

COMPLIANCE AUDIT

Relief Association of the Community Fire Company of Virginville

Berks County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

July 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Steven W. Kreisher, President
Relief Association of the Community
Fire Company of Virginville
Berks County

We have conducted a compliance audit of the Relief Association of the Community Fire Company of Virginville (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 objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings 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.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2023, the relief association had a cash balance of \$42,706, we were not able to verify this cash balance.

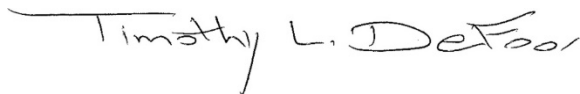
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2021, to December 31, 2023:

- The relief association took appropriate corrective action to address four of the six findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

Finding No. 2 – 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.



Timothy L. DeFoor
Auditor General
June 13, 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>
Greenwich Township	Berks	\$ 4,386	\$ 5,176	\$ 5,087
Lenhartsville Borough	Berks	\$ 274*	\$ 353	\$ 350
Perry Township	Berks	\$ 1,722	\$ 3,122	\$ 3,713
Richmond Township	Berks	\$ 11,101	\$13,905	\$13,710
Windsor Township	Berks	\$ 6,782	\$ 8,656	\$ 8,456

* Although Lenhartsville Borough (Borough) prepared and returned a Certification Form AG 385 for 2021, the Borough failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Forms 706-B to this Department as required by the instructions accompanying Form 706-B and the instructions accompanying the 2021 state aid allocations received by the Borough. As such, the dates and amounts the Borough distributed the 2021 state aid allocation to the relief association could not be determined. In addition, as disclosed in the prior audit report, Lenhartsville Borough is still required to prepare and submit Form 706-B for the years 2019 and 2020.

Lenhartsville Borough should complete the 2019, 2020, and 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Forms 706-B located online within the Department of Community & Economic Development's Municipal Statistics website (Mun2018, 2019, Stats) immediately.

Based on the relief association's records, its total cash as of December 31, 2023, was \$42,706, as illustrated below:

Cash	<u>\$ 42,706</u>
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BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$103,914, 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	\$ 11,824
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Fire Services:

Equipment purchased	\$ 59,943
Equipment maintenance	19,964
Training expenses	8,989

Total Fire Services	\$ 88,896
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Administrative Services:

Bond premiums	\$ 750
Other administrative expenses	2,444

Total Administrative Services	\$ 3,194
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Total Expenditures	\$ 103,914
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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:

Community Fire Company of Virginville

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with four of the six prior audit findings and recommendations, as follows:

- Failure To Deposit State Aid

By timely depositing all state aid received.

- Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle

By amending a formal written agreement whereby, the relief association would receive an increased prorated ownership of a rescue vehicle purchased jointly with the affiliated fire company utilizing the \$20,953 pro-rata share of the proceeds from the sale of the jointly purchased vehicle.

- Failure To Secure Ownership Interest In Jointly Purchased Equipment

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased equipment.

- Undocumented Expenditures

By receiving reimbursement of \$5,220 from the affiliated fire company for the undocumented expenditures in the prior audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with two of the six prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

- Inadequate Signatory Authority For The Disbursement Of Funds

We are concerned by the relief association's failure to correct those previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Cumulative Equipment Roster**

Condition: The relief association failed to maintain a complete and accurate cumulative roster of equipment owned by the relief association. Although a roster of relief association owned equipment was provided during the current audit period, the roster was incomplete. The roster included only equipment purchased during the current audit period, and did not accurately identify all the equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

A similar condition was noted in our two prior audit reports.

Criteria: Prudent business practice dictates that the relief association establish adequate internal control procedures to ensure the maintenance of a complete and accurate cumulative roster of equipment purchased by the relief association, and the performance of an annual physical inventory of all equipment is sufficiently documented. A cumulative equipment roster of all relief association equipment should include the following, at a minimum:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers from which the equipment was purchased
- Serial numbers, if applicable
- Current location(s) of items
- Final dispositions if damaged, sold or disposed of
- Evidence of the performance, date, and results of an annual physical inventory

Cause: The relief association officials indicated there were prior issues with not knowing how to maintain a complete and accurate equipment roster and conduct equipment inventories.

Effect: Failure to properly record equipment purchases in a complete and accurate cumulative equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, failure to maintain a complete and accurate cumulative equipment roster and failure to perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that the relief association officials maintain a complete and accurate cumulative equipment roster of all relief association equipment. Furthermore, the relief association should ensure an annual physical inventory of all relief association purchased equipment is performed and documented. 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 – Noncompliance With Prior Audit Recommendation – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: The VFRA Act and the relief association's bylaws require the signatures of two officers on all relief association negotiable instruments, one of which should be the treasurer (disbursing officer). During the current audit period, eight of 93 checks were drawn on the relief association's checking account that did not contain the proper signatory authority. Two checks contained the signature of only the relief association treasurer. The remaining six checks contained the signatures of the relief association president and the relief association secretary; however, neither of these two signatures were that of the treasurer as required by the VFRA Act and the relief association bylaws.

A similar condition was noted in our prior audit report.

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.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, the relief association's bylaws at Article VIII, Section 1 states, in part:

The signatures of at least two officers, preferably one of whom shall be the treasurer, shall be required for the issuance of relief association checks...

Cause: The relief association officials disclosed that the signature cards at the relief association's financial institution had not been updated in a timely manner for the new treasurer. The relief association did not realize the disbursing officer's signature is a required on all checks. The relief association indicated that the checks that contained only one signature was an oversight.

Effect: As a result of the relief association officers issuing certain checks with only one authorized signature and issuing certain checks without the signature of the treasurer, the relief association was not in compliance with the VFRA Act or its bylaws and increased the risk of misappropriation and undetected errors.

Recommendation: We again recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two authorized relief association officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as required by the VFRA Act and the relief association's bylaws. 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.

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Relief Association of the Community Fire Company of Virginville Governing Body:

Mr. Steven W. Kreisher
President

Ms. Kelly Peter
Vice President

Ms. Jodi Detwiler
Secretary

Mr. Robert J. Smith, Jr.
Treasurer

RELIEF ASSOCIATION OF THE COMMUNITY FIRE COMPANY OF VIRGINVILLE
REPORT DISTRIBUTION LIST

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

Ms. Diane Hollenbach
Secretary
Greenwich Township

Mr. Mark R. Sprow
Secretary
Lenhartsville Borough

Ms. Rochelle Dreibelbis
Secretary
Perry Township

Ms. Jennifer Galomb
Secretary
Richmond Township

Mr. Craig A. Long
Secretary
Windsor Township

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