

# COMPLIANCE AUDIT

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## Ronco Community Volunteer Firemen's Relief Association

Fayette County, Pennsylvania

For the Period

January 1, 2012 to December 31, 2019

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October 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. James McGalla, President  
Ronco Community Volunteer Firemen's  
Relief Association  
Fayette County

We have conducted a compliance audit of the Ronco Community Volunteer Firemen's 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, 2012 to December 31, 2019.

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.

Prior to the start of this audit, the Department of the Auditor General learned of alleged illegal activities within the relief association. These activities called into question the reliability of the evidence that we used to determine the relief association's compliance with applicable requirements as reported in previously issued audit reports for the periods January 1, 2012 to December 31, 2014 and January 1, 2015 to December 31, 2016. As a result, the affected relief association's audit reports issued in 2015 and 2018, respectively, were formally withdrawn and pending reissuance after our evaluation of recently obtained additional evidence applicable to the aforementioned prior audit periods. Because of the withdrawal of the two previous reports, the audit period for this engagement is January 1, 2012 to December 31, 2019, and the reissuance of the aforementioned reports is satisfied by the issuance of this audit report which includes the prior audit review periods in addition to the January 1, 2017 to December 31, 2019 period.

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.

This is a revised report previously dated September 3, 2020, and is revised to address a clerical error with the distribution page of the audit report.

It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. The potential existence of illegal activities prompted the expansion of our standard audit methodology typically employed to enable us to be able to provide a reasonable basis for our conclusions. Our audit procedures included extensive testing of relief association invoices, bank statements, and cancelled checks, and we also communicated with relief officials, vendors, and banking institutions to determine the propriety of expenditures made during the audit period. We believe that our audit provides a reasonable basis for our conclusions.

Due to a stay at home order issued by the Governor of the Commonwealth of Pennsylvania during the COVID-19 pandemic, we were unable to observe any of the relief association's equipment to verify its existence.

Based on our audit procedures, we conclude that, because of the significance of the matters described in the findings 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, 2012 to December 31, 2019. 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 No. 1 – Failure To Maintain Surety (Fidelity) Bond Coverage
- Finding No. 2 – Undocumented And Unauthorized Expenditures Due To Potential Misappropriation Of Assets
- Finding No. 3 – Undocumented Expenditures
- Finding No. 4 – Unauthorized Expenditures
- Finding No. 5 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle
- Finding No. 6 – Inappropriate Ownership Of Rescue Vehicle
- Finding No. 7 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle

Finding No. 8 – Failure To Maintain Minutes Of Meetings

Finding No. 9 – Late Deposit Of Full State Aid Allocation Amounts

The nine findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

Our department cooperated in an investigation by the Pennsylvania State Police into alleged illegal activities regarding the relief association. The results and findings of this audit report have been forwarded to the Pennsylvania State Police for review and whatever further action it may deem appropriate and necessary.

We are also providing a copy of the audit report to the Fayette County District Attorney's Office for the office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary.

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.

October 19, 2020



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 the following state aid from German Township in Fayette County:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$4,728	\$6,528	\$6,176	\$5,965*	\$5,944*	\$5,031	\$4,584	\$4,954

\* The 2015 and 2016 state aid allocations were received in a timely manner from German Township; however, the relief association did not deposit all of the state aid allocations in a timely manner as disclosed in Finding No. 9 in this report.

Based on the relief association’s records, its total cash as of December 31, 2019 was \$2,906, as illustrated below:

Cash \$ 2,906

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2012 to December 31, 2019 were \$54,954, as noted below. The accuracy of the relief association's 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>1</sup> **The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.** Additionally, the financial institution was unable to provide bank statements and cancelled checks for the year 2012; therefore, no additional testing procedures for expenditures previously reported for the year 2012 were performed during this audit.

