

COMPLIANCE AUDIT

Greenock Volunteer Fire Company Relief Association

Allegheny County, Pennsylvania

For the Period

January 1, 2019 to January 31, 2020

March 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Dane Stegman, President
Greenock Volunteer Fire Company
Relief Association
Allegheny County

We have conducted a compliance audit of the former Greenock Volunteer Fire Company 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, 2019 to January 31, 2020.

The objective of the audit was to determine if the former 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 objective identified above and was not required to be and was not 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, 2019 to January 31, 2020, the former 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, except as noted in the finding listed below and discussed later in this report.

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

In addition, as of January 31, 2020, the former relief association completed the process of dissolution and merged with Elizabeth Township Fire Department No. 1 Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment was transferred to the Elizabeth Township Fire Department No. 1 Volunteer Firefighters' 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 and, where appropriate, their response has been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

March 20, 2020



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 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 former relief association did not receive an allocation of state aid during the period as shown below:

<u>Municipality</u>	<u>County</u>	<u>2019</u>
Elizabeth Township	Allegheny	*

* During the current audit period, the relief association did not receive an allocation of state aid from Elizabeth Township in 2019. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality

**As of January 31, 2020, the former relief association dissolved its organization. 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:

Greenock Volunteer Fire Company

GREENOCK VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The former relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The former relief association’s Surety (Fidelity) bond coverage expired on November 18, 2019.

Criteria: Section 7415(c)(4) of Act 118 states, in part, that:

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

Cause: Former relief association officials indicated that they were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the former relief association’s authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the former relief association not being bonded, the former relief association’s cash assets were not adequately safeguarded.

Recommendation: Since the former relief association dissolved its organization and consequently transferred its monetary assets to Elizabeth Township Fire Department No. 1 Volunteer Firefighters’ Relief Association, management of the Elizabeth Township Fire Department No. 1 Volunteer Firefighters’ Relief Association should ensure that it maintain Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer in an amount greater than its maximum cash balance, as required by Act 118. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Former relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor’s Conclusion: Compliance with the recommendation will subject to review during our next audit of the Elizabeth Township Fire Department No. 1 Volunteer Firefighters’ Relief Association management should strive to implement the recommendation and corrective action noted in this audit report.

GREENOCK VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF JANUARY 31, 2020

Cash	<u>\$</u> <u>0</u>
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GREENOCK VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2019 TO JANUARY 31, 2020

Expenditures:

Fire Services:	
Equipment purchased	\$ 597
Equipment maintenance	6,354
Training expenses	<u>770</u>
Total Fire Services	<u>\$ 7,721</u>
Administrative Services:	
Other administrative expenses	<u>\$ 93</u>
Other Expenditures:	
Transfer of monetary assets*	<u>\$ 12,181</u>
Total Expenditures	<u><u>\$ 19,995</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of January 31, 2020, the former relief association completed the process of dissolution and merged with Elizabeth Township Fire Department No. 1 Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Elizabeth Township Fire Department No. 1 Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, we are providing officials of Elizabeth Township Fire Department No. 1 Volunteer Firefighters' Relief Association copies of this report.

GREENOCK VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Greenock Volunteer Fire Company Relief Association Governing Body:

Mr. Dane Stegman
President

Ms. Lisa Stegman
Vice President

Ms. Brenda Walk
Secretary

Ms. Debbie DeCubellis
Treasurer

Elizabeth Township Fire Department No. 1 Volunteer Firefighters' Relief Association

Mr. David Kaminsky, Jr.
President

Ms. Lisa Stegman
Vice President

Mr. William Brown, III
Secretary

Mr. Alvin O. Chiesi
Treasurer

GREENOCK VOLUNTEER FIRE COMPANY 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:

Ms. Joelle Whiteman
Secretary
Elizabeth Township

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.