

# COMPLIANCE AUDIT

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## Volunteer Fire Department and Relief Association of Monessen Westmoreland County, Pennsylvania For the Period January 1, 2018 to December 31, 2020

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January 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Steve Gaydos, President  
Volunteer Fire Department and Relief  
Association of Monessen  
Westmoreland County

We have conducted a compliance audit of the Volunteer Fire Department and Relief Association of Monessen (relief association) for the period January 1, 2018 to December 31, 2020. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act, 35 Pa.C.S. § 7411 *et seq.* ("VFRA Act"), as most recently amended by Act 91 of 2020.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. 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 objectives 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.

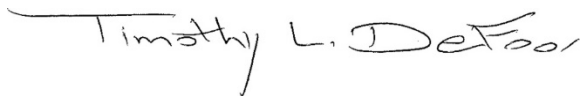
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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, 2018 to December 31, 2020:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- Because of the significance of the matter described in the finding below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Inappropriate Ownership Of Rescue Vehicle

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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  
December 1, 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<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("VFRA Act"), 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<sup>3</sup> (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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>2018</u>	<u>2019</u>	<u>2020</u>
Monessen City	Westmoreland	\$13,945	\$15,201	\$15,343

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

## BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$77,313, as illustrated below:

Cash	\$	18,145
Fair Value of Investments		39,607
Book Value of Other Investments		<u>19,561</u>
Total Cash and Investments	\$	<u><u>77,313</u></u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$185,467, 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.<sup>4</sup> **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	\$	2,106
Relief benefits		1,430
Tokens of sympathy and goodwill		<u>382</u>
Total Benefit Services	\$	<u>3,918</u>
Fire Services:		
Equipment purchased	\$	130,536
Equipment maintenance		42,130
Training expenses		<u>6,917</u>
Total Fire Services	\$	<u>179,583</u>
Administrative Services:		
Other administrative expenses	\$	113
Bond premiums		<u>1,853</u>
Total Administrative Services	\$	<u>1,966</u>
Total Expenditures	\$	<u><u>185,467</u></u>

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<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

## **BACKGROUND – (Continued)**

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

The Monessen Volunteer Fire Department No. 1

VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Inappropriate Commingling Of Funds

By ensuring all relief association expenses are paid directly from a relief association account.



VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN  
FINDING AND RECOMMENDATION

**Finding – Inappropriate Ownership Of Rescue Vehicle**

Condition: In accordance with an agreement dated February 6, 2019, the affiliated fire company donated a 2008 Seagrave Pumper rescue vehicle to the relief association which had an original value of \$401,883. The agreement also stated that the maintenance and repair costs associated with this vehicle shall be the responsibility of the relief association; however, the vehicle remains titled solely in the name of the affiliated fire company and was never changed into the name of the relief association. Previously, in 2007, the relief association and the affiliated fire company had executed a formal written agreement where the relief association contributed \$40,000 towards the purchase of this vehicle and maintained a 10 percent pro rata share of the proceeds if the vehicle was ever sold.

Criteria: Prudent business practice dictates that the relief association should maintain sole ownership of all equipment owned by the relief association. As such, rescue vehicles purchased and/or donated to the relief association are to be titled in the name of the relief association.

Cause: Relief association officials stated that they thought an agreement with the affiliated fire company was acceptable and transferring the relief association name on the title was not necessary.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the fire company, this relief association asset was not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the 2008 Seagrave Pumper rescue vehicle be titled in the name of the relief association. If such action is not taken, we recommend that the relief association be reimbursed \$40,000. 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: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Volunteer Fire Department and Relief Association of Monessen Governing Body:

**Mr. Steve Gaydos**  
President

**Mr. Ryan J. Speck**  
Vice President

**Mr. Charles Kozar**  
Secretary

**Ms. Mikayla E. Speck**  
Treasurer

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

**Mr. John Harhai**  
Secretary  
Monessen City

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).