

**THE ALIQUIPPA VOLUNTEER FIREMEN'S RELIEF ASSOCIATION**

**BEAVER COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2008 TO DECEMBER 31, 2010**



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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 Aliquippa Volunteer Firemen's Relief Association, herein referred to as Aliquippa Volunteer Firefighters' 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 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 Aliquippa Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City of Aliquippa	Beaver	\$2,774	*	*

\* In December 2008, the City of Aliquippa dissolved the charter for the city's volunteer firefighters and did not allocate state aid to the Aliquippa Volunteer Firefighters' Relief Association in 2009 and 2010.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Aliquippa Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Aliquippa Volunteer Fire Department

Mr. Kevin Hawk, President  
ALIQUIPPA VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Beaver County

We have conducted a compliance audit of the Aliquippa 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, 2008 to December 31, 2010.

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 finding contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received 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 Aliquippa 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 Aliquippa Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Aliquippa Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2010, 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, 2008 to December 31, 2010, found the Aliquippa Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report and, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the Aliquippa Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2010, had a cash balance of \$172,221 and an investment balance with a fair value of \$186,542.

Finding No. 1 – Failure to Secure Possession of Relief Association Owned Equipment

Finding No. 2 – Inadequate Minutes of Meetings

The contents of this report were discussed with the management of the Aliquippa Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

April 12, 2011

JACK WAGNER  
Auditor General



ALIQIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Aliquippa Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a cumulative roster of all equipment owned by the relief association.

ALIQUIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure to Secure Possession of Relief Association Owned Equipment

Condition: The relief association officers did not secure possession of relief association owned equipment, as required by Act 118. In December 2008, the City of Aliquippa dissolved the charter for the city's volunteer firefighters. Relief association owned equipment was located at a fire station, which was also used by the city's paid fire department. A rescue truck, personal power unit pump, air compressor, bunker gear, office furniture, and other items were located at the fire station and being used by the city's paid fire department.

Criteria: Act 118 at 35 Pa.C.S. § 7413(4) states, funds shall be available for the protection of volunteer firefighters and their heirs in order to provide:

- (4) Safeguards for preserving life, health, and safety of volunteer firefighters to ensure their availability to participate in the fire service.

In addition, Act 118 at 35 Pa.C.S. § 7418(a) 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), [FN1] 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.

Cause: Relief association officials were aware of the requirements to secure possession of their assets. However, after the City of Aliquippa dissolved the charter for the city's volunteer firefighters, the relief association was denied access to the fire station and the relief association owned equipment could not be recovered.

Effect: Equipment paid for with relief association funds is now in the possession of the city's paid fire department. Also, by not having the equipment in the relief association's possession and available to be transferred, any potential merger of this relief association with another relief association would be delayed.

However, subsequent to the audit period, on September 6, 2011, the City of Aliquippa and the relief association came to an agreement and most of the equipment was returned to the relief association on September 6, 2011. Of the remaining equipment, the compressor was sold to the City of Aliquippa, on October 6, 2011, and the rescue truck was returned to the relief association on October 20, 2011.

ALQUIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend the relief association ensure all relief association owned equipment is in secure possession prior to transferring equipment and monetary assets to another relief association. 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.

ALIQUIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Minutes of Meetings

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 118. While the relief association's bylaws call for monthly meetings, the relief association only maintained minutes for seven (7) out of thirty-six (36) months of the audit period. Furthermore, the available minutes did not always detail the number of members present, so we could not determine whether the quorum requirement of the relief association's bylaws was met.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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, the relief association's bylaws stipulate the following:

- Article IV, Section A – All meetings of this association shall be held at the Central Station on the second Tuesday of each month at 8:00 P.M.
- Article IV, Section C – Twelve (12) members of the Association, in good standing, shall constitute a quorum for the transaction of all business which may properly come before a regular or special meeting of the Association.

Cause: Relief association officials were unaware that maintaining detailed 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 the relief association maintain detailed minutes of every relief association meeting, evidencing the discussion and approval of all financial-related business conducted by the relief association and the names of members present at each meeting. In addition, we recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set for in Act 118 and properly authorize the operating procedures of the relief association. 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.

ALIQUIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2010

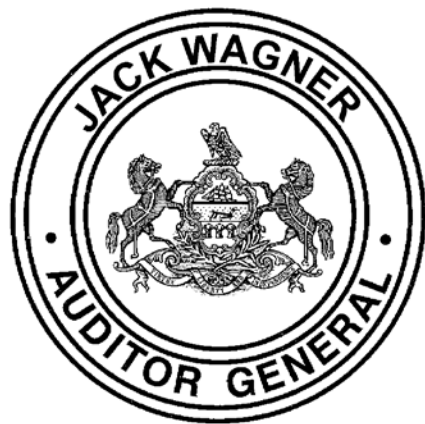
Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The 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:

Benefit Services:	
Insurance premiums	\$ 55,750
Death benefits	20,000
Relief benefits	455
Tokens of sympathy and goodwill	159
Total Benefit Services	\$ 76,364
Fire Services:	
Equipment purchased	\$ 3,257
Equipment maintenance	3,745
Training expenses	1,094
Total Fire Services	\$ 8,096
Administrative Services:	
Officer compensation	\$ 2,256
Other administrative expenses	1,297
Total Administrative Services	\$ 3,553



ALIQUIPPA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Aliquippa Volunteer Firefighters' Relief Association Governing Body:

Mr. Kevin Hawk, President

Mr. Joseph Olack, Vice President

Mr. Fred O'Roark, Secretary

Mr. Thomas Danylo, Treasurer

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

Ms. Sherry Cujas, City Clerk  
City of Aliquippa

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).