

COMPLIANCE AUDIT

Zelienople Volunteer Firefighters' Relief Association

Butler County, Pennsylvania

For the Period

January 1, 2014 to February 23, 2016

February 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Edward E. Grunnagle, President
Zelienople Volunteer Firefighters'
Relief Association
Butler County

We have conducted a compliance audit of the former Zelienople Volunteer Firefighters' Relief Association (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, 2014 to February 23, 2016.

The objectives of the audit were:

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

Our audit was limited to the areas related to the objectives identified above.

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 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, 2014 to February 23, 2016:

- The former relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The former relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

On October 6, 2015, the relief association completed the legal process of merging with the Harmony Volunteer Firemen's Relief Association. Subsequent to that date, the former relief association, in accordance with the merger petition filed in the court of Common Pleas of Butler County, Pennsylvania, officially ceased operations as the Zelienople Volunteer Firefighters' Relief Association; and consequently, on January 25, 2016 and February 23, 2016, the former relief association transferred all of its remaining assets to the Harmony Fire District Relief Association (Harmony Volunteer Firemen's Relief Association subsequently changed its official name in November 2015). As such this report represents the final audit for this former relief association.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with the management of the former relief association. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

January 26, 2017



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 former 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 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which the relief association conducts 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 the relief association 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>
Zelienople Borough	Butler	\$24,487	\$24,615

* On February 9, 2015, the former relief association entered into a Plan and Agreement of Merger with the former Harmony Volunteer Firemen’s Relief Association. On October 6, 2015, the former relief association filed the petition of merger with the Court of Common Pleas of Butler County Pennsylvania and the petition was granted. Subsequent to the merger date, the former relief association ceased operations as the Zelienople Volunteer Firefighters’ Relief Association and on January 25, 2016 and February 23, 2016, legally transferred all remaining assets of the former relief association to the Harmony Fire District Relief Association (formerly Harmony Volunteer Firemen’s Relief Association). Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Zelienople Volunteer Fire and Rescue Department

ZELIENOPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
AS OF FEBRUARY 23, 2016

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has complied with the 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 Expenditures

By providing adequate documentation to evidence the propriety of the undocumented expenditures that were made in the prior audit period.

- Untimely Deposit Of State Aid

By timely depositing all income received.

We commend the former relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Harmony Fire District Relief Association, Harmony Fire District Relief Association's management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

ZELIENOPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 CASH AND INVESTMENT BALANCES
 AS OF FEBRUARY 23, 2016

Cash	\$	-
Fair Value of Investments		-
Total Cash and Investments	\$	-*

* On October 6, 2015, the relief association completed the legal process of merging with the Harmony Firemen's Relief Association and subsequent to that date, the former relief association ceased operations and formally merged with the Harmony Fire District Relief Association. All remaining monetary assets were transferred to the accounts of this newly formed relief association on January 25, 2016 and all of the remaining investments were liquidated February 23, 2016, and also transferred to the Harmony Fire District Relief Association.

ZELIENOPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2014 TO FEBRUARY 23, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 7,447
Relief benefits	30
Total Benefit Services	\$ 7,477
Fire Services:	
Equipment purchased	\$ 14,707
Equipment maintenance	4,444
Training expenses	3,389
Total Fire Services	\$ 22,540
Administrative Services:	
Officer compensation	\$ 300
Other administrative expenses	1,767
Bond premiums	512
Total Administrative Services	\$ 2,579
Other Expenditures:	
Payments on loan	\$ 16,228
Transfer of monetary assets*	49,877
Total Other Expenditures	\$ 66,105
Total Expenditures*	\$ 98,701

*Transfer of Monetary Assets/Dissolution of Relief Association.

As disclosed earlier in this report, as of October 6, 2015, the former relief association completed the process of dissolution and merged with the Harmony Fire District Relief Association (formerly Harmony Volunteer Firemen's Relief Association). Consequently, all remaining monetary assets were transferred to the Harmony Fire District Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Harmony Fire District Relief Association copies of this report.

ZELIENOPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Zelienople Volunteer Firefighters' Relief Association Governing Body:

Mr. Edward E. Grunnagle
President

Mr. Justin Hart
Vice President

Mr. Jacob Reeb
Secretary

Mr. Kevin Behun
Treasurer

Harmony Fire District Relief Association Governing Body:

Mr. Timothy M. Sapienza
President

Mr. Fred Bowser
Vice President

Mr. Wayne D. Seibel
Secretary

Mr. Rodney J. Kniess
Treasurer

ZELIENOPLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Mr. Donald C. Pepe
Secretary
Zelienople 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.