



**HARRISBURG FIREMEN'S RELIEF ASSOCIATION OF THE COMMONWEALTH  
OF PENNSYLVANIA**

**HEREIN REFERRED TO AS:**

**HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**DAUPHIN COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2005 TO DECEMBER 31, 2008**



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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, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended 53 P.S. § 895.701 et seq. (commonly referred to as Act 205), are properly expended.

The Harrisburg Volunteer Firefighters' 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.

Act 84 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, it is the responsibility of the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

The 2005 state aid from the City of Harrisburg, in the amount of \$13,181, has been withheld. For the years 2006, 2007, and 2008, the City of Harrisburg distributed 100% of its annual state aid to River Rescue and Emergency Services Volunteer Relief Association, Inc.

BACKGROUND (Continued)

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The Harrisburg Volunteer Firefighters' Relief Association is affiliated with the following fire service organizations:

Camp Curtain Fire Company No. 13  
Mount Pleasant Fire Company No. 8  
Riverside Fire Company No. 15

Mr. William Hoyer, President  
HARRISBURG VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Dauphin County

We have conducted a compliance audit of the Harrisburg Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), for the period January 1, 2005 to December 31, 2008.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Harrisburg Volunteer Firefighters' Relief Association's administration of state aid and accumulated funds complies with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Harrisburg Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2008, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2005 to December 31, 2008, found, in all significant respects, the Harrisburg Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the observation listed below. The results of our tests indicated the Harrisburg Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$440,782, an investment balance with a fair value of \$13,366,155, and an investment in commercial real estate at a cost value of \$361,831.

Observation – Diversification of Investments

The contents of this report were discussed with the management of the Harrisburg Volunteer Firefighters' Relief Association.

In addition, the management of the Harrisburg Volunteer Firefighters' Relief Association should give strong consideration to purchasing additional fire prevention material, such as smoke detectors. Our Department has taken the position that expenditures for these safety items are permissible under Act 84. We believe that smoke detectors are vitally important in saving lives. The life, health, and safety of Pennsylvania citizens are paramount. Utilizing relief association funds to enhance fire prevention activities in the City of Harrisburg not only reduces the dangers and perils to firefighters but will directly enhance the safety of the residents of the City of Harrisburg and can directly save a life.

February 24, 2009

JACK WAGNER  
Auditor General



HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Harrisburg Volunteer Firefighters' Relief Association has substantially complied with the following prior audit findings and recommendations:

- Failure to Provide Access to a Complete and Accurate Membership Roster

During the current audit, the relief association provided a membership roster comprised of members of the three fire companies it is currently affiliated with, which are:

Camp Curtain Fire Company No. 13  
Mount Pleasant Fire company No. 8  
Riverside Fire Company No. 15.

During prior audits periods, the relief association maintained affiliation with 16 separate fire companies despite the fact that 13 of the companies have not been in service for many years. We commend the relief association for eliminating affiliation with the 13 fire companies that are no longer in service. However, there may be members of those 13 fire companies who, because of their previous service as a volunteer firefighter, should be considered life members of the relief association but are not included on the current membership roster. Recognizing this possibility, the relief association has expressed its desire to identify such volunteer firefighters and include them on the membership roster. To identify these volunteer firefighters, the relief association sent certified letters to contact persons from the 13 fire companies to obtain information regarding individuals who should be included on the current membership roster. As of December 31, 2008, the relief association received little response from the 13 fire companies to help identify those individuals who may be considered life members. The relief association has expressed its intention to continue its efforts to identify all individuals who may be considered life members. Until these individuals are identified and included on the current membership roster, they will not receive benefits they might be eligible to receive from the relief association. Therefore, it is important they be identified.

While significant progress has been made to create a complete and accurate membership roster, the relief association should continue its work in this regard. Specifically, paid firefighters who are included on the roster should be removed. And, because relief benefits are based on age and years of service, the relief association needs to include on the roster the date of membership, date of birth, and membership classification of each member.

HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

- Questionable Appointment and Eligibility of Board of Directors and Officers

By providing documentation that each of the three affiliated fire service organizations is performing fire service activities as defined by Act 84. In addition, only members from the three affiliated fire companies are serving as officers and delegates of the relief association.

## HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OBSERVATIONS

### Prior Observation – Statutory Purpose

During the prior audit, we observed that the relief association did not fulfill its statutory purpose which is described in the background section of this report (see page 1). During the current audit period, we noted that the relief association has taken action to fulfill its statutory purpose. The relief association has:

1. Increased training expenditures for volunteer firefighters who are members of the relief association.
2. Expended \$705,388 during 2008 to purchase a 1988 Mack pumper truck and to assist in the purchase of a 2008 Pierce ladder truck and a 2008 Pierce pumper truck.
3. Reduced the amount of money spent on officers' salaries.

These actions taken by the relief association demonstrate a commitment to operate the relief association in accordance with the requirements of Act 84 and, therefore, fulfill its statutory purpose. We encourage the relief association to continue using its resources in this manner.

HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
OBSERVATIONS (Continued)

Observation – Diversification of Investments

Within the parameters established by the Volunteer Firefighters' Relief Association Act<sup>1</sup>, it is the responsibility of the volunteer firefighters' relief association to invest its funds in a proper and prudent manner.

As these investments typically provide an income stream to the relief association for annual operations, it is generally sensible not to invest all VFRA money in one asset or asset class that places the principal at risk. In fact, state law requires VFRA's to "reasonably diversify investments, unless the [VFRA] reasonably determines that it is in the interest of the beneficiaries not to diversify..."<sup>2</sup>.

By diversifying investments, the VFRA can help preserve capital, increase liquidity and decrease volatility. Diversification means spreading one's money among different investments; asset allocation diversifies total investments among different investment classes, such as stocks, bonds, government securities, and cash equivalents.

As of December 31, 2008, the VFRA had \$6,204,622 (fair value) or 44% of the VFRA's cash and investments (to include all commercial real estate) in stocks and mutual funds.

The VFRA management should periodically review its specific cash needs and investment goals and ensure that its investments are allocated and diversified to prudently meet those needs and goals.

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<sup>1</sup> 53 P.S. § 8506(c)(1997). This provision incorporates the "prudent investor rule" of the Probate, Estates, and Fiduciaries Code, 20 Pa. C.S.A. §7201 et seq.

<sup>2</sup> 20 Pa. C.S.A. § 7204(a) (Supp. 2005).

HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2005 TO DECEMBER 31, 2008

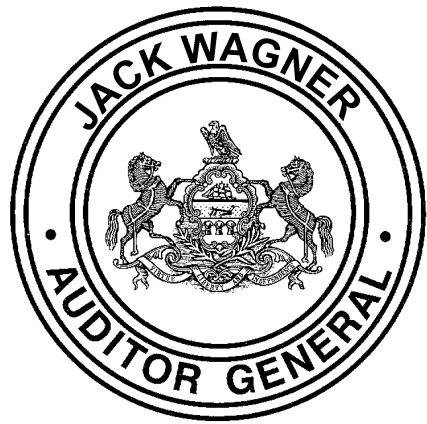
Act 84 at 53 P.S. § 8502(1) states, in part, that:

A volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds. All expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 41,667
Death benefits	37,500
Relief benefits	28,870
Tokens of sympathy and goodwill	645
Total Benefit Services	\$ 108,682
Fire Services:	
Equipment purchased	\$ 864,727
Equipment maintenance	13,750
Training expenses	18,883
Total Fire Services	\$ 897,360
Administrative Services:	
Officer compensation	\$ 335,208
Employer payroll taxes	24,101
Other administrative expenses	61,249
Total Administrative Services	\$ 420,558
Other Expenditures:	
Building expenses	\$ 96,400
Total Other Expenditures	\$ 96,400



HARRISBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Harrisburg Volunteer Firefighters' Relief Association Officers:

Mr. William Hoyer, President

Mr. James Bailey III, Secretary

Mr. John E. Fisher, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Beth Ann C. Gabler, City Clerk  
City of Harrisburg

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).