustrated below:

Cash	$ 16,869
Fair Value of Investments	15,882,893
Total Cash and Investments	$ 15,899,762

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2023, to December 31, 2024, were $4,474,739, 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	$ 977,729
Relief benefits	208,138
Total Benefit Services	$ 1,185,867
Fire Services:	
Equipment purchased	$ 1,132,518
Equipment maintenance	320,369
Training expenses	200,788
Fire prevention materials	12,887
Total Fire Services	$ 1,666,562
Administrative Services:	
Bond premiums	$ 1,199
Officer compensation	22,637
Other administrative expenses *	12,780
Total Administrative Services	$ 36,616
Total Investments Purchased	$ 1,576,897
Other Expenditures:	
Unauthorized expenditures – See Finding No. 1	$ 8,797
Total Expenditures	$ 4,474,739

* A majority of the other administrative expenses represent $10,300 expended in calendar years 2023 and 2024 for accounting services.

[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:

Belmont Hills Fire Company

Bryn Mawr Fire Company

Gladwyne Fire Company

Merion Fire Company of Ardmore

Penn Wynne-Overbrook Hills Fire Company

Union Fire Association of Lower Merion

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding, as follows:

- Unauthorized Expenditures

  By receiving reimbursement of $1,389 from the affiliated fire companies for the unauthorized expenditures made in the prior audit period.

Finding No. 1 – Improper Reimbursements Of Cell Phone Expenditures Not Authorized By The VFRA Act

Condition: During the current audit period, the relief association incurred expenditures of $8,797 for cellular service reimbursements to the affiliated fire companies. Although the purchase of equipment and/or services used for emergency response and paid by the relief association are considered authorized expenditures, *reimbursement* of expenditures to the affiliated fire companies is not provided for under 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.
>
> (23) To purchase equipment used for emergency response.

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.

Reimbursements for cellular service expenditures do not qualify as authorized volunteer firefighters' relief association expenditures. Consequently, these expenditures are not authorized under the VFRA Act.

Cause: The relief association officials acknowledged communication of a verbal observation in the prior audit period related to cellular service expenditures. Relief association officials stated they contacted the Office of the State Fire Commissioner (OSFC) on June 14, 2023, for confirmation of the allowability of the cellular service expenditure and had not received a response as of December 11, 2025. When no response was received, the relief association continued to reimburse the affiliated fire companies for the cellular service.

Finding No. 1 – (Continued)

Effect: As a result of the unauthorized expenditures, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act. Furthermore, the relief association's future state aid allocations may be withheld until there is compliance with the finding recommendation.

Recommendation: We recommend that the relief association be reimbursed $8,797 for the unauthorized expenditures 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. All supporting documentation verifying the reimbursement for the unauthorized expenditure should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316-E Finance Building, Harrisburg, PA 17120. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Relief association management did not provide a response to the finding as presented at the audit exit conference.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the findings and recommendation will be monitored subsequent to the release of the audit report and during the next audit of the relief association.

The Department is aware that the OSFC issued an opinion letter to the relief association dated March 24, 2026 indicating that the ***purchase*** of cell phones provided to line officers for emergency response is an authorized expenditure under the VFRA Act. The OSFC further confirmed, in an email to the relief association dated March 27, 2026, that the monthly cellular service fees related to the cell phones would also be considered authorized expenditures. These expenditures are considered authorized only if the cell phones are purchased by the relief association and the cellular service plans are in the name of the relief association and paid for by the relief association. This opinion letter will be implemented prospectively from the date of the letter.

Finding No. 2 – Failure To Secure Ownership Agreements For Equipment Purchased And Installed On Vehicles Owned By Affiliated Fire Companies

Condition: During the current audit period, the relief association incurred expenditures of $93,761 for the purchase and installation of emergency lighting and other equipment on six vehicles owned by the affiliated fire companies. However, the relief association did not adequately secure its ownership interests in the equipment. The equipment purchased is detailed below:

Date	Check No.	Description		Amount
03/06/2023	14548	Safety rope lighting	$	10,365
07/18/2023	14711	Emergency lighting, siren		26,403
09/19/2023	14782	Emergency lighting, radio		13,765
05/15/2024	15083	Command lights		5,623
08/05/2024	15182	PPV fans and batteries		10,812
09/04/2024	15205	Emergency lighting, speaker		18,851
11/19/2024	15287	Emergency lighting, siren, radio equipment		7,942
		Total	$	93,761

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 if the relief association contributes to the purchase of equipment installed on vehicles owned by the affiliated fire companies, the relief association should secure its ownership interest in the equipment by executing formal written ownership agreements that detail the relief association's ownership interest in the equipment. Such agreements shall specify that the relief association shall receive its prorated share of the proceeds if the vehicles upon which the equipment is installed are sold.

Cause: The relief association officials indicated that this is the first time they have been made aware of this policy.

Finding No. 2 – (Continued)

Effect: Failure to execute ownership agreements to secure the relief association's ownership interest in the equipment installed on vehicles owned by the affiliated fire companies places the relief association's ownership interest at risk.

Recommendation: We recommend that the relief association officials execute formal written ownership agreements with the affiliated fire companies that enumerate the relief association's ownership interest in the equipment installed on the vehicles, as well as stipulating that a prorated share of the sales proceeds shall revert to the relief association in the event the vehicles are sold. If such action is not taken, we recommend that the relief association be reimbursed $93,761. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Relief association management agreed with the finding as presented at the audit exit conference. As a result of our audit, the relief association officials executed formal, written ownership agreements with the affiliated fire companies that enumerate the relief association's ownership interest in the equipment installed on the vehicles owned by the affiliated fire companies and specifies the requirements for receiving the fair value of the equipment or removal of the equipment should the vehicles be sold.

Auditor's Conclusion: We reviewed the ownership agreements dated November 20, 2025, executed by the relief association and the affiliated fire companies. Compliance to ensure the relief association secures its ownership interest in equipment purchased during the next audit period will be subject to verification.

LOWER MERION TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this Department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

LOWER MERION TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Lower Merion Township Firemen's Relief Association Governing Body:

Mr. John Derham
President

Mr. John Remillard
Vice President

Mr. Glenn Montgomery
Secretary

Mr. Charles Powers
Treasurer

Mr. John Sandlof
Director

Mr. John Fallon
Director

Mr. Lucas Fraiman
Director

Mr. Brian P. Walsh
Trustee

Mr. Frank Burdo
Trustee

Mr. Pat Barr
Trustee

Ms. Lori Stokes-Powers
Administrator

LOWER MERION TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Jody L. Kelley
Secretary
Lower Merion 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.