

COMPLIANCE AUDIT

Volunteer Fireman's Relief Association of the Township of Spring Berks County, Pennsylvania For the Period January 1, 2021, to December 31, 2023

August 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Michael Stehman, President
Volunteer Fireman's Relief
Association of the Township
of Spring Fire Department
Berks County

We have conducted a compliance audit of the Volunteer Fireman's Relief Association of the Township of Spring (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.

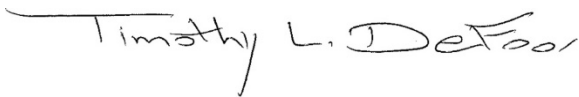
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative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

Based on our audit procedures, we conclude that, 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, for the period January 1, 2021, to December 31, 2023. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Inadequate Documentation To Support Joint Purchase Agreements

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, flowing style.

Timothy L. DeFoor
Auditor General
August 6, 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 municipality:

| <u>Municipality</u> | <u>County</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---------------------|---------------|-------------|-------------|-------------|
| Spring Township | Berks | \$102,645 | \$132,812 | \$125,392 |

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$681,089, as illustrated below:

| | |
|----------------------------|-------------------|
| Cash | \$ 66,393 |
| Fair Value of Investments | <u>614,696</u> |
| Total Cash and Investments | <u>\$ 681,089</u> |

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$356,921, 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 | \$ 75,225 |
| Tokens of sympathy and goodwill | 602 |
| Total Benefit Services | <u>\$ 75,827</u> |

Fire Services:

| | |
|---------------------------|-------------------|
| Equipment purchased | \$ 90,344 |
| Equipment maintenance | 82,401 |
| Training expenses | 5,905 |
| Fire prevention materials | 12,306 |
| Total Fire Services | <u>\$ 190,956</u> |

Administrative Services:

| | |
|---------------------------------|------------------|
| Bond premiums | \$ 1,031 |
| Officer compensation | 7,200 |
| Other administrative expenses * | 10,700 |
| Total Administrative Services | <u>\$ 18,931</u> |

| | |
|-----------------------------|------------------|
| Total Investments Purchased | <u>\$ 70,000</u> |
|-----------------------------|------------------|

Other Expenditures:

| | |
|---|-----------------|
| Unauthorized expenditures – See Finding No. 2 | <u>\$ 1,207</u> |
|---|-----------------|

| | |
|--------------------|-------------------|
| Total Expenditures | <u>\$ 356,921</u> |
|--------------------|-------------------|

* A majority of the other administrative expenses represent \$7,775 expended for tax preparation and filing.

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:

Township of Spring Volunteer Fire Department

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inadequate Documentation To Support Joint Purchase Agreements

Condition: In 2011, the relief association and the affiliated fire company jointly purchased two vehicles. The relief association expended \$106,330 for the purchase of each vehicle. In 2016, as a result of the January 1, 2013, to December 31, 2015 audit, the relief association entered into two joint purchase agreements with the affiliated fire company enumerating the relief association's expenditure of \$106,330 for the purchase of each vehicle, as well as its proportionate ownership share of 18.7%.

During the January 1, 2016, to December 31, 2017 audit period, one of the vehicles jointly purchased in 2011 was traded in for the purchase of another vehicle. The trade-in value was \$265,000. The relief association's interest in the vehicle purchased in 2011 was transferred to the new vehicle. Under the joint purchase agreement for the new vehicle, the relief association's proportionate share is \$49,555 or 9.7%. However, documentation supporting the trade-in value and the purchase price of the new vehicle could not be provided during the prior audit period and as such the relief association's proportionate ownership interest in the new vehicle, as noted above, could not be verified. This documentation was again not made available during the January 1, 2018, to December 31, 2020 audit period or the current audit period.

During the current audit period, the second 2011 vehicle jointly purchased was traded in for the purchase of another vehicle. The relief association's interest in the vehicle purchased in 2011 was transferred to the new vehicle. However, documentation supporting the trade-in value and the purchase price of the new vehicle could not be provided in order to determine the relief association's proportionate ownership interest.

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.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions. In addition, prudent business practice dictates that the relief association secure its proportional ownership interest in a jointly purchased vehicle by executing a formal, written joint purchase agreement that enumerates the relief association's proportionate share and specifies that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle. Furthermore, supporting documentation should be maintained to corroborate the proportionate ownership noted in the joint purchase agreement.

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

Effect: Failure to provide supporting documentation necessary to accurately execute a joint purchase agreement that secures the relief association's proportionate ownership interest places the relief association's prorated share of proceeds at risk in the event that the vehicle is traded in or sold. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association provide this Department with adequate supporting documentation to support the relief association's proportional ownership interest in the jointly purchased vehicles. 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 and indicated they will take action to comply with the recommendation.

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

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Unauthorized Expenditures

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

| <u>Date</u> | <u>Check No.</u> | <u>Description</u> | <u>Amount</u> |
|-------------|------------------|---|-----------------|
| 04/30/2021 | Debit | Gift card purchases | \$ 401 |
| 05/03/2021 | Debit | Gift card purchases | 100 |
| 02/05/2022 | 86 | Overpayment to equipment maintenance vendor | 50 |
| 12/18/2023 | Debit | Food (no evidence of training) | 656 |
| Total | | | <u>\$ 1,207</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.
- (5) To pay the cost of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.
- (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.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Costs associated with the purchase of gift cards, overpayment of expenses, and the purchase of food without evidence of an associated training session 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 gift cards were not considered a token of sympathy under the VFRA Act. In addition, the relief association officials indicated they were unaware of the overpayment of an invoice, and did not provide a reason for the purchase of food with no evidence of a training session.

Effect: As a result of these unauthorized expenditures, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the unauthorized expenditure will result in a withholding of future state aid allocations until the monies related to the unauthorized expenditures identified in the finding have been reimbursed to the relief association.

Recommendation: We recommend that the relief association be reimbursed \$1,207 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 expenditures 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'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 during the next audit.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
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.

VOLUNTEER FIREMAN'S RELIEF ASSOCIATION OF THE TOWNSHIP OF SPRING
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Volunteer Fireman's Relief Association of the Township of Spring Governing Body:

Mr. Michael Stehman
President

Mr. Steve Snyder
Vice President

Mr. David Adams
Recording Secretary

Ms. Connie Bauder
Treasurer

Mr. Marvin Unger
Financial Secretary

Mr. Neil Strause
Trustee

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

Ms. Mary L. Rossi
Secretary
Spring 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.