

COMPLIANCE AUDIT

Guyasuta Volunteer Firemen's Relief Association

Allegheny County, Pennsylvania
For the Period
January 1, 2012 to September 16, 2013

September 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Julie A. Jakubec
O'Hara Township
325 Fox Chapel Road
Pittsburgh, PA 15238

RE: GUYASUTA VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION, ALLEGHENY COUNTY

We attempted to conduct a compliance audit of the Guyasuta 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, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2012 to September 16, 2013.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Guyasuta Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Volunteer firefighters' 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 following audit objectives.

The objectives of the audit were:

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

However, the Guyasuta Volunteer Firefighters' Relief Association did not provide us with sufficient and appropriate evidence to conclude on either of our objectives. Accordingly, we do not express a conclusion on the audit objectives.

The Guyasuta Volunteer Firefighters' Relief Association's officers did not provide the following documents that we requested and are required to perform our audit:

- Receipts and disbursement journals and ledgers
- Checkbook
- Equipment rosters
- Investment Roster
- Meeting minutes
- Invoices for expenditures

Because of the significance of the matter described above, we were precluded from obtaining sufficient appropriate audit evidence to provide a basis for a conclusion related to the audit objectives. The lack of documentation from the relief association also left us unable to determine whether the expenditures made by the Guyasuta Volunteer Firefighters' Relief Association during our audit period, which were reported to be \$11,296, were authorized under Act 118 requirements.

However, based on documentation provided to this department by a receiver who was appointed by the Court of Common Pleas of Allegheny County, we were able to determine that assets from the relief association and Guyasuta Fire Company were improperly comingled or combined and then improperly distributed to six local fire companies. Act 118 requires that relief association assets remain separate and within the association or be distributed to another relief association upon dissolution.

The contents of this report were not discussed with the management of the Guyasuta Volunteer Firefighters' Relief Association due to the Court Of Common Pleas Of Allegheny County, Orphans' Court Division, filing for the dissolution of the Guyasuta Volunteer Fire Department and the Guyasuta Volunteer Firefighters' Relief Association effective July 9, 2013. The relief association's checking account was subsequently closed September 16, 2013.

August 24, 2015



EUGENE A. DEPASQUALE
Auditor General

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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, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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 Guyasuta Volunteer Firemen's Relief Association, herein referred to as the Guyasuta Volunteer Firefighters' Relief Association, was 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 118 governed the overall operation of the volunteer firefighters' relief association. The relief association's bylaws defined the specific operational procedures by which the volunteer firefighters' relief association should have conducted business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of volunteer firefighters' relief associations 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.

BACKGROUND – (Continued)

The Guyasuta Volunteer Firefighters' Relief Association was not allocated state aid from any municipality during the audit period. The Guyasuta Volunteer Firefighters' Relief Association previously received state aid from O'Hara Township, Allegheny County.

On September 13, 2011, the Municipality of O'Hara Township suspended the Guyasuta Volunteer Fire Department and affiliated relief association. On November 29, 2011, the O'Hara Township formally voted to decertify the fire department.

On July 9, 2013, the Court of Common Pleas of Allegheny County appointed a receiver to mediate the forfeiture of records from the relief association. We were able to determine, from the documents provided by the receiver, that all assets from the relief association and affiliated fire company were improperly comingled.

We attempted to conduct our audit in February of 2015, for the period January 1, 2012 through December 31, 2014, however, we were unable to obtain records needed to conduct the audit from prior officials of the relief association. According to the relief association's prior treasurer, in 2013 the association's financial records were collected by an official of the Pennsylvania Attorney General's office.

Our attempts to obtain the relief association's financial records from all parties involved in the dissolution process, including the Attorney General, the court-appointed receiver, and the attorney involved in the dissolution on behalf of the relief association, were not successful.

We verified that the relief association, as of December 31, 2011, had a checking account balance of \$19,004 and a certificate of deposit with a fair value of \$2,713.

On September 16, 2013, through documents provided by the receiver, we verified the balance of the relief association's checking account was \$10,420. According to the receiver, in addition to the balance of funds in the checking account proceeds from the sale of equipment owned by the relief association and fire company, as well as proceeds from the sale of property owned by the fire company, were placed into an account that he was assigned by the court to manage. After expenses related to the fire company's mortgages, loans, utilities, taxes and attorney's fees were paid by the receiver, there was a remaining balance of \$260,000. On October 22, 2014, the balance of \$260,000 was ordered, by the court of Common Pleas of Allegheny County, to be distributed equally to six fire companies, each receiving \$43,333, none of which was designated to go to the relief associations of the affiliated fire companies.

BACKGROUND – (Continued)

As of September 16, 2013, through documents provided by the receiver, we verified that the Guyasuta Volunteer Firefighters' Relief Association was dissolved.

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The Guyasuta Volunteer Firefighters' Relief Association was affiliated with the following fire service organization:

Guyasuta Volunteer Fire Department

GUYASUTA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 UNAUDITED ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2012 TO SEPTEMBER 16, 2013

Act 118 at 35 Pa.C.S. § 7412 states: 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. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 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.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

BEGINNING BALANCE:

Cash Balance December 31, 2011:	\$	19,004
Investment Balance December 31, 2011:		2,713
Total Assets as of January 1, 2012:	\$	<u>21,717</u>

USES OF FUNDS:

Undocumented expenditures	\$	11,296
Transfer of Funds to Receiver		10,421
Total	\$	<u>21,717</u>
Account Balance as of September 16, 2013:	\$	<u>0</u>

GUYASUTA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Gene J. Herne
Office of Attorney General

Senior Deputy

Mr. John Knorr
John Knorr Law

Court Appointed Receiver

Mr. Kim R. Houser
Mears, Smith, Houser & Boyle

Attorney for Fire Department

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

Ms. Julie A. Jakubec
O'Hara Township

Secretary

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.