



**THE HEMPFIELD TOWNSHIP VOLUNTEER  
HOSE COMPANY NO. 2 RELIEF ASSOCIATION**

**HEREIN REFERRED TO AS:**

**HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION**

**WESTMORELAND COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2007 TO DECEMBER 31, 2008**



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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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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 Hempfield Township No. 2 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 84 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 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 84, 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. The Hempfield Township No. 2 Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>
Hempfield Township	Westmoreland	\$23,265	\$24,902

BACKGROUND (Continued)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The Hempfield Township No. 2 Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Hempfield Township Volunteer Hose Company No. 2

Mr. Vince Daverso, President  
HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Westmoreland County

We have conducted a compliance audit of the Hempfield Township No. 2 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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 *et seq.* (commonly referred to as Act 84), for the period January 1, 2007 to December 31, 2008.

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 Hempfield Township No. 2 Volunteer Firefighters' Relief Association's administration of state aid and accumulated 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 Hempfield Township No. 2 Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Hempfield Township No. 2 Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2008, 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, 2007 to December 31, 2008, found, the Hempfield Township No. 2 Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the finding contained in our prior audit report. In addition, the results of our audit found, in all significant respects, the Hempfield Township No. 2 Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report. The results of our tests indicated the Hempfield Township No. 2 Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$30,996 and no investments.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Finding No. 2 – Inadequate Financial Record-Keeping System

Finding No. 3 – Inadequate Relief Association Bylaws

The contents of this report were discussed with the management of the Hempfield Township No. 2 Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

December 11, 2009

JACK WAGNER  
Auditor General



HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Hempfield Township No. 2 Volunteer Firefighters' Relief Association has not complied with the prior audit finding. This issue is further discussed in the following finding noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

While the Hempfield Township No. 2 Volunteer Firefighters' Relief Association has complied with the prior audit recommendation by receiving reimbursement from the Hempfield Township Volunteer Hose Company No. 2 on January 16, 2008, in the amount of \$592, for the unauthorized expenditures made in the prior audit period, the relief association made additional unauthorized expenditures during the current audit period. This is discussed in further detail in Finding No. 1 of this report.

We are concerned with the volunteer firefighters' relief association's failure to correct the previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Condition: As cited in the prior audit report, the relief association previously expended funds for repairs on vehicles that were not owned by the relief association. During the current audit period, the relief association again expended funds, on three separate occasions, for repairs to a vehicle that was not solely owned by the relief association. The vehicle repaired during the current audit period was a vehicle that was jointly owned by the relief association and the affiliated fire company. While repairs of equipment, including vehicles, is considered authorized by Act 84, the expenses are limited to equipment owned by the relief association or, in the case of jointly owned equipment, limited to the prorated ownership percentage held by each respective owner. The expenses paid by the relief association during the audit period totaled \$784, so only 46% of the total expenses attributable to the relief association's ownership interest or \$361 was considered authorized. Therefore, 54% of the expenses attributable to the affiliated fire company's ownership interest or \$423 of the total expenses paid by the relief association are considered unauthorized expenditures.

Criteria: Act 84 at 53 P.S. § 8506(e)(11) states:

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

- (11) To purchase safeguards for preserving life, health, and safety to volunteer firefighters, so as to ensure their availability to participate in the volunteer fire service.

Because the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and Economic Development (DCED) had been established whereby the DCED provided interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." The DCED has determined that the relief association may expend funds for various types of safeguards and safeguard equipment, including maintenance and repairs of equipment as long as the equipment is owned by the relief association. The DCED has also deemed that the relief association can also pay for repairs to jointly titled equipment, but the allowable expenses are limited to the ownership interest percentage held by each respective owner. As such, the DCED has deemed that repairs of equipment not owned by the relief association or that in excess of the respective ownership percentage are not considered permissible under Act 84.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: While cited for unauthorized expenditures of a similar nature in the prior audit report, the relief association, again, made expenditures for repairs to a vehicle that were not authorized by Act 84.

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 84.

However, subsequent to the audit exit conference, on February 5, 2010, the relief association received reimbursement from the affiliated fire company, in the amount of \$423, for the above noted unauthorized expenditures.

