



RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREMEN'S RELIEF ASSOCIATION

ALLEGHENY COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2008 TO APRIL 13, 2011



CONTENTS

| | |
|---|---|
| Background..... | 1 |
| Letter From the Auditor General | 3 |
| Status of Prior Finding..... | 5 |
| Findings and Recommendations: | |
| Finding No. 1 – Failure to Maintain Minutes of Meetings..... | 6 |
| Finding No. 2 – Failure to Maintain Officer's Bond Coverage | 7 |
| Accompanying Expenditure Information | 8 |
| Report Distribution List | 9 |



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.

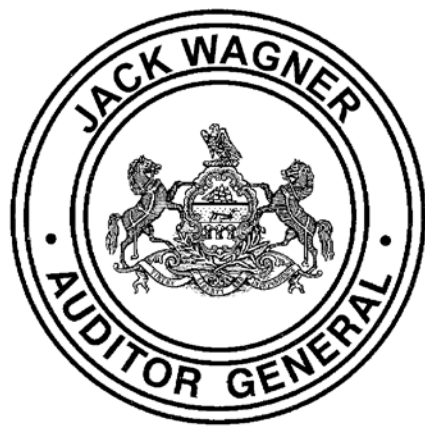
The Reliance Hose Co. No. 2 Volunteer Firemen's Relief Association, herein referred to as Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association, was a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to 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. The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association was affiliated with the Reliance Hose Co. No. 2.

On December 31, 2007, the Reliance Hose Co. No. 2, ceased operations as an active fire department. As a result, the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association did not receive any state aid in 2008, 2009, and 2010. Effective April 13, 2011, the Reliance Hose Company No. 2 Volunteer Firefighters' Relief Association dissolved its organization and remaining assets were transferred to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association.



Mr. Wayne Lewis, President
CITIZENS HOSE COMPANY NO. 1 VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
RE: FORMER RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Allegheny County

We have conducted a compliance audit of the former Reliance Hose Co. 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, 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 April 13, 2011.

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 former volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the former volunteer firefighters' relief association expended 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 were responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Reliance

Hose Co. No. 2 Volunteer Firefighters' Relief Association's administration of accumulated relief funds complied with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the former volunteer firefighters' relief association's internal controls as they related 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 Reliance Hose Co. 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 former Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of April 13, 2011, 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 April 13, 2011, found the former Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report and, in all significant respects, expended 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 former Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. Furthermore, as of April 13, 2011, the former Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association had dissolved and all remaining equipment and monetary assets were transferred to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association.

Finding No. 1 – Failure to Maintain Minutes of Meetings

Finding No. 2 – Failure to Maintain Officer's Bond Coverage

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

May 10, 2011

JACK WAGNER
Auditor General

RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Unsecured Loan

By liquidating the loan with the hose company.

RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure to Maintain Minutes of Meetings

Condition: The Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association failed to maintain minutes of meetings as required by Act 118.

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.

Cause: Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association officials were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, verification that Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association business was presented before the membership for approval does not exist.

Management's Response: Reliance Hose Co. No. 2 relief association management agreed with the finding as presented at the audit exit conference.

Recommendation: Due to the dissolution of the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association and the transfer of its assets to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association, we are making this recommendation to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association. We recommend the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association relief 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.

RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain Officer's Bond Coverage

Condition: The Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association failed to maintain bond coverage on the disbursing officer as required by Act 118. The bond policy expired on February 18, 2009. Thereafter from February 18, 2009 through the dissolution date of April 13, 2011, the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association was not bonded.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) 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: Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association officials were unaware of the Act 118 provisions regarding the maintenance of officer's bond coverage.

Effect: As a result of the disbursing officer of the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association not being bonded, the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association's cash assets were not adequately safeguarded.

Management's Response: Reliance Hose Co. No. 2 relief association management agreed with the finding as presented at the audit exit conference.

Recommendation: Due to the dissolution of the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association and the transfer of its assets to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association, we are making this recommendation to the Citizens Hose Company No. 1 Volunteer Firefighter's Relief Association. We recommend the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association relief officers secure and maintain officer's bond coverage in an amount greater than the 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.

RELIANCE HOSE CO. NO. 2 VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2008 TO APRIL 13, 2011

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 | \$ 75 |
| Total Benefit Services | \$ 75 |
| | |
| Fire Services: | |
| Equipment purchased | \$ 581 |
| Total Fire Services | \$ 581 |
| | |
| Total Investments Purchased: | \$ 4,412 |
| | |
| Other Expenditures: | |
| *Transfer of monetary assets | \$ 18,592 |
| Total Other Expenditures | \$ 18,592 |

*Transfer of Monetary Assets/Dissolution of Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association

During the year 2011, the membership of the Reliance Hose Company No. 2 Volunteer Firefighter's Relief Association voted to approve the dissolution of its relief association and the subsequent transfer of assets and equipment to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association. Effective April 13, 2011, the Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association completed the process of dissolution by transferring ownership of its equipment inventory and monetary assets to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association.

RELIANCE HOSE CO. 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

Former Reliance Hose Co. No. 2 Volunteer Firefighters' Relief Association Governing Body:

Mr. James Ali, Former President

Mr. Albert Csorba, Former Secretary

Mr. Gary Oley, Former Treasurer

Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association Governing Body:

Mr. Wayne Lewis, President

Mr. Anthony Moranelli, Vice President

Mr. Bruce, Snyir, Secretary

Mr. Nicholas Sorrentino, Treasurer

A report was also distributed to the following municipality that allocated foreign fire insurance tax monies to the Citizens Hose Company No. 1 Volunteer Firefighters' Relief Association.

Ms. Nancy M. Piazza-Whaby, Secretary
Glassport Borough

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.