

Please Read Carefully

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Tips to Complying with Pennsylvania Volunteer Firefighter Relief Association Requirements

Pennsylvania's Volunteer Firefighter Relief Association (VFRA) Program has provided a valuable source of funding for the protection, safety, and relief of volunteer firefighters.

The program is governed by Act 84 of 1968 (the "Volunteer Firefighters' Relief Association Act 53 ps. 8501 et. Seq.). Since the Volunteer Fireman's Relief Association (VFRA) receives public tax monies, the association officers have a responsibility to the public to conduct the association's affairs in a businesslike manner. The VFRA is a separate legal entity from a fire company, must have separate federal tax identification numbers, and by law the Pennsylvania Department of the Auditor General is required to audit the financial accounts of all VFRAs. In doing so, they periodically develop information that is made available to the VFRAs.

The Department of the Auditor General can be reached at www.auditorgen.state.pa.us.

The document "Management Guidelines for Volunteer Firefighters' Relief Associations" provides excellent guidance for VFRA officers. A copy should be maintained by each VFRA.

Each year the Auditor General's office conducts a series of seminars around the Commonwealth of Pennsylvania to review the guidelines with officers of VFRAs.

In 2006 the seminars identified VFRA's 11 Most Frequent Audit Findings. These include:

1. Insufficient Officer's Bond Coverage*
2. Failure to Obtain Federal Tax Identification Number* or State Sales Tax Number
3. Failure to Maintain an Accurate Equipment Roster*
4. Failure to Maintain an Accurate Membership Roster*
5. Inappropriate Pre-signing of Blank Checks
6. Untimely Deposit of State Aid
7. Inadequate Relief Association Bylaws
8. Inadequate Minutes of Meetings
9. Unauthorized Expenditures
10. Undocumented Expenditures
11. Exemption Number

*In the following report, we have provided assistance to help you comply with the VFRA audit requirements for the items marked with an asterisk. If you would like further information regarding the items not reviewed in this document, please call VFIS Sales Support at 1-800-233-1957.

Issue: Inadequate Bond Coverage¹

One of the most common discrepancies found when auditing firefighters' relief associations is the failure to maintain sufficient bond coverage on the association's disbursing officer. Section 5(c) of Act 84 requires that "... such 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..."

The Department of the Auditor General interprets the term "maximum cash balance in current funds" as the combined balance of the relief association's checking, savings, money market, and any other accounts that allow for the immediate disbursement or transfer of relief association funds via check, draft, withdrawal, or transfer of any type, including, but not limited to, electronic transfers.

The officer's bond coverage must be at least as great as the highest combined total balance in these accounts at any time during the year. Furthermore, the bond should cover relief association officers only and be issued solely in the association's name.

If the relief association's cash balance were to exceed the bond coverage, it would be considered a violation of Act 84. Therefore, relief association officials should anticipate the highest amount of cash on deposit and maintain an officer's bond for an amount at least as great as this maximum cash balance estimate.

Cash balances within brokerage accounts should be taken into consideration when determining adequate bond coverage.

Keep in mind that funds from the annual VFRA allocation may be received before all annual spending is complete, which may result in a much higher than anticipated total balance. Your bond must be sufficient to cover such an amount.

For those interested in bond coverage, please complete and forward the enclosed application to a VFIS agent.

VFIS Bond Application

183 Leader Heights Road • P.O. Box 2726 • York, Pennsylvania 17405
(717) 741-0911 • (800) 233-1957 • Fax (717) 747-7022 • www.vfis.com



FACT FINDER PROPERTY & CASUALTY / ACCIDENT & SICKNESS

GENERAL INFORMATION

Date of Application: _____ Date Proposal Needed By: _____

Current Carrier and Agency: _____ Expiration Date: _____

Type of Organization: Independent Department Municipally Owned Tax District
 Other (Describe: _____)

Full Legal Name: _____
(List all legal entities such as Fire Districts, Fire Companies, Rescue Squads, Auxiliaries and other organizations that are to be Named Insureds.)

Federal Employer Identification Number (FEIN): _____

Organization's Mailing Address: _____
Street or PO Box

City County State Zip Code

Organization's fax number: (____) _____ Organization's website: _____

Contact person's name: _____ Title: _____

Day phone: (____) _____ Evening phone: (____) _____ E-mail address: _____

Is this individual (check all that apply): the contact for inspection purposes?
 the contact for education and training purposes?
 the head of the organization?

