

COMPLIANCE AUDIT

Baldwin Borough Firefighters Relief Association

Allegheny County, Pennsylvania
For the Period
January 1, 2018 to December 31, 2020

July 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Shane Simmons, President
Baldwin Borough Firefighters
Relief Association
Allegheny County

We have conducted a compliance audit of the Baldwin Borough 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, 2018 to December 31, 2020.

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.

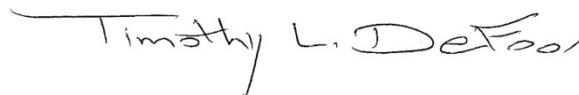
Our audit was limited to the areas related to the objectives identified above and was not, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

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 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, 2018 to December 31, 2020:

- The relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The relief association, in all significant respects, 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.

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

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

July 23, 2021

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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 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 volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct 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 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 that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Baldwin Borough	Allegheny	\$86,291	\$93,607	\$94,857

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$214,202, as illustrated below:

Cash	\$ 170,969
Fair Value of Investments	<u>43,233</u>
Total Cash and Investments	<u>\$ 214,202</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$391,047, 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.¹ **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	\$ 48,942
Relief benefits	1,015
Total Benefit Services	<u>\$ 49,957</u>
Fire Services:	
Equipment purchased	\$ 278,911
Equipment maintenance	41,525
Training expenses	2,868
Fire prevention materials	261
Total Fire Services	<u>\$ 323,565</u>
Administrative Services:	
Other administrative expenses	\$ 10,464
Bond premiums	1,053
Total Administrative Services	<u>\$ 11,517</u>
Other Expenditures:	
Miscellaneous *	<u>\$ 6,008</u>
Total Expenditures	<u><u>\$ 391,047</u></u>

¹ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

* On October 16, 2020, the relief association made a payment to a vendor; however, the vendor never received the payment. When the vendor notified the relief association, a relief association officer checked the bank statement and discovered that the check number that was used to pay the vendor was cashed by the financial institution for a different amount from which the relief association originally issued the check. It was then determined that two other checks, which are still in the relief association's possession and not yet written, were cashed on the same day. A relief association official immediately notified the financial institution officials and local law enforcement. This type of forgery is known as 'check washing/bleaching'. As a result of this crime being committed by non-relief association members, a total of \$6,008 was stolen from one of the relief association accounts. Subsequently, on January 5, 2021, the financial institution refunded the defrauded amount of \$6,008 into a relief association account. The relief association then closed the account on May 13, 2021.

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Baldwin Independent Fire Company No. 1

Option Independent Fire Company

South Baldwin Volunteer Fire Company

BALDWIN BOROUGH FIREFIGHTERS RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

STATUS OF PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association continues to comply with a prior audit finding and recommendation from the audit period January 1, 2010 to December 31, 2013, as follows:

- Misappropriation Of Relief Association Funds

As disclosed in the prior audit reports, the relief association's prior Treasurer and Fire Chief misappropriated a total of \$26,864 in relief association funds. It was previously adjudicated that they were to make payments via restitution. The former Fire Chief satisfied his restitution payments on April 5, 2018. The former Treasurer is still making payments via restitution. Continued compliance will be subject to verification through subsequent audits of the relief association.

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By receiving reimbursement of \$1,908 from the affiliated fire companies for the unauthorized expenditures made in the prior audit periods.

- Failure To Maintain A Complete And Accurate Equipment Roster

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

We commend the relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. The association management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

BALDWIN BOROUGH FIREFIGHTERS RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Baldwin Borough Firefighters Relief Association Governing Body:

Mr. Shane Simmons
President

Mr. Luke Nicholls
Vice President

Mr. Dominic Murajda
Secretary

Mr. Carl Meixner
Treasurer

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

Mr. Robert Firek
Manager
Baldwin 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.