

COMPLIANCE AUDIT

Mercersburg, Montgomery, Peters and Warren Volunteer Firemen's Relief Association, Inc.

Franklin County, Pennsylvania
For the Period
January 1, 2018 to December 31, 2021

August 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Carole Carbaugh, President
Mercersburg, Montgomery, Peters and
Warren Volunteer Firemen's Relief
Association, Inc.
Franklin County

We have conducted a compliance audit of the Mercersburg, Montgomery, Peters and Warren Volunteer Firemen's Relief Association, Inc. (relief association) for the period January 1, 2018 to December 31, 2021. 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.

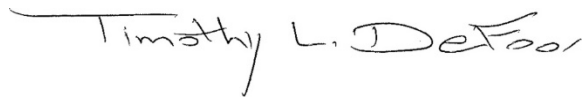
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures,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

We were not able to obtain an independent confirmation of the investment balance directly from the financial institution. Therefore, while the relief association provided copies of investment statements that indicated that, as of December 31, 2021, the relief association had an investment balance with a fair value of \$388,136, we were not able to verify this investment balance.

Based on our audit procedures, we conclude that, because of the significance of the matter described in the finding below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, 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, 2018 to December 31, 2021. 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 – Potential Inappropriate Ownership Of Vehicles

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
July 14, 2022

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters’ Relief Association Act² (“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 Law³ (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 association officers therefore have a responsibility to the public to conduct the association’s financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters’ relief association officers are also responsible for ensuring that the 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:

Municipality	County	2018	2019	2020	2021
Mercersburg Borough	Franklin	\$ 7,446	\$ 8,042	\$ 8,470	\$ 7,508
Montgomery Township	Franklin	\$34,260	\$37,012	\$37,341	\$33,103
Peters Township	Franklin	\$19,710	\$23,955	\$24,165	\$23,854
Warren Township	Franklin	\$ 2,136	\$ 2,193	\$ 2,518*	\$ 2,325*

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

* Although Warren Township prepared and returned a Certification Form AG 385 for 2020 and 2021, the township failed to submit the 2020 and 2021 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 2020 and 2021 state aid allocations received by the township disclosing this information.

Warren Township is still required to complete a 2020 and 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.

Based on the relief association’s records, its total cash and investments as of December 31, 2021 were \$517,630, as illustrated below:

Cash	\$ 129,494
Fair Value of Investments	<u>388,136</u>
Total Cash and Investments	<u>\$ 517,630</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2021 were \$284,263, 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.⁴ **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	<u>\$ 39,230</u>
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Fire Services:

Equipment purchased	\$ 146,617
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Equipment maintenance	82,561
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Training expenses	<u>8,619</u>
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Total Fire Services	<u>\$ 237,797</u>
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Administrative Services:

Bond premiums	\$ 1,872
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Other administrative expenses	<u>5,364</u>
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Total Administrative Services	<u>\$ 7,236</u>
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Total Expenditures	<u><u>\$ 284,263</u></u>
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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:

Mercersburg, Montgomery, Peters, and Warren Volunteer Fire Company, Inc.

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

MERCERSBURG, MONTGOMERY, PETERS AND WARREN VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION, INC.
FINDING AND RECOMMENDATION

Finding – Potential Inappropriate Ownership Of Rescue Vehicles

Condition: On August 27, 2015, the relief association purchased a rescue vehicle, in the amount of \$41,063, to carry personnel and safeguard equipment; however, a title to the vehicle was never provided to our auditors to determine to whom the ownership rights of the vehicle is assigned, nor was the vehicle included in the relief association's equipment roster.

Also, on August 9, 2010, the relief association purchased a rescue vehicle, in the amount of \$23,000, to carry personnel and safeguard equipment; however, a title to the vehicle was never provided to our auditors to determine to whom the ownership rights of the vehicle is assigned, nor was the vehicle included on the relief association's equipment roster.

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 expressed that the title of the 2016 Ford could not be located. Also, the relief association officials expressed they were not aware a title was needed for the 2009 Polaris Utility Terrain Vehicle (UTV).

Effect: As a result of the relief association not being able to provide titles for the vehicles, the relief association assets were not properly safeguarded. 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 provides our auditors with evidence that the rescue vehicles are titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$64,063. In addition, the relief association should ensure all vehicles purchased by the relief association are included on the relief association's equipment roster. 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 for vehicle purchases made during the next audit period will be subject to verification through our next audit. In addition, 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.

MERCERSBURG, MONTGOMERY, PETERS AND WARREN VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION, INC.
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the finding 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 327 Finance Building, Harrisburg, PA 17120.

MERCERSBURG, MONTGOMERY, PETERS AND WARREN VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Mercersburg, Montgomery, Peters and Warren Volunteer Firemen's Relief Association, Inc.
Governing Body:

Ms. Carole Carbaugh
President

Mr. Trevor Carbaugh
Vice President

Ms. Tammy Carbaugh
Secretary

Mr. Douglas M. Rice
Treasurer

MERCERSBURG, MONTGOMERY, PETERS AND WARREN VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION, INC.
REPORT DISTRIBUTION LIST

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

Ms. Melissa Price
Secretary
Mercersburg Borough

Ms. Tammy L. Carbaugh
Secretary
Montgomery Township

Mr. Roger W. Price
Secretary
Peters Township

Ms. Madalyn Lander
Secretary
Warren 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.