Is your organization incorporated? Yes No
If No, are you an: Unincorporated Association
 Political Subdivision
 Joint Venture (attach copy of agreement)
 Other (Describe: _____)

If No, are you chartered? Yes No

Is the applicant a for-profit or not-for-profit organization? For-Profit Not-for-Profit

- Type of Department:
- Fire Department / District
 - Fire Department / District with Ambulance
 - Ambulance Corps (pre-survey may be required)
 - Rescue Squad
 - First Responder
 - Hospital EMS (pre-survey required; call VFIS for assistance before proceeding)
 - Relief Association
 - County / State Association
 - Search & Rescue Team
 - 911 Emergency Dispatch (pre-survey required; call VFIS for assistance before proceeding)
 - Training School (call VFIS for assistance before proceeding)
 - Haz Mat Team (call VFIS for assistance before proceeding)
 - Other (Describe: _____)

Population of area served on a first call basis: _____

Number of full-time paid employees: _____

A full-time employee is one who is regularly scheduled to work 35 or more hours a week. These hours may be in a set rotation or in varying shifts from week to week.

Number of part-time paid employees: _____

A part-time employee is one who works less than 35 hours a week, or has no set number of hours a week, or receives an hourly rate per call.

Number of active volunteers: _____

A volunteer performs services without expectation of any compensation.

Number of publicly elected trustees, commissioners or directors:

Estimated number of responses per year:

Fire and other non-medical runs. _____

Emergency medical or first responder medical runs. Include number of runs involving medical treatment either at the scene of an emergency or while in transport (or both) _____

Non-emergency transports. _____

Are all volunteers covered by Workers' Compensation? Yes No
 N/A

Are all paid employees covered by Workers' Compensation? Yes No N/A

If No to either of the above, is there an Accident & Sickness policy in force with primary medical benefits of at least \$10,000?
 Yes No

BONDS **Yes** **No**

Do checks require at least two signatures?

Yes, in excess of \$ _____ No

Do purchases require the signed approval of two or more people?

Yes, in excess of \$ _____ No

Are bank accounts reconciled by someone not authorized to deposit or withdraw?

Yes No

Are financial records audited by outside parties?

Yes No

If yes, how often? _____

Does your organization run bingo nights or other games of chance?

Yes No

If yes, how often? Annually Monthly Weekly or more often

If yes, approximate annual revenues raised by such gaming? \$ _____

Covered Entity: (if more than one named insured) _____

<input type="checkbox"/> Commercial Blanket Bond (for use with non-governmental entities)	<input type="checkbox"/> Public Employee Blanket Bond (for use with governmental entities)
Limit: \$	Limit: \$
Number of rateable persons (see below):	Number of rateable persons (see below):
	Faithful performance <input type="checkbox"/> Yes <input type="checkbox"/> No

Faithful performance is not available for non-governmental entities unless it's specifically required in the organization's by-laws, constitution, or resolution (please provide a copy).

Rateable persons consist of:

- commissioners, directors or trustees who perform the duties of a volunteer or employee,
- all officers, and
- other volunteers or employees who handle, have custody of or maintain records of money, securities or other property.

Name or Position Schedule Bond

Name or Position	Entity Covered (if more than one)	Limit	Faithful Performance (governmental entities only)
			<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No

Answer only if you've requested both a Blanket Bond and a Name or Position Schedule Bond. Is the Name or Position Schedule Bond intended to be:

- Primary
 Specific excess over the Blanket Bond

Issue: No Tax ID Number²

Federal Tax Identification Number

The volunteer firefighters' relief association must maintain separate financial accounts from the fire company. When these accounts are opened or investments purchased, the relief association must provide the financial institution with its federal tax Employer Identification Number (EIN). The relief association may not use the fire company's federal tax EIN because the two organizations are legally separate entities. If the relief association uses the fire company's federal tax EIN, the relief association may be in violation of the provisions of the Internal Revenue Code. Furthermore the relief association may be exceeding the maximum FDIC insurance coverage at its financial institution, thereby subjecting the association's monetary assets to greater risk. If the financial institution is not provided with the relief association's EIN, the financial institution may withhold 30% of the income earned on the account as federal income tax withholding. To obtain a federal tax EIN, the relief association should complete a federal form SS-4 (Application for EIN), and submit it to the Internal Revenue Service. The relief association may also wish to file for federal income tax exemption as a not-for-profit corporation. It is advisable that the relief association obtain tax guidance from a professional tax consultant when filing for federal tax exemption status.

The Internal Revenue Service may be contacted at the following address for forms to obtain a federal tax identification number or federal tax exemption number.