Recommendation: We recommend the relief association officials become familiar with Act 84 at 53 P.S. § 8506(e) 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.

Management's Response: Relief association management agreed with the finding as presented and indicated they will take action to comply with the recommendation.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Financial Record-Keeping System

Condition: 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 for maintaining financial records established by this department. The following are the noted deficiencies:

- A journal was not maintained or provided to record the receipts and disbursements of the relief association that occurred during the 2007 and 2008 calendar years.
- Ledgers were not maintained or provided to record the transactions of the relief association accounts that occurred during the 2007 and 2008 calendar years.
- Financial statements were not prepared or provided of the relief association accounts for the 2007 and 2008 calendar years.
- Meeting minutes were not maintained or provided for meetings that were to have taken place during the 2007 calendar year.
- Documentation to support various expenditures and various other financial records were not available for examination at the time of the audit engagement. An additional month was provided to the relief association officers to obtain the missing records. Such items that were not readily available at the time of the audit engagement includes: invoices, canceled checks, bank statements, cumulative equipment roster, membership roster, and documents related to an outstanding loan.

Criteria: Act 84 at 53 P.S. § 8505 (a) states, in part, that the relief association:

. . . must provide for the taking and preserving of minutes of all meetings, and the maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its financial affairs.

In addition, an adequate system of accounting and record keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials were unaware of their various record-keeping responsibilities.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations. In addition, the absence of a journal and detailed meeting minutes prevented the auditors from determining whether the relief association business was presented before the membership for approval.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Recommendation: We recommend the 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.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the Hempfield Township No. 2 Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 84 at 53 P.S. § 8505(c). Specifically, the bylaws do not address:

- The requirements for securing membership, the voting rights of different classes of members, and the conditions under which membership may be terminated.
- The requirements and procedures to be followed in calling meetings, as well as the quorum requirements for regular and special meetings.
- The requirement for the signature of at least two officers, one of which must be the disbursing officer in order to bind the association by formal contract or issue any negotiable instruments.
- The requirement for the disbursing officer to be bonded by corporate surety for the faithful performance of his duties. Such bond is to be at least as much as the maximum amount in current funds.
- The procedure to be followed in nomination and in electing officers, trustees, and members of the executive committee, if applicable.
- The procedure for the approval and payment of expenditures.
- The procedure to be followed in amending the bylaws, and the notice to be required with respect to proposed amendments.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that the relief association's bylaws shall include the following provisions:

- Specify the requirements of securing membership, the voting rights of different classes of members, if any, and the conditions under which membership may be terminated.
- State the requirements and the procedure to be followed in calling meetings, as well as the quorum requirements for regular and special meetings.
- Require the signatures of at least two officers, one of which shall be the disbursing officer, in order to bind the relief association by formal contract or to issue any negotiable instrument.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

- Require the disbursing officer to be bonded by corporate surety for the faithful performance of his duties. Such bond it to be at least as much as the maximum amount in current funds.
- State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, as applicable.
- Establish procedures for the approval and payment of expenditures.
- Designate the procedures to be followed in amending the bylaws, and specify the notice to be required with respect to proposed amendments.

Cause: Relief association officials were unaware of the mandatory bylaw provisions established by Act 84.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84 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.

HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2008

Act 84 at 53 P.S. § 8502(1) states, in part, that:

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. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, 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. 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	\$ 12,011
Total Benefit Services	\$ 12,011
Fire Services:	
Equipment purchased	\$ 14,764
Equipment maintenance	4,450
Training expenses	184
Total Fire Services	\$ 19,398
Administrative Services:	
Miscellaneous administrative expenses	\$ 40
Total Administrative Services	\$ 40
Other Expenditures:	
Principal payments on loan	\$ 16,923
Interest payments on loan	910
Total Other Expenditures	\$ 17,833



HEMPFIELD TOWNSHIP NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Hempfield Township No. 2 Volunteer Firefighters' Relief Association Governing Body:

Mr. Vince Daverso, President

Mr. Bert Defloria, Vice President

Mr. Michael Antonucci, Secretary

Mr. Lenny Cavalier, Treasurer

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

Mr. R. Douglass Weimer, Secretary  
Hempfield Township

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).