

COMPLIANCE AUDIT

South New Castle Boro Firemen's Relief Association

Lawrence County, Pennsylvania

For the Period

January 1, 2015 to December 31, 2018

August 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. Andrew Nocera, President
South New Castle Boro Firemen's
Relief Association
Lawrence County

We have conducted a compliance audit of the South New Castle Boro 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, 2015 to December 31, 2018.

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, 2015 to December 31, 2018, 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.

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

August 13, 2019

A handwritten signature in cursive script, appearing to read "Eugene A. DePasquale".

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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
South New Castle Borough	Lawrence	\$3,018	\$3,005	\$2,755	\$2,513

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

South New Castle Borough Volunteer Fire Department of Lawrence County Pennsylvania

However, during the audit period, on March 1, 2017, the South New Castle Borough Volunteer Fire Department of Lawrence County Pennsylvania and Shenango Township Volunteer Fire Department prepared a Plan and Agreement of Merger to form the surviving corporation known as Shenango Township Volunteer Fire Department. The agreement stated that both relief associations shall be merged into Shenango Township Volunteer Fire Department’s Relief Association or that South New Castle Borough Volunteer Fire Department of Lawrence County Pennsylvania may be closed out by final check cut, and a final audit. In either case, the assets and contracts of South New Castle Borough Volunteer Fire Department of Lawrence County Pennsylvania shall be provided to Shenango Township Volunteer Fire Department. Consequently, as of March 1, 2017, it appears that the relief association was no longer affiliated with a volunteer fire company for the purpose of providing fire service to the borough. Act 118 prescribes specific requirements for what constitutes a Volunteer Firefighters’ Relief Association and when such an organization can receive aid funds under that Act.

Act 118 at 35 Pa.C.S. § 7412 states in part, that the Volunteer Firefighters’ Relief Association is:

An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter...(Emphasis added.)

Act 118 at 35 Pa.C.S. § 7412 further states in part, that a Volunteer Firefighter is:

A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or (Emphasis added.)
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood. (Emphasis added.)

BACKGROUND – (Continued)

It appears as of March 1, 2017 that the relief association no longer met the statutory definition of a volunteer firefighter's relief association and, therefore, its eligibility to continue to receive and expend state aid under Act 118 may have been adversely impacted.

The relief association should have maintained meeting minutes documenting its business operations and considerations and actions taken for merging or affiliating with another fire service provider within the municipality. By not doing so, the relief association operated outside the constraints of Act 118 and did not adhere to provisions in the association's bylaws. Specifically, the relief association did not abide by the following bylaw stipulations:

- Membership in the relief association is contingent upon membership in the affiliated fire company.
- Regular meetings were not held due to difficulty meeting quorum requirements.

The relief association's bylaws at Article I, Section 2 states, in part:

The membership of this association shall consist of any person who is a member, in good standing, of the South New Castle Boro Volunteer Fire Department.

In addition, the relief association's bylaws at Article II, Section 1 states, in part:

There must be a total of at least 4 meetings per year. The meetings will be held immediately following the regular meeting on the 4th Monday of each month of the South New Castle Boro Volunteer Fire Department as needed. One meeting must be held in January for Installation of new officers, one in November for nomination of officers, and one meeting must be in December for election of officers. Five members shall constitute a quorum.

Finally, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization. We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization.

In the future, the relief association should consult with their solicitor and evaluate its state of compliance with the Act 118 requirements stated above and take any steps necessary to meet the requirements. The Pennsylvania Department of Community and Economic Development can assist the relief association with this determination.

BACKGROUND – (Continued)

Furthermore, prudent business practice dictates that relief associations contemplating future dissolutions and/or mergers should consider retaining legal counsel to provide assurance that any form of dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owed to active and former association members are maintained and protected. If this is the case, it would also be prudent that the remaining relief association members conduct a meeting to approve any dissolution of the association and the disposition of its assets. In addition, relief association officials should contact this department in preparation of a final audit of the relief association and perform the following:

- Provide full documentation of the monetary assets and equipment being transferred. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.
- Upon transfer of the equipment, a signed receipt from the relief association receiving the equipment should be obtained to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

This department will verify the receipt of the equipment and monetary assets transferred through an audit of the recipient association. However, as of the date of this report, the relief association has not provided this department notification that it has made a formal commitment to dissolve and/or merge with another relief association.

SOUTH NEW CASTLE BORO FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH BALANCE
AS OF DECEMBER 31, 2018

Cash	<u>\$ 24,915</u>
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SOUTH NEW CASTLE BORO FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
SUMMARY OF EXPENDITURES
FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:	
Insurance premiums	<u>\$ 4,071</u>
Administrative Services:	
Bond premiums	<u>\$ 478</u>
Total Investments Purchased	<u>\$ 2,053</u>
Total Expenditures	<u><u>\$ 6,602</u></u>

SOUTH NEW CASTLE BORO FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

South New Castle Boro Firemen's Relief Association Governing Body:

Mr. Andrew Nocera
President

Mr. Mark Evans
Vice President

Ms. Amber Metz
Secretary

Ms. Shirley P. Nocera
Treasurer

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

Ms. Dorothy Kline
Secretary
South New Castle 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.