

# COMPLIANCE AUDIT

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## South Media Fire Company #1 Volunteer Fireman's Relief Association Delaware County, Pennsylvania For the Period January 1, 2020, to December 31, 2023

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September 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Robert R. Hopkins, President  
South Media Fire Company #1 Volunteer  
Fireman's Relief Association  
Delaware County

We have conducted a compliance audit of the South Media Fire Company #1 Volunteer Fireman's Relief Association (relief association) for the period January 1, 2020, 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 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.

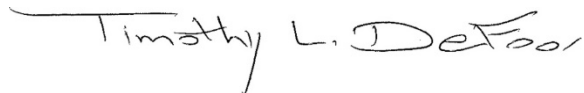
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2020, to December 31, 2023:

- 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 listed below and discussed later in this report.

Finding – Noncompliance With Prior Audit Recommendation – Inadequate Signatory Authority For The Disbursement Of Funds

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  
September 3, 2024

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## 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 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.

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<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)**

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Nether Providence Township	Delaware	\$47,594	\$42,320	\$53,171	\$55,435
Rose Valley Borough	Delaware	\$ 4,132	\$ 3,704	\$ 4,700	\$ 4,938

Based on the relief association’s records, its total cash, and investments as of December 31, 2023, was \$193,450, as illustrated below:

Cash	\$ 168,638
Fair Value of Investments	<u>24,812</u>
Total Cash and Investments	<u>\$ 193,450</u>

## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$279,874, 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.<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:

#### Benefit Services:

Insurance premiums	\$	23,791
Relief benefits		500
Tokens of sympathy and goodwill		94
Total Benefit Services	\$	<u>24,385</u>

#### Fire Services:

Equipment purchased	\$	199,826
Equipment maintenance		26,743
Training expenses		20,120
Total Fire Services	\$	<u>246,689</u>

#### Administrative Services:

Bond premiums	\$	400
Other administrative expenses *		8,400
Total Administrative Services	\$	<u>8,800</u>

Total Expenditures	\$	<u><u>279,874</u></u>
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\* The majority of the other administrative expenses represent \$1,845 for an alert system for volunteers and \$4,740 for an emergency reporting system.

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:

South Media Fire Company #1

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

SOUTH MEDIA FIRE COMPANY #1 VOLUNTEER FIREMAN'S 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:

- Inadequate Signatory Authority For The Disbursement Of Funds

Although the relief association complied with the prior audit recommendation by having the treasurer sign checks and establish adequate internal control procedures to ensure that the signatures of at least two authorized officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association bylaws, the relief association again did not adhere to all the provisions of their bylaws as disclosed in the finding included in 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.



SOUTH MEDIA FIRE COMPANY #1 VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Audit Recommendation – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: Although the relief association complied with the prior audit recommendation by having the treasurer sign checks and establish adequate internal control procedures to ensure that the signatures of at least two authorized officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association bylaws, the relief association again did not adhere to all the provisions of the VFRA Act and the relief association's bylaws. Specifically, during the current audit period, we were informed by the relief association official that the relief association Treasurer was not registered as an authorized officer on the relief association's investment account.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association's bylaws at Article X, Section 3 states:

The signatures of at least two (2) Officers, one of whom shall be the Treasurer, shall be required for all negotiable instruments issued by the Association, including, but not limited to, checks, withdrawals, and redemption of any Association investments.

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws and has sufficient internal control procedures in place to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief association officials revised their procedures during the prior audit period, and those procedures did not include the treasurer being an authorized officer on the investment account.

Effect: As a result of the relief association making investment purchases and sales without proper authorization, relief association assets were placed at greater risk of misappropriation. The lack of an effective internal control system increases the likelihood that errors and irregularities could occur and go undetected and increases the likelihood of fraud.

SOUTH MEDIA FIRE COMPANY #1 VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We again recommend that the relief association officials establish adequate internal control procedures to ensure that the relief association Treasurer is registered as an authorized officer on the relief association's investment account and ensure the relief association always conducts its affairs with proper authorization. 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 relief association officials are currently in the process of adding the Treasurer as an authorized officer on the investment account.

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.

SOUTH MEDIA FIRE COMPANY #1 VOLUNTEER FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

South Media Fire Company #1 Volunteer Fireman's Relief Association Governing Body:

**Mr. Robert R. Hopkins**  
President

**Mr. Mark Ernst**  
Vice President

**Mr. Michael Donovan**  
Secretary

**Ms. Linda Lawson**  
Treasurer

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

**Mr. David Grady**  
Secretary  
Nether Providence Township

**Ms. Paula W. Healy**  
Secretary  
Rose Valley 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).