

# COMPLIANCE AUDIT

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## Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County, Commonwealth of Pennsylvania

For the Period  
January 1, 2017 to December 31, 2019

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May 2020



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. David Zacchia, President  
Penn Hills Volunteer Fireman's Relief  
Association, Penn Hills, Allegheny County,  
Commonwealth of Pennsylvania

We have conducted a compliance audit of the Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County, Commonwealth of Pennsylvania (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, 2017 to December 31, 2019.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the 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.

Due to a stay at home order issued by the Governor of the Commonwealth of Pennsylvania during the COVID-19 pandemic, we were unable to observe any of the relief association's equipment to verify its existence.

Based on our audit procedures, we conclude that, except for the effect, if any, of the matter described in the preceding paragraph, for the period January 1, 2017 to December 31, 2019:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- The 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, except as noted in the finding listed below and discussed later in this report.

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

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 relief association and, where appropriate, their response has been included in the report. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

April 30, 2020



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 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 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 relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Penn Hills Township	Allegheny	\$188,637	\$171,392	\$184,441

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

North Bessemer Community Volunteer Fire Department No. 3

Penn Hills Volunteer Fire Company No. 1

Penn Hills Volunteer Fire Company No. 7

Point Breeze Volunteer Fire Department No. 4

Rosedale Volunteer Fire Department No. 2

Thad Stevens Volunteer Fire Department No. 5

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,  
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Duplicate Payments

By receiving reimbursement of \$3,535 from the affiliated fire department for the duplicate payments.

We commend the relief association management for its efforts in complying with the finding and recommendation contained in the prior audit report. The association management should strive to remain in compliance with all applicable state laws, contracts, bylaws and administrative procedures.

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,  
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA  
FINDING AND RECOMMENDATION

**Finding – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association's Surety (Fidelity) bond coverage expired on October 15, 2018. As of December 31, 2019, the relief association's cash assets totaled \$119,018.

Criteria: Section 7415(c)(4) of Act 118 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: Relief association officials indicated that they were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: We recommend that the relief association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's 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.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the relief association purchased bond coverage in an amount greater than the relief association's maximum cash balance on March 15, 2020.

Auditor's Conclusion: We reviewed documentation verifying that bond coverage was obtained on March 15, 2020. Compliance for maintaining bond coverage during the next audit period will be subject to verification through our next audit.



PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,  
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2019

Cash	\$ 119,018
Fair Value of Investments	<u>731,881</u>
Total Cash and Investments	<u>\$ 850,899</u>

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,  
 ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2019

Expenditures:

Benefit Services:	
Insurance premiums	\$ 321,542
Fire Services:	
Equipment purchased	\$ 215,497
Equipment maintenance	71,388
Training expenses	17,705
Total Fire Services	\$ 304,590
Administrative Services:	
Officer compensation	\$ 1,800
Other administrative expenses	2,472
Total Administrative Services	\$ 4,272
Other Expenditures:	
Payments on loan	\$ 16,832
Total Expenditures	\$ 647,236

PENN HILLS VOLUNTEER FIREMAN'S RELIEF ASSOCIATION, PENN HILLS,  
ALLEGHENY COUNTY, COMMONWEALTH OF PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Penn Hills Volunteer Fireman's Relief Association, Penn Hills, Allegheny County,  
Commonwealth of Pennsylvania, Governing Body:

**Mr. David Zacchia**  
President

**Mr. William Gentile**  
Vice President

**Mr. Matthew Henshaw**  
Secretary

**Mr. Robert Scott**  
Treasurer

**Mr. Jeffrey Nave**  
Administrative Assistant

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

**Ms. Diane G. Fitzhenry**  
Manager  
Penn Hills Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).