### Expenditures:

Benefit Services:	
Insurance premiums	\$ 13,491
Fire Services:	
Equipment purchased	\$ 22,135
Equipment maintenance	594
Training expenses	746
Total Fire Services	\$ 23,475
Administrative Services:	
Other administrative expenses	\$ 385
Bond premiums	1,000
Total Administrative Services	\$ 1,385
Other Expenditures:	
Misappropriated Undocumented/Unauthorized expenditures*	\$ 14,533
Undocumented expenditures-Finding No. 3	1,164
Unauthorized expenditures-Finding No. 4	906
Total Other Expenditures	\$ 16,603
Total Expenditures	\$ 54,954

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<sup>1</sup> Accuracy was evaluated for all transactions for which relevant documentation was available.

## **BACKGROUND – (Continued)**

\* This total represents potential misappropriation of assets by the former treasurer for the period January 1, 2013 to December 31, 2019 which were not authorized expenditures under Act 118 as noted in Finding No. 2. We disclosed this issue to relief association officials on June 9, 2020.

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:

Ronco Community Volunteer Fire Department

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on July 12, 2015. As of December 31, 2019, the relief association's cash assets totaled \$2,906.

Criteria: Section 7415(c)(4) of Act 118 states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials neglected to comply with the Act 118 provisions requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required 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.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Undocumented And Unauthorized Expenditures Due To Potential Misappropriation Of Assets**

Condition: Documentation that we reviewed during the audit supports allegations that the former relief association treasurer made undocumented and unauthorized expenditures totaling \$14,533 during the period January 1, 2013 to December 31, 2019.<sup>2</sup> Evidence indicates that the former treasurer wrote checks for non-relief association purposes that were made payable to himself, cash, the affiliated fire department, and other entities. In addition, although the checks contained the signatures of two relief association officers, we found that the relief association did not maintain adequate records documenting the individual(s) designated as the relief association's authorized disbursement officer(s) and that the majority of checks drawn from the relief association's checking account did not contain the proper signatory authority of those listed as authorized to sign relief association checks per the signatory cards on file with the relief association's banking institution during our audit period. Relief association officials indicated that the former treasurer forged signatures for the second signature on some checks and some checks were pre-signed by former relief association officials, which indicates that former relief association officials overrode the internal controls documented within Article VII, Section 1 of the relief association's bylaws.

The separate categories to support allegations of undocumented and unauthorized expenditures due to potential misappropriation of assets are listed below:

<b>Total Undocumented And Unauthorized Expenditures Due To Potential Misappropriation Of Assets by Former Treasurer During the Period January 1, 2013 Through December 31, 2019</b>		
	<b>Amount</b>	<b>Checks Written</b>
Checks Written By The Former Treasurer To Himself	\$ 2,738	22
Checks Written To Cash By The Former Treasurer	\$ 4,835	18
Checks Written To The Fire Department By The Former Treasurer	\$ 4,614	13
Checks Written By The Former Treasurer Primarily To Vendors For Items Appearing To Be For Non-Relief Association Purposes	\$ 2,346	11
<b>Total Potential Misappropriation By The Former Treasurer:</b>	<b>\$ 14,533</b>	<b>64</b>

<sup>2</sup> The financial institution was unable to provide bank statements and cancelled checks for the year 2012; therefore, no additional testing procedures were performed during this audit of expenditures reported for the year 2012 to assess for potential misappropriation of assets.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Act 118 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any 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 amended, as far as be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Also, 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.

In addition, Article V, Section 1, of the relief association's bylaws states:

Funds of this association shall not be expended for any purpose other than those of Act 118 and the association bylaws. All expenditures must be approved by a majority vote and an association meeting and duty recorded in the minutes.

Article V, Section 2, of the relief association's bylaws states:

All expenditures must be made through a relief association account and recorded, in detail, in the association ledger. Supporting documentation such as invoices, cancelled checks, etc. shall be maintained to verify all disbursements.

