

# COMPLIANCE AUDIT

---

## Millbourne Fire Company Firemen's Relief Association Delaware County, Pennsylvania For the Period January 1, 2019, to October 3, 2024

---

October 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

---



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Andrew Formanes, President  
Millbourne Fire Company Firemen's  
Relief Association  
Delaware County

We have conducted a compliance audit of the former Millbourne Fire Company Firemen's Relief Association (relief association) for the period January 1, 2019, to October 3, 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 objective of the audit was to determine if the former 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.

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 copies of canceled or imaged checks from the former relief association. While the former relief association provided bank statements, the former 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 former relief association officers authorized and signed the checks as required by the VFRA Act.

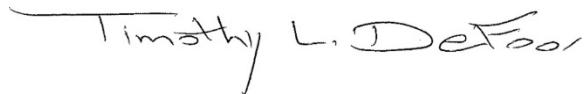
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019, to October 3, 2024, the former relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, 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 – Improper Dissolution

Finding No. 2 – No Receipt Of Purchased Asset

In addition, as of September 1, 2021, the former relief association dissolved. However, it was not until October 3, 2024, that the former relief association had a monetary balance of zero and retained no equipment. (Refer to Finding No. 1 of this audit report for further information.)

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have been included in the report.



Timothy L. DeFoor  
Auditor General  
October 11, 2024

## CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Improper Dissolution .....	3
Finding No. 2 – No Receipt Of Purchased Asset.....	5
Report Distribution List.....	7

## BACKGROUND

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

The former 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.

During the current audit period, the former relief association did not receive an allocation of state aid from any funding municipality. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

---

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

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

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

**BACKGROUND – (Continued)**

Based on the former relief association’s records, its total cash as of October 3, 2024, was zero, as illustrated below:

Cash	<u>\$</u> <u>0</u>
------	--------------------

Based on the former relief association’s records, its total expenditures for the period January 1, 2019, to October 3, 2024, were \$11,715, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the former 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.<sup>4</sup> **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Fire Services:	
Equipment purchased - See Finding No. 2	\$      5,150
Equipment maintenance	<u>          956</u>
Total Fire Services	<u>\$      6,106</u>
Administrative Services:	
Bond premiums	\$      250
Other administrative expenses	<u>          359</u>
Total Administrative Services	<u>\$      609</u>
Total Investments Purchased	<u>\$      5,000</u>
Total Expenditures	<u>\$     11,715</u>

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

Millbourne Fire Company

---

<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

MILLBOURNE FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Improper Dissolution**

Condition: The former relief association did not properly document the dissolution of the former organization and complete the minimum administrative procedures necessary to correctly dissolve its organization. Although the former relief association closed its checking account with the financial institution, officials failed to:

- Provide a signed resolution confirming the closure.
- Provide signed meeting minutes evidencing the dissolution and specifically provide the details of the closeout of the former relief association.
- Maintain and provide meeting minutes during the audit period. One month's meeting minutes, March 2019, were provided for the audit period.
- Maintain and provide an equipment roster, evidencing the propriety of the former relief association equipment and to document equipment donations.
- Maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The former relief association's Surety (Fidelity) bond coverage expired on February 1, 2020. As of August 1, 2020, the former relief association's cash assets totaled \$326.
- Provide documentation for a \$5,000 loan issued to the affiliated fire company, which was paid back to the relief association in September 2019.

Criteria: Section 7415(a) of the VFRA Act states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

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.

In addition, Article III, Section 3 of the former relief association bylaws states, in part, that:

The Secretary shall keep a true record of the proceeding of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at the meetings.

MILLBOURNE FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Article VII, Section 2 of the former relief association bylaws states that:

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 current funds of the association at any time during the fiscal year.

Furthermore, prudent business practice dictates that relief associations should properly document the membership's approval of the dissolution in the minutes of meetings held by the relief association regarding the dissolution. In addition, the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to neighboring relief associations, along with a signed receipt of the recipient. Also, relief associations should consult with legal counsel to provide assurance that the dissolution complies with applicable laws and regulations.

Cause: Former relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the decision to dissolve and transfer equipment to neighboring relief associations.

Effect: Without detailed documentation, evidence that the former relief association's dissolution was presented before the membership for approval does not exist. In addition, without evidence of the equipment transferred to neighboring relief associations, the former relief association is unable to certify that all the equipment previously purchased with relief association funds was properly transferred to neighboring relief associations. Also, without consulting with legal counsel, the former relief association could not assure that the dissolution complied with applicable laws and regulations.

Recommendation: Due to the decertification/dissolution of the former relief association and the former relief association's affiliated fire company, no further action is required at this time. For further guidance regarding administration of a relief association, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference, however, the former relief association has dissolved as of September 1, 2021.

Auditor's Conclusion: The former relief association dissolved and retained no monetary or equipment assets as of September 1, 2021. Due to the dissolution of the former relief association, no further action is required at this time.



MILLBOURNE FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – No Receipt Of Purchased Asset**

Condition: On December 30, 2019, the former relief association expended \$5,150 to pay an invoice dated October 10, 2018, for the construction of fifteen turnout gear cubicles. During the conduct of our audit, the phone number on the invoice was found to be that of a relief association member who worked for the vendor and not the vendor's phone number. The former relief association officials indicated it never took delivery of the cubicles as the affiliated fire company went out of service soon after the order was placed.

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.

In addition, Article 5, Section 1, of the relief association bylaws states:

Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the association bylaws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Prudent business practice dictates that the relief associations shall have sufficient internal controls in place to ensure the propriety of all relief association expenditures. Such internal controls should include the receipt of all equipment purchased by the relief association. In addition, prudent business practice dictates that all potential related party transactions should be disclosed to the membership and recorded in the minutes of relief association meetings. Further, all officers and/or members involved with a business that is party to the related party transaction should abstain from all votes concerning such transaction.

Cause: The former relief association officials indicated they could not receive the equipment because they no longer had access to the fire company building. Regarding the untimely invoice and the incorrect phone number on the invoice, the vendor stated it had a bad habit of not sending out invoices timely and that it must have mistakenly typed the contact's phone number on the invoice instead of its own phone number. Regarding the related party transaction, the former relief association officials did not provide a reason why this occurred.

MILLBOURNE FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Effect: As a result, \$5,150 of the former relief association's funds were spent on equipment that was not delivered, and therefore, were not available for investment purposes or to pay for expenditures authorized by the VFRA Act. The failure to properly disclose related party transactions may create potential conflicts of interest which could result in the relief association being involved in less than arm's length financial transactions.

Recommendation: Due to the decertification/dissolution of the former relief association and the former relief association's affiliated fire company, no further action is required at this time. For further guidance regarding administration of a relief association, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference; however, the former relief association has dissolved as of September 1, 2021.

Auditor's Conclusion: The former relief association dissolved and retained no monetary or equipment assets as of September 1, 2021. Due to the dissolution of the former relief association, no further action is required at this time.

MILLBOURNE FIRE COMPANY FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Millbourne Fire Company Firemen's Relief Association Governing Body:

**Mr. Andrew Formanes**  
President

**Ms. Deborah A. Carpenter**  
Vice President

**Ms. Sandie Archie**  
Secretary

**Mrs. Maria Artmont**  
Treasurer

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

**Ms. Nancy Baulis**  
Secretary  
Millbourne Borough

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).