



VOLUNTEER FIRE COMPANY OF INDIANOLA RELIEF ASSOCIATION

ALLEGHENY COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO MAY 28, 2010



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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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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 Volunteer Fire Company of Indianola Relief Association, herein referred to as Indianola 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 84 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 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, 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 Indianola Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Indiana Township	Allegheny	\$12,759	\$ *	\$ *

* The relief association did not receive state aid allocations in 2008 or 2009, and they will not receive any further state aid allocations. As of May 28, 2010, the Indianola Volunteer Firefighters' Relief Association dissolved. (see Accompanying Expenditure Information)

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

Volunteer Fire Company of Indianola

Mr. Mitchell Kovel, President
INDIANOLA VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Allegheny County

We have conducted a compliance audit of the Indianola 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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), for the period January 1, 2007 to May 28, 2010.

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 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 Indianola Volunteer Firefighters' Relief Association's administration of state aid and accumulated 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 Indianola Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Indianola Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of May 28, 2010, 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, 2007 to May 28, 2010, found, in all significant respects, the Indianola Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report and received and expended 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 Indianola Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. Effective May 28, 2010, the Indianola Volunteer Firefighters' Relief Association dissolved by transferring the remaining monetary assets, totaling \$1,518 as detailed in the Accompanying Information Section of this report, equally between the Rural Ridge, Dorseyville, and Middle Road Volunteer Firefighters' Relief Associations.

Finding – Failure to Maintain Officer's Bond Coverage

The contents of this report were discussed with the management of the Indianola Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

July 8, 2010

JACK WAGNER
Auditor General

INDIANOLA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inadequate Internal Controls Over Fund-Raising Activities

By not conducting any fundraising during the current audit period.

- Unauthorized Expenditure

By not paying any death benefit to the beneficiary of an individual who was identified as not being a member of the relief association. In addition, we did not detect any additional unauthorized expenditures during the current audit period.

- Inadequate Minutes of Meetings

By maintaining detailed minutes of relief association meetings.

INDIANOLA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Maintain Officer's Bond Coverage

Condition: The relief association failed to maintain bond coverage on the disbursing officer as required by Act 84. Bond coverage expired January 15, 2010, while the relief association remained in existence until final dissolution on May 28, 2010.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such 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 such bond shall be a proper charge against the funds of the association.

Cause: During 2008, the relief association membership voted to dissolve the relief association. Bond coverage expired January 15, 2010, while the final dissolution of the relief association took place May 28, 2010.

Effect: As a result of the disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded during the period January 16, 2010 through May 28, 2010.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Indianola Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

INDIANOLA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2007 TO MAY 28, 2010

Act 84 at 53 P.S. § 8502(1) states, in part, that:

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. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, 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. 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	\$ 4,412
Death benefits	150
Total Benefit Services	\$ 4,562
Fire Services:	
Equipment maintenance	\$ 2,277
Training expenses	146
Total Fire Services	\$ 2,423
Administrative Services:	
Miscellaneous administrative expenses	\$ 468
Total Administrative Services	\$ 468
Other Expenditures:	
Principal payments on lease-financing	\$ 15,361
Interest payments on lease-financing	3,807
Total Other Expenditures	\$ 19,168

INDIANOLA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION (Continued)

Other Disbursements:	
Transfer of monetary assets *	\$ 1,518
Total Other Expenditures	<u>\$ 1,518</u>

* Transfer of Monetary Assets

During the year 2008, the membership of the Indianola Volunteer Firefighters' Relief Association voted to approve the dissolution of its relief association and the subsequent transfer of assets to the Rural Ridge, Dorseyville, and Middle Road Volunteer Firefighters' Relief Associations. Effective May 28, 2010, the Indianola Volunteer Firefighters' Relief Association completed the process of dissolution by transferring the remaining monetary assets equally between the Rural Ridge, Dorseyville, and Middle Road Volunteer Firefighters' Relief Associations in the amount of \$506 each.

INDIANOLA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Indianola Volunteer Firefighters' Relief Association Governing Body:

Mr. Mitchell Kovel, President

Ms. Jackie Borkovich, Secretary

Mr. James Vento, Sr., Treasurer

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

Mr. Daniel L. Anderson, Secretary
Indiana Township

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.