

COMPLIANCE AUDIT

Centre Hall Firemen's Relief Association of Centre Hall, PA Centre County, Pennsylvania For the Period January 1, 2022, to December 31, 2024

June 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Rodney M. Brungart, President
Centre Hall Firemen's Relief Association
of Centre Hall, PA
Centre County

We have conducted a compliance audit of the Centre Hall Firemen's Relief Association of Centre Hall, PA (relief association) for the period January 1, 2022, to December 31, 2024. 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.

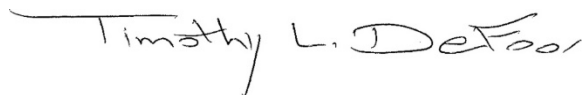
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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 objective. 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, 2022, to December 31, 2024, 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 – Untimely Receipt And Deposits Of State Aid

Finding No. 2 – Unauthorized Expenditures

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive, slightly slanted style.

Timothy L. DeFoor
Auditor General
May 19, 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>2022</u>	<u>2023</u>	<u>2024</u>
Centre Hall Borough	Centre	\$ 7,461	\$ 7,446*	\$ 7,551*
Potter Township	Centre	\$28,264	\$28,187	\$28,798

* The 2023 and 2024 state aid allocations received from Centre Hall Borough were not deposited by the relief association until February 11, 2025, and February 14, 2025, respectively, as disclosed in Finding No. 1 in this report.

Based on the relief association's records, its total cash and investments as of December 31, 2024, were \$114,913 as illustrated below:

Cash	\$ 50,335
Fair Value of Investments	<u>64,578</u>
Total Cash and Investments	<u><u>\$ 114,913</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2022, to December 31, 2024, were \$125,831, 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	<u>\$ 5,163</u>
Fire Services:	
Equipment purchased	\$ 95,153
Equipment maintenance	22,438
Training expenses	946
Fire prevention materials	<u>1,047</u>
Total Fire Services	<u>\$ 119,584</u>
Administrative Services:	
Bond premiums	\$ 480
Other administrative expenses	<u>74</u>
Total Administrative Services	<u>\$ 554</u>
Other Expenditures:	
Unauthorized expenditures – See Finding No. 2	<u>\$ 530</u>
Total Expenditures	<u><u>\$ 125,831</u></u>

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:

Centre Hall Fire Company

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

CENTRE HALL FIREMEN'S RELIEF ASSOCIATION OF CENTRE HALL, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Untimely Receipt And Deposits Of State Aid

Condition: The relief association did not deposit the 2023 state aid allocation it received from Centre Hall Borough in the amount of \$7,446, until February 11, 2025. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 21, 2023, who forwarded this state aid to the relief association on October 30, 2023, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205); however, the state aid allocation was erroneously deposited into the affiliated fire company's account. Therefore, the relief association did not ensure the funds were received and deposited timely into a relief association account.

In addition, the relief association did not deposit the 2024 state aid allocation it received from Centre Hall Borough, in the amount of \$7,551 until February 14, 2025. The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 18, 2024, who did not forward this state aid to the relief association until February 11, 2025, which is not within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). The relief association had no documentation that it had attempted to obtain the funds from Centre Hall Borough. As a result of our audit, on February 11, 2025, Centre Hall Borough forwarded the state aid allocation to the relief association and the relief association deposited the funds on February 15, 2025, into a relief association account.

Criteria: Section 706 (b)(2) of the Municipal Pension Plan Funding Standard and Recovery Act of December 18, 1984, (P.L. 1005, No. 205), requires municipalities to forward the foreign fire insurance premium tax funds received in September of each year to one or more relief associations within 60 days.

Prudent business practices also dictate that, upon receipt of the state aid allocation, the relief association should ensure the funds are deposited into the relief association account in a timely manner.

Prudent business practice dictates that if a municipality provided the relief association with a state aid allocation in the prior year, and the state aid has not been received by December 1st of the current year, the relief association should contact the municipality to inquire about the state aid allocation. This inquiry should result in documentation as to whether the relief association will receive an allocation for that year, and why the municipality is beyond the 60-day requirement.

CENTRE HALL FIREMEN'S RELIEF ASSOCIATION OF CENTRE HALL, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: The relief association official stated that the 2023 state aid allocation was not deposited timely because the check was made payable to the affiliated fire company and was deposited into the affiliated fire company's account. The 2024 state aid allocation was not received or deposited timely due to the relief association treasurer being unaware of the annual state aid distribution to be received from the Borough and due to the municipality failing to distribute the 2024 state aid allocation to the relief association within the required 60-days of receipt. Also, the relief association and the Borough, both, had officer/personnel changes which factored into the errors as well.

Effect: As a result of the untimely receipt and deposit of the state aid allocations, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt and deposit of funds increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that the relief association officials adopt internal control procedures to ensure the timely receipt and deposit of all state aid allocations. 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 will be subject to verification during the next audit.

Finding No. 2 – Unauthorized Expenditures

Condition: During the current audit period, the relief association incurred expenditures for the following items that are not authorized by the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/29/2024	1646	Repair of non-relief association owned equipment	\$ 318
02/26/2024	1651	Repair of non-relief association owned equipment	212
Total			<u>\$ 530</u>

CENTRE HALL FIREMEN'S RELIEF ASSOCIATION OF CENTRE HALL, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with the repair of non-relief association owned equipment do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unaware that the expenditures were not authorized by the VFRA Act.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$530 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

CENTRE HALL FIREMEN'S RELIEF ASSOCIATION OF CENTRE HALL, PA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, on February 21, 2025, the affiliated fire company reimbursed the relief association \$530 for the unauthorized expenditures.

Auditor's Conclusion: We reviewed documentation verifying that a reimbursement of \$530 was received from the affiliated fire company. Compliance for expenditures made during the next audit period will be subject to verification during the next audit.

CENTRE HALL FIREMEN'S RELIEF ASSOCIATION OF CENTRE HALL, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Centre Hall Firemen's Relief Association of Centre Hall, PA Governing Body:

Mr. Rodney M. Brungart
President

Mr. Monty Strouse
Vice President

Ms. Wanda Hockenberry
Secretary

Ms. Dianna Meckley
Treasurer

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

Ms. Angela Mundy
Secretary
Centre Hall Borough

Ms. Lisa Kroner
Secretary
Potter 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.