

COMPLIANCE AUDIT

Mercer Road Fireman's Relief Association Butler County, Pennsylvania For the Period January 1, 2016 to March 12, 2019

May 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Charles Glagola, President
Mercer Road Fireman's
Relief Association
Butler County

We have conducted a compliance audit of the former Mercer Road Fireman'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, 2016 to March 12, 2019.

The objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former 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 objectives 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 objectives. 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, 2016 to March 12, 2019:

- The former relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The former 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.

In addition, as of March 12, 2019, the former relief association completed the process of dissolution and merged into the Butler Township Volunteer Fireman's Relief Association. Consequently, all remaining monetary assets, investments and equipment were transferred to the Butler Township Volunteer Fireman's Relief Association.

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

May 17, 2019



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 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 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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Butler Township	Butler	\$ 28,996	\$ 26,514	\$ 24,183

* As of March 12, 2019, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations. (See Supplementary Financial Information)

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

Mercer Road Volunteer Fire Department

MERCER ROAD FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has complied with the prior audit finding and recommendation, as follows:

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.

We commend the former relief association management for its efforts in complying with the finding and recommendation contained in the prior audit report. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Butler Township Volunteer Fireman's Relief Association, Butler Township Volunteer Fireman's Relief Association's management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

MERCER ROAD FIREMAN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2016 TO MARCH 12, 2019

Expenditures:

Benefit Services:

Insurance premiums	\$ 3,005
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Fire Services:

Equipment purchased	\$ 27,414
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Equipment maintenance	2,960
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Total Fire Services	<u>\$ 30,374</u>
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Administrative Services:

Bond premiums	\$ 300
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Total Investments Purchased	<u>\$ 100,000</u>
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Other Expenditures:

Payments on loan	\$ 13,332
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Transfer of monetary assets *	145,363
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Total Other Expenditures	<u>\$ 158,695</u>
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Total Expenditures	<u><u>\$ 292,374</u></u>
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* Transfer of Monetary Assets/Dissolution of Relief Association.

As of March 12, 2019, the former relief association completed the process of dissolution and merged into Butler Township Volunteer Fireman's Relief Association. Consequently, all remaining monetary assets, investments and equipment were transferred to the Butler Township Volunteer Fireman's Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Butler Township Volunteer Fireman's Relief Association copies of this report.

MERCER ROAD FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mercer Road Fireman's Relief Association Governing Body:

Mr. Charles Glagola
President

Mr. Glenn Miller
Treasurer

Butler Township Volunteer Fireman's Relief Association Governing Body:

Mr. Toby Wehr
President

Mr. Charles Glagola
Vice President

Ms. Ann Osterling
Secretary

Mr. Michael Blessel
Treasurer

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

Mr. Thomas Knights
Manager
Butler Township

MERCER ROAD FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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.