

COMPLIANCE AUDIT

The Harmar Township Volunteer Firemen's Relief Association Number 1 of Harmar Township, Pennsylvania Allegheny County For the Period January 1, 2015 to March 1, 2017

June 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Charles Miller, President
The Harmar Township Volunteer Firemen's
Relief Association Number 1 of Harmar
Township, Pennsylvania
Allegheny County

We have conducted a compliance audit of the former Harmar Township Volunteer Firemen's Relief Association Number 1 of Harmar Township, Pennsylvania (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, 2015 to March 1, 2017.

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 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 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, 2015 to March 1, 2017:

- The former relief association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the former relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- 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 – Noncompliance With Prior Audit Recommendation – Failure
To Maintain Surety (Fidelity) Bond Coverage

In addition, as of March 1, 2017, the former relief association completed the process of dissolution and merged, along with the Springdale Township Volunteer Fire Department Relief Association of Springdale Township, to form Allegheny Valley Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Allegheny Valley 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.

June 1, 2018



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 was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Harmar Township	Allegheny	\$26,178	*	*

* The 2016 state aid allocation was sent to Allegheny Valley Volunteer Firefighters’ Relief Association. As of March 1, 2017, 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:

Allegheny Valley Volunteer Fire Company

THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Untimely Deposit Of State Aid

By timely depositing all income received.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Failure To Maintain Surety (Fidelity) Bond Coverage

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Allegheny Valley Volunteer Firefighters' Relief Association, the Allegheny Valley Volunteer Firefighters' Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on October 8, 2014.

A similar condition was noted in our prior audit report.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) 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: Even though notified of this condition during our prior audit, relief association officials again neglected to comply with the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Allegheny Valley Volunteer Firefighters' Relief Association, we are providing officials of the Allegheny Valley Volunteer Firefighters' Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Allegheny Valley Volunteer Firefighters' Relief Association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's 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.

THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

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

Auditor's Conclusion: Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Allegheny Valley Volunteer Firefighters' Relief Association, Allegheny Valley Volunteer Firefighters' Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF MARCH 1, 2017

Cash	<u>\$ -</u>
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THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2015 TO MARCH 1, 2017

Expenditures:

Benefit Services:	
Death benefits	\$ 2,500
Fire Services:	
Equipment maintenance	\$ 20,790
Administrative Services:	
Other administrative expenses	\$ 10
Other Expenditures:	
Transfer of monetary assets*	\$ 364,189
Total Expenditures	\$ 387,489

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of March 1, 2017, the former relief association completed the process of dissolution and merged with Springdale Township Volunteer Fire Department Relief Association to form Allegheny Valley Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Allegheny Valley Volunteer Firefighters' Relief Association. Due to the dissolution of the former relief association, we are providing officials of Allegheny Valley Volunteer Firefighters' Relief Association copies of this report.

THE HARMAR TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
NUMBER 1 OF HARMAR TOWNSHIP, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Harmar Township Volunteer Firemen's Relief Association Number 1 of Harmar Township,
Pennsylvania Governing Body:

Mr. Charles Miller
President

Ms. Wendy Robb
Treasurer

Allegheny Valley Volunteer Firefighters' Relief Association Governing Body:

Mr. Charles Miller
Treasurer

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

Ms. Donna Piper
Secretary
Harmar 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.