Internal Revenue Service

Philadelphia, PA 19255

1-800-829-3676

www.irs.ustreas.gov

Pennsylvania State Sales Tax Exemption

A volunteer firefighters' relief association is exempt from certain taxes, and may file for exemption from paying sales tax. The relief association is not authorized to use the fire company's sales tax exemption number since the association is a separate legal entity. To apply for an exemption, the relief association should contact the Department of Revenue, Exemption Unit, and request a Form REV 72.

The Department of Revenue can be contacted at:

Department of Revenue

Bureau of Business Trust Fund Taxes

Miscellaneous Tax Division

Harrisburg, PA 17128-0909

(717) 783-5473

www.revenue.state.pa.us

Issue: Lack of Inventory of Owned Equipment³

The relief association should maintain a complete and current roster of all equipment owned by the organization. The association should also perform a physical inventory of equipment owned by the relief association owned equipment at least annually. The annual inventory provides for accountability of the equipment owned by the relief association. Additionally the relief association may be required by its insurance company to provide an annual inventory listing if the equipment is insured.

Section 6 of Act 84 states in part that:

- (e) The funds of any volunteer firefighters' relief association may be spent:
- (11) To purchase safeguards for preserving life, health, and safety of volunteer firefighters, so as to ensure their availability to participate in the volunteer fire service.
 - (14) To purchase exercise and fitness equipment for use by volunteer firefighters. Expenditures for exercise and fitness equipment shall not, however, exceed \$2,000 in any two-year period.
 - (15) To purchase fire hose and nozzles.

In order to provide a more effective accounting control over equipment purchases, sound business practice would dictate that the relief association maintain an "equipment roster" for the items purchased by the association. **The association should maintain a cumulative roster of the equipment purchased**, including any training, physical fitness, or office equipment purchased by the association such as a VCR, exercise bike, computer, etc. The roster should include:

- Type of equipment purchased
- Date of purchase
- Unit cost
- Serial number (if applicable)
- Name of supplier from which it was purchased
- Current location of the item
- Date of physical inventory

When an equipment item becomes inoperable and is disposed of, a proper notation of such action should be made on the roster, recording the reason, date and method of disposal. The disposal should also be noted in the association minutes. The association should, at least annually, conduct a physical inventory of all equipment owned by the relief association. The results of this physical inventory should be noted on the cumulative equipment roster (see *Figure 1*) and in the minutes of relief association meetings.

The figure below illustrates an example of an equipment roster. Furthermore equipment purchased by the relief association should be marked to clearly distinguish that it is owned by the relief association rather than the fire company.

During the course of an audit, the auditors of this department will review the equipment roster and perform a physical inventory of selected equipment. **The treasurer should be prepared to make arrangements that will allow the auditor to examine equipment sometime during the course of the audit, and a copy of the cumulative equipment roster should be provided to the auditor as well.**

Equipment that is both nominal in cost and disposable in nature, such as batteries and gloves, need not be maintained on the cumulative equipment roster.

Figure 1

Roster of Equipment

Cumulative Equipment Roster							Page _____
Type of Equipment	Serial Number	Date Purchased	Cost	Name of Supplier	Location	Final Disposition Date*	Physical Inventory Checklist
1. Portable Sump Unit	0143242	1/30/99	1,905	Emergency Supply Company	Ladder 2		✓
2. Generator							
3. Portable Flood Light	None	1/30/99		Emergency Supply Company	Ladder 2	None at Fire Station	
4.							
5. (A) Air Packs	0584 0574 0577 0575	2/7/04	3,164	American Fire Co.	Rescue 911		✓
6. (A) Bunker Coats			1,223	"	Firefighters		✓
7. (A) Fire Boots	None		372	"	Firefighters		✓
8.							
9.							
10.							
11.							

✓ = Physically Examined 3/23/04
 ✗ = Physically Examined 3/1/05

The PA Auditor General has provided a sample form to use for compliance with this requirement for VFRA's. A copy is attached.

Additional details can be found in the document, "Management Guidelines for Volunteer Firefighters' Relief Associations," which is available from the:

Department of the Auditor General
Bureau of Firefighters Relief Audits
 406 - 1/2 UT Finance Building
 Harrisburg, PA 17120-0018

Cumulative Equipment Roster						Page		
Type of Equipment	Serial Number	Date Purchased	Cost		Name of Supplier	Location	Final Disposition Date*	Physical Inventory Checklist
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								
16.								
17.								
18.								
19.								
20.								
Total Cost								
of all operable equipment								
owned by the relief association								

Note: If equipment is disposed of or sold, please indicate date of transaction. In addition, please exclude the cost value of this item from the total at the bottom of the page.

