

COMPLIANCE AUDIT

Hallstead Firemen's Relief Association Susquehanna County, Pennsylvania For the Period January 1, 2022, to December 31, 2024

August 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. David Callender, President
Hallstead Firemen's Relief Association
Susquehanna County

We have conducted a compliance audit of the Hallstead Firemen's Relief Association (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.

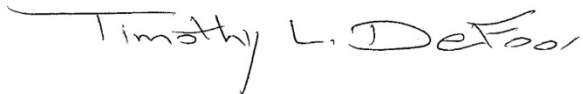
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative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

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

The contents of this report were not discussed with the management of the relief association. An exit conference memo outlining the findings of this report was sent to the last known relief association officials on July 1, 2025, requesting a response to the audit findings. As of this date of the audit report, we have not received a response from the last known relief association officials.

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
August 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.

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>
Great Bend Township	Susquehanna	\$5,532	\$5,293	\$5,369
Hallstead Borough	Susquehanna	\$5,386	\$5,292	\$5,373

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)

Based on the relief association's records, its total cash as of December 31, 2024, was \$6,682, as illustrated below:

Total Cash	<u>\$ 6,682</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2022, to December 31, 2024, were \$47,019, 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	\$ 2,616
Tokens of sympathy and goodwill	<u>760</u>
Total Benefit Services	<u>\$ 3,376</u>

Fire Services:

Equipment purchased	\$ 25,240
Equipment maintenance	<u>15,797</u>
Total Fire Services	<u>\$ 41,037</u>

Administrative Services:

Bond premiums	\$ 100
Other administrative expenses *	<u>1,576</u>
Total Administrative Services	<u>\$ 1,676</u>

Other Expenditures:

Unauthorized expenditure	<u>\$ 930</u>
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Total Expenditures	<u>\$ 47,019</u>
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* A majority of the other administrative expenses represent an expenditure of \$1,380 in calendar year 2022 for a Federal Communications Commission license renewal.

⁵ 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:

Hallstead Fire and Engine Hose Co. No.1

HALLSTEAD FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditure

Condition: During the current audit period, the relief association incurred an expenditure of \$930 for grave markers. These expenditures are not authorized under the VFRA Act.

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.
- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.
- (5) To pay the cost of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.
- (6) To make cash payments to families in distressed circumstances by reason of age, infirmity or other disability suffered by one of the family members in the course of participation in the fire service as a volunteer firefighter.

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 purchase of grave marker do not qualify as an authorized volunteer firefighters' relief association expenditure; consequently, this disbursement is not authorized under the VFRA Act.

Cause: The relief association officials did not provide a reason why this occurred.

HALLSTEAD FIREMEN'S RELIEF ASSOCIATION FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: As a result of this unauthorized expenditure, relief association funds were not available for investment purposes or for expenditures authorized by the VFRA Act. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the unauthorized expenditure may result in a withholding of future state aid allocations until the monies related to the unauthorized expenditure identified in the finding have been reimbursed to the relief association.

Recommendation: We recommend that the relief association be reimbursed \$930 for the unauthorized expenditure 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.

Management's Response: We were unable, after numerous attempts, to obtain a response to this finding noted in the exit conference memo provided to the last known relief association officers.

Auditor's Conclusion: Compliance will be subject to verification during the next audit.

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 and the relief association bylaws. The relief association's surety (fidelity) bond coverage expired on October 6, 2024.

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: The relief association officials did not provide a reason why this occurred.

Effect: As a result of the authorized disbursing officer of the relief association not having sufficient surety bond coverage, the relief association's cash balance was not adequately safeguarded in the event the disbursing officer commits a wrongful or fraudulent act. Additionally, without sufficient surety bond coverage, the relief association is not in compliance with the VFRA Act and its bylaws.

HALLSTEAD FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 and its bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: We were unable, after numerous attempts, to obtain a response to this finding noted in the exit conference memo provided to the last known relief association officers.

Auditor's Conclusion: Compliance will be subject to verification during the next audit.

HALLSTEAD FIREMEN’S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Hallstead Firemen’s Relief Association Governing Body:

Mr. David Callender
President

Mr. Kevin Walsh
Vice President

Mr. John Kelleher
Secretary

Ms. Shannon Mess
Treasurer

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

Ms. Shelia Guinan
Secretary/Treasurer
Great Bend Township

Ms. Felicia Decker
Secretary
Hallstead Borough

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.