

COMPLIANCE AUDIT

Hampden Township Volunteer Fire Company No. 1 Relief Association, Inc. Cumberland County, Pennsylvania For the Period January 1, 2019, to December 31, 2022

September 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Michael R. Taylor, President
Hampden Township Volunteer Fire Company
No. 1 Relief Association, Inc.
Cumberland County

We have conducted a compliance audit of the Hampden Township Volunteer Fire Company No. 1 Relief Association, Inc. (relief association) for the period January 1, 2019, to December 31, 2022. 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.

We were not able to obtain independent confirmations of a portion of the cash balance and a portion of the investment balance directly from the financial institutions. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2022, the relief association had a cash balance of \$293,804 and an investment balance with a fair value of \$972,033, we were not able to verify portions of those cash and investment balances.

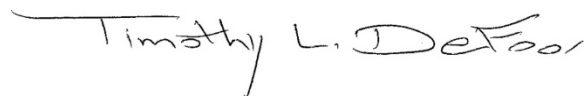
Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2022:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- Because of the significance of the matters described in Finding Nos. 1 and 2 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. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle And Equipment

Finding No. 2 – Inappropriate Ownership Of Rescue Vehicle

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.



Timothy L. DeFoor
Auditor General
August 12, 2024

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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 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 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)

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Hampden Township	Cumberland	\$219,121	\$220,640	\$197,616	\$258,793

Based on the relief association’s records, its total cash and investments as of December 31, 2022, were \$1,265,837, as illustrated below:

Cash	\$ 293,804
Fair Value of Investments	<u>972,033</u>
Total Cash and Investments	<u><u>\$ 1,265,837</u></u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2022, were \$1,375,688, 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	\$ 76,458
Relief benefits	524
Total Benefit Services	<u>\$ 76,982</u>
Fire Services:	
Equipment purchased	\$ 969,190
Equipment maintenance	71,468
Training expenses	75,155
Fire prevention materials	3,021
Total Fire Services	<u>\$ 1,118,834</u>
Administrative Services:	
Bond premiums	\$ 761
Other administrative expenses	17,641
Total Administrative Services	<u>\$ 18,402</u>
Total Investments Purchased	<u>\$ 10,000</u>
Other Expenditures:	
Payments on loan	\$ 151,330
Unauthorized sales tax paid *	140
Total Other Expenditures	<u>\$ 151,470</u>
Total Expenditures	<u>\$ 1,375,688</u>

* During calendar year 2022, the relief association made an insignificant disbursement in the amount of \$140 for the unauthorized payment of sales tax on a purchase that was authorized under the VFRA Act. We disclosed this issue to relief association officials on May 29, 2024, but we did not include a finding in this report due to the relatively low dollar amount.

⁴ 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:

Hampden Township Volunteer Fire Company No. 1, Inc.

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

- Undocumented Expenditure

By receiving reimbursement of \$2,599 from the affiliated fire company for the undocumented expenditure that was made in the prior audit period.

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle And Equipment

Condition: On July 20, 2011, the relief association expended \$57,000 for the purpose of jointly purchasing a 2011 KME Engine with the municipality of Hampden Township without properly securing its ownership interest. Even though a formal agreement was executed, the agreement did not record the relief association's proportionate ownership accurately, as it was stated at 1% instead of 11.43%. The relief association had been made aware of this condition through verbal observations in our prior three audits.

Also, in 2019, the relief association expended \$26,226 for storage systems installed on affiliated fire company-owned command vehicles without properly securing its ownership interest. Furthermore, in 2019, the relief association made seven loan payments totaling \$17,078 towards the purchase of 12 thermal imaging cameras without properly securing their ownership interest.

Criteria: Section 7418(a) of the VFRA Act states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the jointly purchased vehicle and equipment by executing formal written agreements that enumerate the relief association's proportional share of financing. Such agreements shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicles or equipment, in the event the vehicle or equipment is ever sold.

Cause: The relief association officials stated that they were unaware of the ownership issues.

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased vehicle and equipment places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association officials execute formal written agreements (or revise the existing agreement for the KME Engine) with the appropriate parties that enumerate the relief association's proportional ownership interest in the jointly purchased vehicle and equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle or equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$100,304. 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, the relief association provided formal written agreements with the affiliated fire company for the storage systems and the thermal imaging cameras in which the fire company relinquished ownership of the equipment to the relief association on July 10, 2024. However, the relief association still has not executed a formal written agreement for the 2011 KME Engine.

Auditor's Conclusion: We reviewed documentation verifying the propriety of the agreements for the storage systems and thermal imaging cameras. However, we continue to recommend that the relief association officials execute a formal written agreement with the municipality that enumerates the relief association's proportional ownership interest in the jointly purchased 2011 KME Engine or if such action is not taken, we recommend that the relief association be reimbursed \$57,000. 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 and through our next audit of the relief association.

Finding No. 2 – Inappropriate Ownership Of Rescue Vehicle

Condition: On August 19, 2022, the relief association purchased a 2022 Chevrolet Silverado 2500 in the amount of \$59,513, to carry personnel and safeguard equipment; however, the title to the vehicle was inappropriately issued in the name of the fire company.

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

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: As a result of the vehicle being inappropriately titled in the name of the fire company, this relief association asset was 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 that the rescue vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$59,513. 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: 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 and through our next audit of the relief association.

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 1 and 2 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are 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 316E Finance Building, Harrisburg, PA 17120.

HAMPDEN TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 RELIEF ASSOCIATION,
INC.
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Hampden Township Volunteer Fire Company No. 1 Relief Association, Inc. Governing Body:

Mr. Michael R. Taylor
President

Ms. Denelle Owen
Vice President

Ms. Melissa Washburn
Secretary

Ms. Kathy C. Prosser
Treasurer

Mr. Michael P. Starvaggi
Bookkeeper

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association:

Mr. Keith B. Metts
Secretary
Hampden 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.