

COMPLIANCE AUDIT

Pioneer Hose Company Volunteer Firemen's Association

Berks County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2024

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. Frank Burkhart, President
Pioneer Hose Company Volunteer
Firemen's Association
Berks County

We have conducted a compliance audit of the Pioneer Hose Company Volunteer Firemen's Association (relief association) for the period January 1, 2021, 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 comply 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 and the investment 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 \$52,516 and an investment balance with a fair value of \$36,269, we were not able to verify those cash and investment balances.

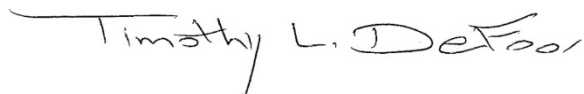
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2024:

- 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.
- Except for the effects, if any, of the matter described in the preceding paragraph, 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 – Noncompliance With Prior Audit Recommendation –
Untimely Receipt And Deposit Of State Aid

Finding No. 2 – Unauthorized Expenditures

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
May 29, 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> | <u>2024</u> |
|---------------------------|---------------|-------------|-------------|-------------|-------------|
| Heidelberg Township | Berks | \$5,368 | \$ 6,602* | \$ 6,410 | \$ 6,477 |
| North Heidelberg Township | Berks | \$2,698 | \$ 3,320 | \$ 3,209 | \$ 3,249 |
| Robesonia Borough | Berks | \$9,195 | \$11,229 | \$11,295 | \$11,695 |

* The 2022 state aid allocation received from Heidelberg Township was not deposited by the relief association until July 10, 2024, as disclosed in Finding No. 1 in this report.

Based on the relief association's records, its total cash and investments as of December 31, 2024, were \$88,785, as illustrated below:

| | |
|----------------------------|-------------------------|
| Cash | \$ 52,516 |
| Fair Value of Investments | <u>36,269</u> |
| Total Cash and Investments | <u><u>\$ 88,785</u></u> |

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$132,914, 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 | \$ 11,010 |
|--------------------|-----------|

Fire Services:

| | |
|-----------------------|------------------|
| Equipment purchased | \$ 25,021 |
| Equipment maintenance | 13,228 |
| Training expenses | 6,745 |
| Total Fire Services | <u>\$ 44,994</u> |

Administrative Services:

| | |
|-------------------------------|-----------------|
| Bond premiums | \$ 756 |
| Officer compensation | 1,600 |
| Other administrative expenses | 8 |
| Total Administrative Services | <u>\$ 2,364</u> |

| | |
|-----------------------------|------------------|
| Total Investments Purchased | <u>\$ 20,000</u> |
|-----------------------------|------------------|

Other Expenditures:

| | |
|---|------------------|
| Return of Erroneous Deposit * | \$ 53,897 |
| Unauthorized expenditures – See Finding No. 2 | 649 |
| Total Other Expenditures | <u>\$ 54,546</u> |

| | |
|--------------------|--------------------------|
| Total Expenditures | <u><u>\$ 132,914</u></u> |
|--------------------|--------------------------|

* The relief association made an erroneous deposit on January 26, 2021. On March 22, 2021, the relief association returned \$53,897 to the affiliate fire company.

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 organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Pioneer Hose Company No. 1

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S 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 Findings and Recommendations section of this report:

- Untimely Deposit Of State Aid

Although the relief association received and deposited all state aid from the prior audit period, the relief association again did not timely receive and deposit all state aid during the current audit period as further disclosed in Finding No. 1 of this report.

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.

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Untimely Receipt And Deposit Of State Aid

Condition: Although the relief association received and deposited all state aid from the prior audit period, the relief association again did not timely receive and deposit all state aid during the current audit period. The foreign fire insurance premium tax allocation (state aid) in the amount of \$6,602 was distributed to the municipal treasurer of Heidelberg Township on September 21, 2022 and was forwarded to the relief association on October 14, 2022, within 60 days of receipt as required by Section 706 (b)(2) of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, (P.L. 1005, No. 205)(Act 205). The state aid allocation distributed to the relief association on October 14, 2022 was never received or deposited by the relief association. The municipal treasurer disbursed a second check on May 4, 2022. The relief association did not deposit the state aid allocation until July 10, 2024.

A similar condition was noted in our prior audit report.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that the relief association officials should establish adequate internal control procedures to ensure state aid funds are obtained and deposited in a timely manner.

Cause: The relief association officials stated they did not receive the original 2022 state allocation check from Heidelberg Township.

Effect: As a result of the untimely receipt and deposit, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Recommendation: We again recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all state aid allocations received. 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. Compliance will be subject to verification during the next audit.

Finding No. 2 – Unauthorized Expenditures

Condition: During the current audit period, the relief association incurred expenditures for the following items that are not authorized under the VFRA Act:

| <u>Date</u> | <u>Check No.</u> | <u>Description</u> | <u>Amount</u> |
|-------------|------------------|-----------------------|---------------|
| 10/02/2023 | 2566 | Child/Infant AED pads | \$ 616 |
| 07/12/2024 | 2582 | Sales tax paid | 33 |
| Total | | | <u>\$ 649</u> |

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.

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 child/infant AED pads and payment of sales tax 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 indicated that they were unaware that the expenditure for the infant/child electrodes was not authorized by the VFRA Act. The relief association officials did not provide a reason for paying the Pennsylvania Sales Tax.

Effect: As a result of the unauthorized expenditures, 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 \$649 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. 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, as a result of our audit, the affiliated fire company reimbursed the relief association \$649 for the unauthorized expenditures on July 10, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$649 was received by the relief association. Compliance for expenditures will be subject to verification during the next audit.

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Pioneer Hose Company Volunteer Firemen's Association Governing Body:

Mr. Frank Burkhart
President

Mr. Charles McCully
Vice President

Mr. Perry Loose
Secretary

Mr. Michael Martin
Treasurer

Mr. Derrick Lush
Trustee

Mr. Tyler Martin
Trustee

Mr. Matthew Yoh
Trustee

PIONEER HOSE COMPANY VOLUNTEER FIREMEN'S ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Nicole Werner
Secretary
Heidelberg Township

Ms. Tanya Taatjes
Secretary
North Heidelberg Township

Ms. Elizabeth Miller
Secretary
Robesonia 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.