

COMPLIANCE AUDIT

The Relief Association of Pioneer
Hose Company, No. 1, of
Brackenridge Borough, PA
Allegheny County, Pennsylvania
For the Period
January 1, 2018 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. Jodie Deiseroth, President
The Relief Association of Pioneer
Hose Company, No. 1, of
Brackenridge Borough, PA
Allegheny County

We have conducted a compliance audit of The Relief Association of Pioneer Hose Company, No. 1, of Brackenridge Borough, PA (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, 2018 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.

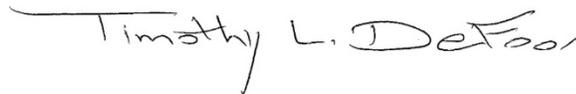
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures,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

We were not able to obtain an independent confirmation of the cash balance and the investment balance directly from the financial institution. Therefore, while the relief association provided copies of bank and investment statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$15,852 and an investment balance with a fair value of \$58,384, we were not able to verify those cash and investment balances.

Based on our audit procedures, we conclude that, because of the significance of the matter described in the finding below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, 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, for the period January 1, 2018 to December 31, 2020. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Undocumented Expenditures

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.

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

July 16, 2021

CONTENTS

	<u>Page</u>
Background	1
Finding and Recommendation:	
Finding – Undocumented Expenditures	4
Potential Withhold of State Aid	6
Report Distribution List	7

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>2018</u>	<u>2019</u>	<u>2020</u>
Brackenridge Borough	Allegheny	\$11,820	\$12,728	\$12,921

BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2020 were \$74,236, as illustrated below:

Cash	\$ 15,852
Fair Value of Investments	<u>58,384</u>
Total Cash and Investments	<u>\$ 74,236</u>

Based on the relief association's records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$53,937, 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	\$ 13,728
Death benefits	1,500
Tokens of sympathy and goodwill	<u>50</u>
Total Benefit Services	<u>\$ 15,278</u>
Fire Services:	
Equipment maintenance	\$ 2,372
Training expenses	<u>1,804</u>
Total Fire Services	<u>\$ 4,176</u>
Administrative Services:	
Bond premiums	<u>\$ 750</u>
Other Expenditures:	
Undocumented expenditures	<u>\$ 33,733</u>
Total Expenditures	<u>\$ 53,937</u>

¹ 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:

Pioneer Hose Company, No. 1 of Brackenridge, PA

THE RELIEF ASSOCIATION OF PIONEER HOSE COMPANY, NO. 1, OF
BRACKENRIDGE BOROUGH, PA
FINDING AND RECOMMENDATION

Finding – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/01/2018	1844	Insurance vendor	\$ 9,777
02/08/2019	1851	Insurance vendor	11,602
03/11/2020	1862	Insurance vendor	<u>12,354</u>
Total			<u>\$ 33,733</u>

In addition, subsequent to the audit period under review, the relief association expended \$8,243 on 4/30/21 via check No. 1870, to an insurance vendor. The insurance bills provided to our auditors showed that the Fire Company, Ladies Auxiliary and the relief association were named on the insurance bills, but the bills did not show the amount that the relief association was responsible for paying. The relief association paid the full amount noted on the bills.

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters’ relief association receiving money 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, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions, including the portion of expenditures applicable to the relief association when purchases of goods or services include goods or services for the benefit of other organizations.

Cause: The relief association officials did not provide a reason for why this occurred.

THE RELIEF ASSOCIATION OF PIONEER HOSE COMPANY, NO. 1, OF
BRACKENRIDGE BOROUGH, PA
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: Lack of adequate supporting documentation, such as invoices, itemized receipts/bills and detailed minutes of meetings specifying the costs applicable to the relief association, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation to ensure the propriety of the expenditures or that the relief association be reimbursed \$41,976 (\$33,733 current audit period plus \$8,243 subsequent to audit period) for the undocumented expenditures. We also recommend that the relief association officials maintain adequate supporting documentation for all future expenditures. 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.

THE RELIEF ASSOCIATION OF PIONEER HOSE COMPANY, NO. 1, OF
BRACKENRIDGE BOROUGH, PA
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.

THE RELIEF ASSOCIATION OF PIONEER HOSE COMPANY, NO. 1, OF
BRACKENRIDGE BOROUGH, PA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Relief Association of Pioneer Hose Company, No. 1, of Brackenridge Borough, PA
Governing Body:

Mr. Jodie Deiseroth
President

Mr. Corey Jones
Vice President

Mr. Jamie Bock
Recording Secretary

Mr. Richard Jones
Treasurer

Mr. Gregory J. Rankin
Financial Secretary

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

Ms. Denise Tocco
Secretary
Brackenridge 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.