

COMPLIANCE AUDIT

Volunteer Fire Department and Relief Association of Monessen Westmoreland County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
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) 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 December 31, 2017.

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 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 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, 2016 to December 31, 2017, 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 finding listed below and discussed later in this report.

Finding – Inappropriate Commingling of Funds

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 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.

October 31, 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 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.

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>
Monessen City	Westmoreland	\$16,743	\$15,315

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
FINDING AND RECOMMENDATION

Finding – Innapropriate Commingling Of Funds

Condition: On March 10, 2016, the relief association inappropriately closed and transferred funds totaling \$861 from its savings account to the fire company's checking account.

Criteria: Relief association funds should not be commingled with any other organization's funds in order to maintain effective control of its assets.

Cause: Although the relief association maintains its own savings account and checking account, upon closing the savings account, the relief association deposited the funds into a fire company account.

Effect: As a result of depositing relief association funds into a fire company account, relief association funds were not available for investment or to pay expenditures authorized by Act 118.

Recommendation: We recommend that the relief association be reimbursed \$861 from the affiliated fire company. 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 affiliated fire company reimbursed the relief association \$861 for the funds erroneously deposited in the fire company account, on October 23, 2018.

Auditor's Conclusion: We reviewed the documentation verifying that the reimbursement of \$861 was received. Compliance for maintaining separate accounts during the next audit period will be subject to verification through our next audit.

VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2017

Cash	\$ 25,461
Fair Value of Investments	<u>\$ 102,525</u>
Total Cash and Investments	<u>\$ 127,986</u>

VOLUNTEER FIRE DEPARTMENT AND RELIEF ASSOCIATION OF MONESSEN
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO DECEMBER 31, 2017

Expenditures:

Benefit Services:

Death Benefits	\$ 1,425
Tokens of sympathy and goodwill	448
Total Benefit Services	\$ 1,873

Fire Services:

Equipment purchased	\$ 27,349
Equipment maintenance	15,657
Training expenses	4,929
Total Fire Services	\$ 47,935

Administrative Services:

Other administrative expenses	\$ 3,379
Bond premiums	1,226
Total Administrative Services	\$ 4,605

Total Investments Purchased	\$ 100,000
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Total Expenditures	\$ 154,413
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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. Eugene Sedlak
Vice President

Mr. Charles Kozar
Secretary

Mr. David P. Evans
Treasurer

Mr. Don Caterino
Financial Secretary

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

Ms. Judith I. Taylor
Secretary
Monessen City

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.