

COMPLIANCE AUDIT

Greenwood Village Volunteer Firemen's Relief Association

Butler County, Pennsylvania

For the Period

January 1, 2010 to February 10, 2014

September 2014



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. James Senopole, Former President
GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Butler County

We have conducted a compliance audit of the former Greenwood Village Volunteer Firefighters' 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, 2010 to February 10, 2014.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Greenwood Village Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Greenwood Village Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Greenwood Village Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of February 10, 2014, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2010 to February 10, 2014, found the former Greenwood Village Volunteer Firefighters' Relief Association took appropriate corrective action to address five of the six findings contained in our prior audit report. However, the former Greenwood Village Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the former Greenwood Village Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the finding listed below and discussed later in this report.

Finding – Noncompliance with Prior Audit Finding – Inadequate Financial Record-Keeping System

The results of our tests also indicated the former Greenwood Village Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of February 10, 2014 the former Greenwood Village Volunteer Firefighters' Relief Association dissolved and merged with the Meridian Volunteer Firefighters' Relief Association.

The contents of this report were discussed with the management of the former Greenwood Village Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report. As of February 10, 2014, the former Greenwood Volunteer Firefighters' Relief association transferred all remaining monetary assets to the Meridian Volunteer Firefighters' Relief Association. The Meridian Volunteer Firefighters' Relief

Association subsequently changed its name to the Butler Township Volunteer Fireman's Relief Association. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

August 18, 2014

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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 former Greenwood Village Volunteer Firemen's Relief Association, herein referred to as the Greenwood Village Volunteer Firefighters' Relief Association, was 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts 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 the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The former Greenwood Village Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Butler Township	Butler	\$23,128	\$35,405	\$20,139	\$23,748

As of February 10, 2014, the former Greenwood Village Volunteer Firefighters’ Relief Association dissolved and merged with the Meridian Volunteer Firefighters’ Relief Association. Consequently the Greenwood Village Volunteer Firefighters’ Relief Association transferred all monetary assets to the Meridian Volunteer Firefighters’ Relief Association. The Meridian Volunteer Firefighters’ Relief Association subsequently changed its name to the Butler Township Volunteer Firefighters’ Relief Association.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former Greenwood Village Volunteer Firefighters’ Relief Association was affiliated with the following fire service organization:

Greenwood Village Volunteer Fire Department

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former Greenwood Village Volunteer Firefighters' Relief Association has complied with five of the six prior audit findings and recommendations, as follows:

- Undocumented Expenditures

By receiving and depositing \$2,180 from the affiliated fire department for the undocumented expenditures made in the prior audit period. A similar condition occurred during the current audit period; however, the relief association was reimbursed within the audit period;

- Unauthorized Expenditure

By receiving and depositing \$348 from the affiliated fire department for the unauthorized expenditures made in the prior audit period. A similar condition occurred during the current audit period; however, the relief association was reimbursed within the audit period;

- Failure to Maintain Minutes of Meetings

By maintaining minutes of relief association meetings held during the period;

- Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a cumulative equipment roster of all relief association owned equipment and documenting that an annual physical inventory was performed; and

- Failure to Maintain a Complete and Accurate Membership Roster

By maintaining a complete and accurate membership roster with all of the required information.

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former Greenwood Village Volunteer Firefighters' Relief Association has not complied with one of the six prior audit findings. The finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Inadequate Financial Record-Keeping System.

We are concerned by the relief association's failure to correct this previously reported audit finding; however, due to the dissolution of the Greenwood Village Volunteer Firefighters' Relief Association, we are providing officials of the Meridian Volunteer Firefighters' Relief Association copies of this report so they are aware of the conditions that were detected in the operations of the former Greenwood Village Volunteer Firefighters' Relief Association. The Meridian Volunteer Firefighters' Relief Association's management should strive to implement the recommendations and corrective actions noted in this audit report.

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2010 to FEBRUARY 10, 2014

Finding – Noncompliance with Prior Audit Recommendation - Inadequate Financial Record-Keeping System

Condition: As cited in our prior audit report, the relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and does not meet the minimum requirements of maintaining financial records established by this department. The following are the noted deficiencies:

- Journals were not maintained to record the receipts and disbursements of the relief association;
- Ledgers were not utilized to record the transactions of the relief association accounts; and
- Documentation to support certain expenditures was not available for examination at the time of the audit.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected their various record-keeping responsibilities.

Effect: The continued failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2010 to FEBRUARY 10, 2014

Finding – (Continued)

Recommendation: Due to the dissolution of the Greenwood Village Volunteer Firefighters' Relief Association, we are providing officials of the Meridian Volunteer Firefighters' Relief Association copies of this report so they are aware of the conditions that were detected in the operations of the former Greenwood Village Volunteer Firefighters' Relief Association. We recommend the Meridian Volunteer Firefighters' Relief Association establish and maintain a financial record-keeping system that meets the minimum record-keeping requirements of this department. 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. Relief association management stated that the relief association merged with the Meridian Volunteer Firefighters' Relief Association as of February 10, 2014, who will ensure continued compliance.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 to FEBRUARY 10, 2014

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording 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, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Total Benefit Services		\$ 5,645
Fire Services:		
Equipment purchased	\$	21,227
Equipment maintenance		3,636
Training expenses		5,039
Total Fire Services	\$	29,902
Administrative Services:		
Total Administrative Services	\$	1,290
Other Expenditures:		
Principal payments on lease-financing	\$	118,793
Interest payments on lease-financing		30,022
Transfer of Monetary Assets*		6,781
Total Other Expenditures	\$	155,596

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2010 to FEBRUARY 10, 2014

*Transfer on Monetary Assets/Dissolution of Greenwood Village Volunteer Firefighters' Relief Association.

As of February 10, 2014, the former Greenwood Village Volunteer Firefighters' Relief Association completed the process of dissolution and merged with the Meridian Volunteer Firefighters Relief Association. Consequently all remaining monetary assets were transferred to the Meridian Volunteer Firefighters Relief Association. The Meridian Volunteer Firefighters Relief Association subsequently changed its name to the Butler Township Volunteer Fireman's Relief Association. Due to the dissolution and merger, we are providing officials of the Butler Township Volunteer Firefighters' Relief Association copies of this report.

GREENWOOD VILLAGE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Greenwood Village Volunteer Firefighters' Relief Association Governing Body:

Mr. James Senople	Former President
Mr. John Morgan	Former Vice President
Mr. Shawn Smith	Former Secretary
Ms. Diane Hanchosky	Former Treasurer

Butler Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Timothy Vensel	President
Mr. Robert C. Cordray, II	Vice President
Mr. Frederick Tack	Secretary
Ms. Michael A. Blessel	Treasurer

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

Ms. Theresa Giesler Butler Township	Secretary
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This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.