



**IDEAL VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
SOMERSET COUNTY
COMPLIANCE AUDIT REPORT
FOR THE PERIOD
JANUARY 1, 2010 TO JUNE 19, 2013**

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA
EUGENE A. DEPASQUALE - AUDITOR GENERAL
DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Rick Massimo, President
IDEAL VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Somerset County

We have conducted a compliance audit of the former Ideal 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, 2010 to June 19, 2013.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
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.

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

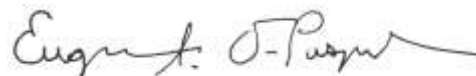
Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Ideal Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Ideal Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Ideal Volunteer Firefighters' Relief Association's liquidation of its cash, investments, and certain other assets and liabilities as of June 19, 2013, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2010 to June 19, 2013, found the former Ideal Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report and, 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, except as noted in the finding listed below and discussed later in this report. The results of our tests also indicated the former Ideal Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of June 19, 2013, the Ideal Volunteer Firefighter's Relief Association dissolved its organization and merged the Krings Volunteer Firefighter's Relief Association.

Finding – Unauthorized Expenditures

The contents of this report were discussed with the management of the Ideal Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report. As a result of the dissolution and subsequent merger, Ideal Volunteer Firefighters' Relief Association's monetary assets and equipment were transferred to the Krings Volunteer Firefighters' Relief Association.

November 13, 2013



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

Background.....	1
Status of Prior Findings	3
Finding and Recommendation:	
Finding – Unauthorized Expenditures	4
Accompanying Expenditure Information	6
Report Distribution List	7

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 Ideal Volunteer Firemen's Relief Association, herein referred to as Ideal Volunteer Firefighters' 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.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' 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 volunteer firefighters' 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Ideal Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Conemaugh Township	Somerset	\$14,087	\$21,155	\$12,016

However, as of June 19, 2013, the former Ideal Volunteer Firefighter's Relief Association dissolved its organization (see Accompanying Expenditure Information on page 6).

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

Conemaugh Township Fire Company

IDEAL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Ideal Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the officer's bond coverage to an amount greater than the relief association's cash assets.

- Failure to Maintain a Complete and Accurate Cumulative Equipment Roster

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

IDEAL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditures

Condition: The relief association expended funds during the current audit period for the following items that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/04/2011	210	Repair-fire company vehicle	\$ 1,317
06/14/2012	217	Repair-fire company vehicle	5,000
06/14/2012	220	Repair-fire company vehicle	855
07/22/2012	222	Repair-fire company vehicle	1,215
04/12/2013	227	Repair-fire company vehicle	1,640
Total			<u>\$ 10,027</u>

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1,11) 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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with maintenance and repair of affiliated fire company vehicles do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 118.

IDEAL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION – (Continued)

Finding – (Continued)

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

As a result of our audit and subsequent to the audit period, on August 29, 2013, in lieu of cash reimbursement to the relief association, the affiliated fire company transferred a 1997 Ford Rescue Vehicle Vin # DLF47FXVEEC61263 with an appraised value \$92,000 to the Krings Volunteer Firefighters' Relief Association in settlement for the unauthorized expenditures.

Recommendation: Due to the dissolution of the Ideal Volunteer Firefighters' Relief Association, we are providing officials of the Krings Volunteer Firefighters' Relief Association copies of this report so that they are aware of the condition that was detected in the operations of the former Ideal Volunteer Firefighters' Relief Association during the course of this audit. We recommend the relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of all future expenditures. 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 without exception and took the corrective action as noted above.

Auditor's Conclusion: Based on the management response, since the Ideal Volunteer Firefighter's Relief Association dissolved its organization as June 19, 2013 and the Krings Volunteer Firefighter's Relief Association was reimbursed for the unauthorized expenditures, no further action is required by former officials.

IDEAL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO JUNE 19, 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.

USES OF FUNDS:

Benefit Services:	
Insurance premiums	\$ 15,890
Total Benefit Services	\$ 15,890
Fire Services:	
Equipment purchased	\$ 24,885
Equipment maintenance	17,905
Training expenses	75
Total Fire Services	\$ 42,865
Administrative Services:	
Other administrative expenses	\$ 290
Other Expenditures:	
Transfer of monetary assets*	\$ 3,175

* As of June 19, 2013, the Ideal Volunteer Firefighter's Relief Association completed the process of dissolution and subsequent merger with Krings Volunteer Firefighter's Relief Association. Consequently, all remaining monetary assets were transferred to the Krings Volunteer Firefighter's Relief Association. Due to the dissolution of the former Ideal Volunteer Firefighter's Relief Association, we are providing officials of the Krings Volunteer Firefighter's Relief Association with copies of this report.

IDEAL VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Ideal Volunteer Firefighters' Relief Association Governing Body:

Ms. Trudy Jacobs Treasurer

Krings Volunteer Firefighters' Relief Association Governing Body

Rick Massimo President

Benjamin Stahl Vice President

Terry Sleasman Secretary

Richard Eppley Treasurer

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

Cindy L., Walerysiak, Secretary
Conemaugh Township

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.