

COMPLIANCE AUDIT

Jefferson Volunteer Fire Company Route 885 Area Relief Association

Allegheny County, Pennsylvania

For the Period

January 1, 2020 to June 14, 2021

August 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Brian Chalfant, President
Jefferson Volunteer Fire Company
Route 885 Area Relief Association
Allegheny County

We have conducted a compliance audit of the former Jefferson Volunteer Fire Company Route 885 Area 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, 2020 to June 14, 2021.

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, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

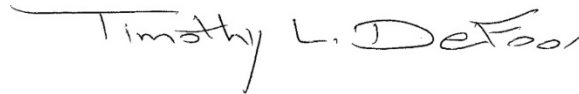
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2020 to June 14, 2021, 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 – Improper Merger

In addition, as of June 14, 2021, the former relief association completed the process of dissolution and merged with the Jefferson Hills Fire and Rescue Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Jefferson Hills Fire Relief Association.

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.

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

August 5, 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 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.

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>
Jefferson Hills Borough	Allegheny	*

BACKGROUND – (Continued)

* During the current audit period, the relief association did not receive an allocation of state aid from Jefferson Hills Borough in 2020. 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 June 14, 2021, the former relief association dissolved its organization. Thereafter, it will not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of June 14, 2021 was zero, as illustrated below:

Cash	<u><u>\$ -</u></u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2020 to June 14, 2021 were \$82,799, 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	<u>\$ 13,531</u>
Fire Services:	
Equipment purchased	\$ 14,024
Equipment maintenance	<u>3,118</u>
Total Fire Services	<u>\$ 17,142</u>
Administrative Services:	
Other administrative expenses	<u>\$ 85</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 52,041</u>
Total Expenditures	<u><u>\$ 82,799</u></u>

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

BACKGROUND – (Continued)

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of June 14, 2021, the former relief association completed the process of dissolution and merged with the Jefferson Hills Fire and Rescue Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Jefferson Hills Fire and Rescue Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Jefferson Hills Fire and Rescue Relief Association copies of this report.

The former 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:

Jefferson Volunteer Fire Company Route 885 Area

JEFFERSON VOLUNTEER FIRE COMPANY ROUTE 885 AREA RELIEF ASSOCIATION
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Finding – Improper Merger

Condition: The former relief association did not properly document the dissolution of the organization and subsequent merger with Jefferson Hills Fire and Rescue Relief Association. Specifically, the former relief association did not provide evidence with adequate documentation, including appropriate signatures of the recipient organization, showing that all equipment of the former relief association was properly transferred to the newly formed relief association.

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Furthermore, prudent business practice dictates that the equipment transferred from the former relief association should be documented to evidence the propriety of the relief association equipment actually transferred to the Jefferson Hills Fire and Rescue Relief Association, along with a signed receipt of the recipient (signed by four different individuals - two from each entity).

Cause: Relief association officials were unaware of the importance of the administrative provisions identified above and the significance associated with documenting the transfer of equipment to the newly formed relief association.

Effect: Without detailed documentation and evidence of the equipment transferred to the newly formed relief association, the former relief association is unable to certify that all of the equipment previously purchased with relief association funds was properly transferred to the newly formed relief association.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Jefferson Hills Fire and Rescue Relief Association, we are providing officials of the Jefferson Hills Fire and Rescue 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 Jefferson Hills Fire and Rescue Relief Association officials maintain detailed documentation of the equipment transferred to the newly formed relief association, along with a signed receipt of the recipient. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

JEFFERSON VOLUNTEER FIRE COMPANY ROUTE 885 AREA RELIEF ASSOCIATION
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Finding – (Continued)

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

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the newly formed Jefferson Hills Fire and Rescue Relief Association.

JEFFERSON VOLUNTEER FIRE COMPANY ROUTE 885 AREA RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Jefferson Volunteer Fire Company Route 885 Area Relief Association Governing Body:

Mr. Brian Chalfant
President

Mr. Kevin Gloeckl
Secretary

Mr. Justin Allan
Treasurer

Mr. Chase Bendick
Trustee

Mr. Timothy Yavoich
Trustee

Jefferson Hills Fire and Rescue Relief Association Governing Body:

Mr. John Thatcher
President

Mr. Ned Trbovich
Vice President

Mr. Tracey Khalil
Secretary

Mr. Jay Girman
Treasurer

JEFFERSON VOLUNTEER FIRE COMPANY ROUTE 885 AREA 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:

Mr. Jon Drager
Secretary
Jefferson Hills 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.