

COMPLIANCE AUDIT

The Relief Fund Association of the Volunteer Fire Department of the Borough of Ingram, Pennsylvania Allegheny County For the Period January 1, 2016 to February 26, 2018

March 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Roy McGee, President
The Relief Fund Association of the
Volunteer Fire Department of the
Borough of Ingram, Pennsylvania
Allegheny County

We have conducted a compliance audit of the former Relief Fund Association of the Volunteer Fire Department of the Borough of Ingram, 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, 2016 to February 26, 2018.

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, 2016 to February 26, 2018, 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.

In addition, as of February 26, 2018, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Stowe Township General Volunteer Fire Department Relief Association, and various other equipment was transferred to other relief associations in the surrounding area.

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. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.

March 8, 2019



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>2016</u>	<u>2017</u>	<u>2018</u>
Ingram Borough	Allegheny	\$3,972**	*	*

* As of April 11, 2016, the former fire department and relief association were decertified by the Borough of Ingram. Thereafter, in subsequent years, it did not receive any further state aid allocations. (See Supplementary Financial Information)

** The Borough of Ingram received a total of \$15,886 of state aid for distribution to a certified volunteer fire service provider of the municipality. Due to the decertification of the fire department and relief association, the Borough of Ingram distributed one-quarter of the year 2016 state aid money to the relief association, consistent with the time period the relief association remained as the borough’s fire service provider and consistent with the December 29, 2016, Court Order. The remaining funds of \$11,914 were returned to the Department of the Auditor General in accordance with the December 29, 2016, Court Order.

The former volunteer firefighters’ relief association and its former affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Ingram Volunteer Fire Department

As was noted in the background section of the prior audit report, subsequent to our prior audit, on April 11, 2016, the relief association’s affiliated fire company was decertified by the municipality as a fire service provider to the municipality by way of Ordinance #1 of 2016. Consequently, as of April 11, 2016, the relief association was no longer affiliated with a volunteer fire company for the purpose of providing fire service to the borough and thus the relief association’s ability to receive state aid under Act 118 of 2010 was jeopardized.

The prior audit further noted that the relief association may be contemplating a dissolution or merger, and the report also indicated that the relief association should obtain legal counsel to provide assurance that any form of dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owned to active and former association members are maintained and protected.

BACKGROUND – (Continued)

In addition, the report indicated that prudent business practice dictates that the remaining relief association members conduct a meeting to approve any dissolution of the association and the disposition of its assets, and that relief association officials should contact this department in preparation of a final audit of the relief association. Subsequent to the prior audit, court orders were issued on December 29, 2016, and October 16, 2017, from the Court of Common Pleas of Allegheny County, Pennsylvania Orphans' Court, pertaining to the dissolution of the relief association. The October 16, 2017, Court Order stipulated final procedures for dissolution of the relief association consistent with Act 118 of 2010. Act 118 of 2010 provides the following:

§ 7412. Definitions

The following words and phrases when used in this subchapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Volunteer firefighters’ relief association.” An organization formed primarily to afford 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.

§ 7413. Statement of purpose

The purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure, as far as circumstances will reasonably permit, that funds shall be available for the protection of volunteer firefighters and their heirs...

§ 7416. Funds

- (a) **General rule.**--A volunteer firefighters’ relief association may solicit and receive gifts and contributions from any source, including municipal corporations, but shall not have the right to receive any portion of the money distributed to political subdivisions of this Commonwealth under Chapter 7 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, unless and until the governing body of at least one political subdivision shall have certified to the Auditor General that the association is a bona fide volunteer firefighters’ relief association, affiliated with a fire company which affords protection against fire to all or a portion of the political subdivision.
- (b) **Deposit.**--Funds of a volunteer firefighters’ relief association may be deposited in any bank, trust company or other banking establishment accredited by the Commonwealth or insured by the Government of the United States.

