

# COMPLIANCE AUDIT

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## Friendship Fireman's Relief Association of Hallam, PA York County, Pennsylvania For the Period January 1, 2021, to December 31, 2023

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March 2025



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Marlyn Stough, President  
Friendship Fireman's Relief Association of  
Hallam, PA  
York County

We have conducted a compliance audit of the Friendship Fireman's Relief Association of Hallam, PA (relief association) for the period January 1, 2021, to December 31, 2023. 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 findings 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.

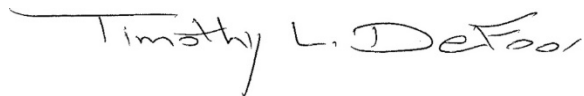
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2023:

- The relief association took appropriate corrective action to address the findings contained in our prior audit 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 finding listed below and discussed later in this report.

Finding – Payment Of Pennsylvania Sales Tax

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.



Timothy L. DeFoor  
Auditor General  
January 31, 2025

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,<sup>1</sup> Section 403 of The Fiscal Code,<sup>2</sup> and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),<sup>3</sup> 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,<sup>4</sup> 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>	<u>2023</u>
Hallam Borough	York	\$11,121	\$13,944	\$13,838
Hellam Township	York	\$16,779	\$20,453	\$20,674

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<sup>1</sup> Pa. Const. Art. VIII § 10.

<sup>2</sup> 72 P.S. § 403.

<sup>3</sup> 35 Pa.C.S. § 7411 *et seq.*

<sup>4</sup> 53 P.S. § 895.701 *et seq.*

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$249,524, as illustrated below:

Cash	\$ 51,587
Fair Value of Investments	<u>197,937</u>
Total Cash and Investments	<u>\$ 249,524</u>

Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$165,912, 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>5</sup> **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>\$ 9,792</u>
Fire Services:	
Equipment purchased	\$ 122,165
Equipment maintenance	23,937
Training expenses	<u>7,867</u>
Total Fire Services	<u>\$ 153,969</u>
Administrative Services:	
Bond premiums	\$ 624
Other administrative expenses	<u>315</u>
Total Administrative Services	<u>\$ 939</u>
Other Expenditures:	
PA sales tax paid – See Finding	<u>\$ 1,212</u>
Total Expenditures	<u>\$ 165,912</u>

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

## **BACKGROUND – (Continued)**

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:

Friendship Fire Company

FRIENDSHIP FIREMAN'S RELIEF ASSOCIATION OF HALLAM, PA  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with the prior audit findings and recommendations, as follows:

- Inappropriate Ownership Of Rescue Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secures its proportional ownership interest in the jointly purchased vehicle.

- Unauthorized Expenditures

By receiving reimbursement of \$3,424 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

- Undocumented Expenditure

By receiving reimbursement of \$560 from the affiliated fire company for the undocumented expenditure that was made in the prior audit period.



FRIENDSHIP FIREMAN'S RELIEF ASSOCIATION OF HALLAM, PA  
FINDING AND RECOMMENDATION

**Finding – Payment Of Pennsylvania Sales Tax**

Condition: During our prior audit, we provided an observation that the relief association paid \$60 of Pennsylvania sales tax to a vendor for equipment because the relief association did not provide its sales tax exemption number to the vendor. We again noted during this audit period that the relief association paid \$1,212 of Pennsylvania sales tax to the same vendor to purchase equipment. These payments, totaling \$1,272, would not have been required if the relief association had provided its sales tax exemption number to the vendor.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: Despite the relief association being notified of this condition during our prior audit period, relief association officials again failed to provide its sales tax exemption number to all vendors. Additionally, the relief association did not obtain reimbursement for sales tax paid during the prior audit period.

Effect: As a result of the relief association's failure to provide its sales tax exemption number to all vendors, the relief association, again, was required to pay Pennsylvania sales tax on its purchase, which reduced the funds otherwise available for general operating expenditures and for investment purposes.

Recommendation: We recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$1,272, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. In addition, we recommend that, in the future, relief association officials furnish its state sales tax exemption number to all vendors from which the relief association purchases equipment. 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, on November 29, 2024, the affiliated fire company reimbursed the relief association \$1,272 for the total sales tax paid in the prior and current audit period.

FRIENDSHIP FIREMAN'S RELIEF ASSOCIATION OF HALLAM, PA  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$1,272 was received. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

FRIENDSHIP FIREMAN'S RELIEF ASSOCIATION OF HALLAM, PA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Friendship Fireman's Relief Association of Hallam, PA Governing Body:

**Mr. Marlyn Stough**  
President

**Mr. Andrew Fusco**  
Secretary

**Mr. Daniel Hoover**  
Treasurer

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

**Ms. Sharon L. Dupler**  
Secretary  
Hallam Borough

**Ms. Corina L. Mann**  
Secretary  
Hellam Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).