Article VII, Section 1, of the relief association's bylaws states:

The signatures of two officers (President, Vice President, Secretary, Treasurer) shall be required for the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment or on any other negotiable instrument issued by the association. Blank checks shall not be pre-signed by officers.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Prudent business practice also dictates that management must establish an adequate internal control system to ensure that its operations are functioning in a manner that achieves the entity's mission while safeguarding its assets. 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: Relief association officials failed to establish an adequate internal control system to ensure the propriety of all expenditures and that relief association monetary assets were adequately protected. These internal control weaknesses included, but were not limited to, the following:

- Inadequate segregation of duties.
- Failure to perform bank reconciliations.
- Failure to present, discuss, and approve financial related activities at relief association meetings. (Refer to Finding No. 8 of this report for additional information). In addition, there was a failure to document elections of officers and to maintain adequate relief association records of those designated as the relief association's authorized disbursement officer(s), including the maintenance of updated bank authorization signatory cards.
- Failure to ensure that two relief association officers signed all relief association checks and that such signatures were applied only after the officers reviewed documentation that supported the disbursement.

The preventative control in the fourth bullet above appears to have been overridden by former relief association officials, and the weaknesses listed in the first three bullets above contributed to the failure of the relief association to detect the improper payments.

Effect: As a result of the inadequate internal control system, \$14,533 of relief association monies may have been used for undocumented and unauthorized purposes, and therefore were not available for authorized relief association activities. Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the finding recommendation.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials seek reimbursement of \$14,533 for the undocumented and unauthorized use of assets. We also recommend that the relief association officials develop and implement written internal control procedures which will require the following:

- Adequate segregation of duties to safeguard the relief association assets.
- Performance of monthly bank reconciliations.
- Approval of expenditures by two relief association officials after review of supporting documentation and prior to payment of purchases, with evidence of approval via signatures.
- Maintenance of updated signature cards with the financial institution and records of elections of relief officers.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of detailed meeting minutes and application of the signatures of two relief association officials on meeting minutes.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

RONCO COMMUNITY VOLUNTEER FIREMEN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – 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>Payee Description</u>	<u>Amount</u>
08/27/2015	133	Training instructor	\$ 230
09/05/2019	104	Relief association member	142
09/17/2019	105	Power supplier	369
09/20/2019	EFT*	Power supplier	369
10/16/2019	114	Water authority	54
Total			<u><u>\$ 1,164</u></u>

\*Electronic Funds Transfer

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.

Without adequate supporting documentation, such as invoices and/or itemized receipts, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, 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 relief association complies with the finding recommendation.

RONCO COMMUNITY VOLUNTEER FIREMEN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$1,164 for the undocumented expenditures. We also recommend that the relief association officials maintain 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.

**Finding No. 4 – Unauthorized Expenditures**

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
10/11/2019	111	Maintenance on fire company owned vehicles	\$ 606
10/10/2019	113	Fuel for fire company owned vehicles	300
		Total	\$ 906

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Criteria: Section 7416(f) of Act 118 states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (12) To secure insurance against the legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.
- (15) To purchase fire hoses and nozzles.
- (16) To purchase fire prevention materials for public distribution.

Costs associated with the purchase of maintenance and fuel for fire company owned vehicles do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the finding recommendation.

Recommendation: We recommend that the relief association be reimbursed \$906 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 to aid them in determining the propriety of future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

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.

**Finding No. 5 – Failure To Deposit Proceeds From The Sale Of A Jointly Purchased Vehicle**

Condition: In 2012, the relief association expended \$8,000 towards the joint purchase of a 1987 Spartan Fire Engine with the affiliated fire company which had a total cost of \$15,000. The relief association entered into an agreement with the affiliated fire company dated October 11, 2012 which stated that the relief association would receive the pro-rata share percentage of 53.34% if the vehicle was ever sold. In 2018, the jointly purchased vehicle was salvaged for \$1,500; however, the relief association did not receive and deposit its proportional ownership interest of the proceeds from the sale of the jointly purchased vehicle.

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 relief association officials should closely monitor all asset sales to ensure proceeds from sales of assets for which the relief association secured a proportional ownership interest are received and timely deposited into a relief association account.

Cause: The relief association officials failed to ensure that it received and deposited its proportional ownership interest due from the proceeds of the sale of the jointly purchased vehicle into a relief association account.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Effect: The failure to receive and deposit the proceeds from the sale of the jointly purchased vehicle places the relief association's ownership interest at greater risk. As a result, the relief association was unable to use the funds for general operating expenses or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the relief association complies with the finding recommendation.

