

# COMPLIANCE AUDIT

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## Hempfield Township Volunteer Firemen's Relief Association of Mercer County, Inc.

Pennsylvania

For the Period

January 1, 2021, to December 31, 2022

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April 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Paul Pryborowski, President  
Hempfield Township Volunteer Firemen's  
Relief Association of Mercer County, Inc.

We have conducted a compliance audit of the Hempfield Township Volunteer Firemen's Relief Association of Mercer County, Inc. (relief association) for the period January 1, 2021, to December 31, 2022. 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.

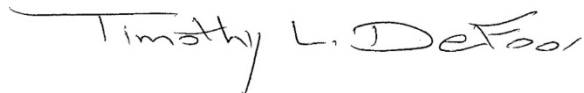
Based on our audit procedures, we conclude that, for the period January 1, 2021, to December 31, 2022:

- 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inappropriate Ownership Of Rescue Vehicle

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

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  
March 18, 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.

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

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>
Hempfield Township	Mercer	\$17,765	\$21,587
Sugar Grove Township	Mercer	\$ 4,427	\$ 5,329

<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)**

Based on the relief association’s records, its total cash as of December 31, 2022, was \$77,267, as illustrated below:

Cash	<u>\$ 77,267</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2022, were \$54,175, 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:

Fire Services:	
Equipment purchased	\$ 21,826
Training expenses	<u>320</u>
Total Fire Services	<u>\$ 22,146</u>
Other Expenditures:	
Miscellaneous *	<u>\$ 32,029</u>
Total Expenditures	<u>\$ 54,175</u>

\* The miscellaneous expenditures represent two grants that were intended for the affiliated fire company and erroneously deposited into the relief association’s account. Once the relief association discovered the errors, the affiliated fire company was reimbursed \$22,877 on February 26, 2021, and \$9,152 on April 12, 2021.

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:

Hempfield Township Volunteer Fire Department

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

HEMPFIELD TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MERCER COUNTY, INC.  
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:

- Unable To Verify Ownership Of Rescue Vehicle

Although the relief association was able to verify ownership of the rescue vehicle by providing a title issued to the relief association, a 1994 Pierce Rescue vehicle was purchased by the relief association on April 12, 2023, which was inappropriately titled in the names of both the relief association and the affiliated fire company instead of only the relief association's name as further disclosed in Finding No. 1 of this report.

We are concerned by the relief association's failure to fully correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

HEMPFIELD TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MERCER COUNTY, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inappropriate  
Ownership Of Rescue Vehicle**

Condition: Although the relief association was able to verify ownership of the rescue vehicle purchased in 2010 by providing a title issued to the relief association, another vehicle was purchased by the relief association subsequent to the current audit period which was inappropriately titled. On April 12, 2023, the relief association purchased a 1994 Pierce Rescue vehicle, in the amount of \$25,000, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the names of both the relief association and the affiliated fire company instead of only the relief association's name.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment purchased by the relief association. As such, rescue vehicles purchased by the relief association are to be titled in the name of the relief association.

Cause: Relief association officials stated that there was miscommunication during the title transfer process regarding the name to be on the title.

Effect: As a result of the rescue vehicle being inappropriately titled in the names of both the relief association and the fire company, this relief association asset was not properly safeguarded.

Recommendation: We recommend that the 1994 Pierce Rescue vehicle be titled solely in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$25,000. 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 1994 Pierce Rescue vehicle was titled solely in the name of the relief association on January 17, 2024.

Auditor's Conclusion: We reviewed documentation verifying that the 1994 Pierce Rescue vehicle was titled solely in the name of the relief association. Compliance will be subject to verification through our next audit.



HEMPFIELD TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MERCER COUNTY, INC.  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on December 9, 2021. As of December 31, 2022, the relief association's cash assets totaled \$77,267.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the 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, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials indicated that when the insurance agent moved the policies from one provider to another, the agent combined the relief association's bond coverage with the affiliated fire company's policy. However, the relief association was not named as the insured on that policy and the relief association officials were also unaware that this action had occurred.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act. 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 purchased bond coverage in an amount greater than the relief association's maximum cash balance on January 3, 2024.

Auditor's Conclusion: We reviewed documentation verifying that bond coverage was obtained on January 3, 2024. Compliance for maintaining bond coverage during the next audit will be subject to verification through our next audit.

HEMPFIELD TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MERCER COUNTY, INC.  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Hempfield Township Volunteer Firemen's Relief Association of Mercer County, Inc. Governing  
Body:

**Mr. Paul Pryborowski**  
President

**Ms. Kathy Scobbie**  
Vice President

**Ms. Holly Patterson**  
Secretary

**Mr. Alex Martin**  
Treasurer

**Mr. Andrew Shannon**  
Assistant Treasurer

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

**Mr. Todd P. Hittle**  
Secretary  
Hempfield Township

**Ms. Kara Michaleski**  
Secretary  
Sugar Grove Township

HEMPFIELD TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MERCER COUNTY, INC.  
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