

COMPLIANCE AUDIT

Jefferson Hills Fire and Rescue Relief Association

Allegheny County, Pennsylvania
For the Period
January 1, 2019 to December 31, 2020

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. John Thatcher, President
Jefferson Hills Fire and Rescue
Relief Association
Allegheny County

We have conducted a compliance audit of the Jefferson Hills Fire and Rescue 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 December 31, 2020.

The objective of the audit was 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 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

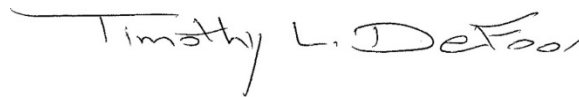
Based on our audit procedures, we conclude that, for the period January 1, 2019 to December 31, 2020, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

Finding No. 1 – Improper Merger

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

In addition, as of June 10, 2021 and June 14, 2021, the Floreffe Volunteer Firefighter's Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association, respectively, completed the process of dissolution and merged with the relief association. Consequently, all remaining monetary assets and equipment were transferred to the relief association.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General

June 28, 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.

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>
Jefferson Hills Borough	Allegheny	\$65,145	\$66,258

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2020 was \$115,290, as illustrated below:

Cash	<u>\$ 115,290</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2020 were \$16,243, 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:

Fire Services:

Equipment purchased	\$ 9,831
Equipment maintenance	4,686
Training expenses	<u>475</u>
Total Fire Services	<u>\$ 14,992</u>

Administrative Services:

Other administrative expenses	\$ 1,001
Bond premiums	<u>250</u>
Total Administrative Services	<u>\$ 1,251</u>

Total Expenditures	<u><u>\$ 16,243</u></u>
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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:

Floreffe Volunteer Fire Company

Jefferson 885 Area Volunteer Fire Company

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

JEFFERSON HILLS FIRE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Improper Merger

Condition: The relief association failed to complete the minimum administrative procedures necessary to properly merge with the Floreffe Volunteer Firefighter’s Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association to form the new relief association. Although the relief association physically changed its name on all financial accounts with the financial institution, officials failed to effectively complete the merger by not performing the following:

- Timely complete a bylaw amendment to account for the two correct affiliated fire departments in the overall change in organizational structure, as warranted. This amendment was completed on May 4, 2021.
- Provide adequate documentation, including appropriate signatures of the recipient organizations, showing that all equipment of the Floreffe Volunteer Firefighter’s Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association were properly transferred to the relief association.
- Complete the re-titling of the John Deere All-Terrain Vehicle (ATV) into the name of the new relief association that was owned by the Floreffe Volunteer Firefighter’s Relief Association.
- Provide the title for the 2016 Mustang Trailer in the name of the new relief association that was owned by the Floreffe Volunteer Firefighter’s Relief Association.

Criteria: Section 7415(c) of Act 118 states that the relief association’s bylaws shall:

- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

In addition, the equipment transferred from the Floreffe Volunteer Firefighter’s Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association to form the new relief association should be documented to evidence the propriety of the relief association equipment actually transferred, along with signed receipts of the recipients.

Cause: Relief association officials were unaware of the importance of the administrative provisions of Act 118 identified above and the significance of amending their bylaws as a result of the decision to merge with two other relief associations to form a new relief association.

JEFFERSON HILLS FIRE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: As a result of the amendment not being included in the bylaws, the relief association may have conducted its affairs without proper authorization. In addition, without providing proper evidence of the equipment transferred to the new relief association, the relief association officials were unable to certify that all of the equipment previously purchased with relief association funds from the Floreffe Volunteer Firefighter’s Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association were properly transferred to the new relief association.

Recommendation: We recommend that the relief association officials perform the following:

- Provide adequate documentation, including appropriate signatures of the recipient organizations, showing that all equipment of the Floreffe Volunteer Firefighter’s Relief Association and the Jefferson Volunteer Fire Company Route 885 Area Relief Association were properly transferred to the relief association and provide copies to this Department.
- Complete the re-titling of the John Deere All-Terrain Vehicle (ATV) into the name of the new relief association that was owned by the Floreffe Volunteer Firefighter’s Relief Association and provide a copy to this Department. If such action is not taken, future state aid may be withheld.
- Provide the title for the 2016 Mustang Trailer in the name of the new relief association that was owned by the Floreffe Volunteer Firefighter’s Relief Association and provide a copy to this Department.

For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the 2016 Mustang Trailer title was provided on July 26, 2021 in the name of the relief association.

Auditor’s Conclusion: We reviewed the 2016 Mustang Trailer title verifying that it was in the name of the new relief association. Compliance for the remaining items will be subject to verification through our next audit.

JEFFERSON HILLS FIRE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we identified 13 checks out of 15 checks drawn on the relief association’s checking account that only contained the signature of one officer (either the Treasurer or the President of the relief association), even though two signatures (one being the disbursing officer) are required by Act 118 and the relief association’s bylaws. Issuing checks with the signature of only one officer negates the relief association’s internal control over the disbursement process.

Criteria: Section 7415(c)(3) of Act 118 states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association’s bylaws at Article VIII, Section 1 states:

The signatures of at least two officers, one of whom shall be the treasurer, shall be required for the issuance of all relief association checks, withdrawal from the savings account, redemption of any relief association investment, or any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association official stated this was an oversight by not following the bylaws regarding disbursement of checks.

Effect: As a result of the relief association officer issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

JEFFERSON HILLS FIRE AND RESCUE RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: 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 will be subject to verification through our next audit.

JEFFERSON HILLS FIRE AND RESCUE RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

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

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

Mr. John P. Stinner
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.