Recommendation: We recommend that the relief association be reimbursed \$800 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicle. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all future proceeds resulting from the sale of a jointly purchased vehicle are timely deposited in a relief association account. 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.

**Finding No. 6 – Failure To Obtain Title To Vehicle Purchased By The Relief Association**

Condition: On October 2, 2017, the relief association purchased a rescue vehicle, in the amount of \$750, to carry personnel and safeguard equipment; however, the title to the vehicle was not transferred to the relief association and was titled to the prior owner, a neighboring fire department.

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

Cause: Relief association officials failed to establish adequate internal control procedures to ensure that the rescue vehicle purchased was titled in the name of the relief association.

Effect: As a result of the rescue vehicle being inappropriately titled in the name of the previous fire company, this relief association asset was not properly safeguarded.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Recommendation: We recommend that the 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 \$750. 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: We reviewed documentation verifying that the title was obtained and was in the name of the relief association. Compliance will be subject to verification through our next audit.

**Finding No. 7 – Failure To Secure Ownership Interest In Jointly Purchased Vehicle**

Condition: On September 27, 2018, the relief association expended \$5,000 for the purpose of jointly purchasing a vehicle with the affiliated fire company. However, the relief association did not adequately secure its ownership interest in this jointly purchased vehicle as the vehicle was titled solely in the name of the fire company.

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 the relief association should secure its proportional ownership interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold.

Cause: Relief association officials failed to implement internal controls to ensure that it adequately secured its proportional ownership interest in the jointly purchased vehicle.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Effect: The failure to adequately secure the proportional share of ownership interest in the jointly purchased vehicle places the relief association's ownership interest at greater risk.

Recommendation: We recommend that the relief association officials execute a formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the jointly purchased vehicle as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$5,000. 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, as a result of our audit, the relief association executed a formal written agreement with the fire company.

Auditor's Conclusion: We reviewed documentation verifying that an agreement was obtained. Compliance will be subject to verification through our next audit.

**Finding No. 8 – Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain minutes of meetings as required by Act 118.

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.

Cause: Relief association officials indicated that they were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – (Continued)**

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.

**Finding No. 9 – Late Deposit Of Full State Aid Allocation Amounts**

Condition: The relief association did not fully deposit the 2015 and 2016 state aid allocations distributed by German Township, in the amounts of \$5,965 and \$5,944, respectively, in a timely manner. Specifically, the relief association timely deposited \$5,165 in 2015 and \$5,644 in 2016. However, \$800 from the 2015 state allocation and \$300 of the 2016 allocation were not deposited into a relief association account until February 21, 2018. The 2015 and 2016 foreign fire insurance tax allocations were distributed to the municipal treasurer on September 23, 2015 and September 20, 2016, respectively, who forwarded the state aid to the relief association on October 6, 2015 and October 11, 2016, respectively, which is within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Prior relief association officials were informed of the relief association's failure to fully deposit state aid during a previous audit that has since been rescinded as described in the letter at the beginning of this report.

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are fully deposited in a timely manner.

Cause: Relief association officials failed to establish internal control procedures to ensure that all state aid received was timely deposited into a relief association account.

Effect: As a result of the state aid not being deposited in a timely manner, the relief association was unable to immediately use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 9 – (Continued)**

Recommendation: Relief association officials should establish accounting and internal control procedures to ensure that all state aid is received and fully deposited into a relief association account in a timely manner. 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 and, as a result of our audit, the relief association deposited the remaining 2015 and 2016 state allocations in the amount of \$1,100 on February 21, 2018.

Auditor's Conclusion: Compliance for deposits made during the next audit period will be subject to verification through our next audit.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 2, 3, 4 and 5 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are 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.

RONCO COMMUNITY VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**The Honorable Richard E. Bower**  
District Attorney  
Fayette County

**PA State Police**  
Fayette County

Ronco Community Volunteer Firemen's Relief Association Governing Body:

**Mr. James McGalla**  
President

**Ms. Nicole Lovett**  
Secretary

**Mr. Darell Hicks, Jr.**  
Treasurer

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

**Mr. Louis C. Otto**  
Secretary  
German Township

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).