BACKGROUND – (Continued)

On March 27, 2017, the department was contacted by the relief association's attorney to perform a closeout audit of the relief association. The fieldwork for the closeout audit of the former relief association was completed by our department on February 6, 2019, and the results of our audit are contained in this report.

THE RELIEF FUND ASSOCIATION OF THE INGRAM VOLUNTEER FIRE
DEPARTMENT OF THE BOROUGH OF INGRAM, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF FEBRUARY 26, 2018

Total Cash and Investments	<u>\$</u> <u>0</u>
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THE RELIEF FUND ASSOCIATION OF THE INGRAM VOLUNTEER FIRE
DEPARTMENT OF THE BOROUGH OF INGRAM, PENNSYLVANIA
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2016 TO FEBRUARY 26, 2018

Expenditures:	
Benefit Services:	
Insurance premiums	\$ 4,557
Relief benefits	649
Total Benefit Services	<u>\$ 5,206</u>
Fire Services:	
Equipment maintenance	\$ 225
Training expenses	125
Total Fire Services	<u>\$ 350</u>
Administrative Services:	
Other administrative expenses	\$ 346
Bond premiums	415
Total Administrative Services	<u>\$ 761</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 110,476</u>
Total Expenditures	<u><u>\$ 116,793</u></u>

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of February 26, 2018, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to the Stowe Township General Volunteer Fire Department Relief Association and various other equipment was transferred to other relief associations in the surrounding area. The Stowe Township General Volunteer Fire Department Relief Association received all remaining monetary assets (\$110,476) in addition to the majority of all remaining equipment. Some remaining equipment items were transferred to the following surrounding area volunteer firefighters' relief associations: Carnegie Volunteer Fire and Rescue Relief; Crafton Firefighters Relief Fund; and Green Tree Volunteer Firemen's Relief Association. Due to the dissolution of the former relief association, we are providing copies of this report to officials of Stowe Township General Volunteer Fire Department Relief Association, Carnegie Volunteer Fire and Rescue Relief, Crafton Firefighters Relief Fund, and Green Tree Volunteer Firemen's Relief Association.

THE RELIEF FUND ASSOCIATION OF THE INGRAM VOLUNTEER FIRE
DEPARTMENT OF THE BOROUGH OF INGRAM, PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Relief Fund Association of the Volunteer Fire Department of the Borough of Ingram,
Pennsylvania Governing Body:

Mr. Roy McGee
President

Mr. Len Chesno
Vice President

Mr. Charlie Tracy
Secretary

Mr. Jahn Mentzer
Treasurer

Stowe Township General Volunteer Fire Department Relief Association Governing Body:

Mr. Matt Chapman
President

Mr. Martin Jacobs
Vice President

Mr. Zachary Cummings
Secretary

Mr. Don Brandt, Jr.
Treasurer

THE RELIEF FUND ASSOCIATION OF THE INGRAM VOLUNTEER FIRE
DEPARTMENT OF THE BOROUGH OF INGRAM, PENNSYLVANIA
REPORT DISTRIBUTION LIST

Carnegie Volunteer Fire and Rescue Relief Governing Body:

Mr. Michael Clayton
President

Mr. Robert Chapman
Treasurer

Crafton Firefighters Relief Fund Governing Body:

Mr. David Morgan
President

Mr. Eric Gartley
Vice President

Mr. John Stewart
Secretary

Mr. James Bloom
Treasurer

Green Tree Volunteer Firemen's Relief Association Governing Body:

Mr. Matthew McKinsey
President

Mr. Rino Lindsey
Vice President

Mr. Tony Bucci
Secretary

Mr. Robert McWilliams
Treasurer

THE RELIEF FUND ASSOCIATION OF THE INGRAM VOLUNTEER FIRE
DEPARTMENT OF THE BOROUGH OF INGRAM, PENNSYLVANIA
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. Deborah A. Stecko
Secretary
Ingram 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.