Issue: No Membership Roster⁴

In order to provide assurance that relief association members receive all benefits they are entitled to, the association **MUST** maintain a complete and current roster for all relief association members who qualify for association benefits.

Simply being a member of the fire company does not in itself justify membership in a relief association. To qualify for relief association membership an individual must currently or previously have participated in the fire service. In defining fire service, Act 84 at Section 2 (2) states:

The fire service comprehends the service of organized groups of individuals, not only in training for and in active duty in the protection of the public against fire, but also in the training for and the performance of such other activities as are commonly undertaken by fire companies and their affiliated organizations, including, inter alia, fire prevention, first aid, rescue and salvage, ambulance service, fire police work, radio communication, assistance at accidents, control of crowds both on the fire grounds and at occasions of public or general assembly, animal rescue, abatement of conditions due to storm, flood, or general peril, abatement or removal of hazards to safety, and participation in public celebrations, parades, demonstrations, and fundraising campaigns.

Individuals who join the affiliated fire company in only a social capacity do not qualify for relief association membership. Extending any type of benefits to individuals who do not participate in the fire service as defined by Act 84 is not considered authorized.

Act 84 at Section 5(b) states, in part, that the relief association's bylaws should include the following provisions:

The constitution or charter shall state the name, the purposes, and the form of the organization, shall designate the class or classes of persons eligible for membership, and the procedures to be followed in making amendments.

The membership roster should, as a minimum, record the name of each member and their current address. If the relief association bylaws designate different classes of members, i.e., Active, Inactive, Life, Junior, Associate, Auxiliary, etc., **the roster should indicate the membership classification of each individual.** A notation should be made on the membership roster in the event of a member's resignation or death. Social Security numbers **should not** be included on the membership rosters.

The figure that follows (provided by the PA Auditor General's Office) illustrates an example of a membership roster (see Figure 2). A preprinted roster is contained on Page 57 that can be copied and used for listing relief association members. **A copy of the membership roster should be made available to this department's auditors during the course of the audit.**

Although membership rosters are not specifically addressed in Act 84, without access to an accurate membership roster, the Department of the Auditor General cannot be, and is not, satisfied that disbursements to individual members have been adequately documented.

Membership rosters are persuasive evidence to corroborate management's representation that benefits were provided only to individuals entitled to receive such benefits and/or that the benefit coverage obtained covered all members entitled to such coverage. Comparing the names of individuals receiving benefits paid for by the relief association to the official membership roster of the relief association enables the auditor to verify that the relief association did not provide benefits to nonmembers.

Figure 2

Membership Roster

Membership Roster					Page _____	
Name	Address	Date of Birth	Membership Date	Membership Classification	Termination Date	
Diane Skaney	123 Main Street Model, PA 12377	10/1/49	10/1/77	Regular		
Mike Smith	456 Cherry Street Model, PA 12377	7/4/29	7/1/30	Life	Death 12/1/93	
John Jones	789 Oak Street Model, PA 12377	2/10/34	2/1/55	Life		
Dick Pond	234 Elmhouse Lane Model, PA 12377	3/20/39	4/1/60	Regular		
Leo Mize	467 Railroad Avenue Model, PA 12377	4/25/44	5/1/65	Regular		

The PA Auditor General has provided a sample form to use for compliance with this requirement for VFRA's. A copy is attached.

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Membership Roster					Page _____
Name	Address	Date of Birth	Membership Date	Membership Classification	Termination Date

To qualify for relief association membership an individual must currently or previously have participated in fire service-related activities as defined by Section 2(2) of Act 84. Simply being a member of (please fix this line) a fire company does not, in itself, justify membership in the relief association.

Membership Classifications: Active – The individual actively participates as an active firefighter or is active in fire service-related functions.
 Inactive – The individual had previously participated as an active firefighter or in fire service-related functions for a specified minimum period.

Note: Some relief associations have different classes of membership, e.g., Life, Junior, Auxiliary, Associate, etc. “Social” membership status is not an acceptable classification for relief associations.

References/Credits

- ¹ “Management Guidelines for Volunteer Firefighters’ Relief Associations – 2006 Edition,” Department of the Auditor General, Commonwealth of Pennsylvania, Harrisburg, PA, Page 11.
- ² Ibid, Page 5.
- ³ Ibid, Pages 15–17, 56.
- ⁴ Ibid, Pages 10 and 57.

