

# COMPLIANCE AUDIT

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## Upper St. Clair Volunteer Fire Relief Association Inc. Allegheny County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

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December 2022



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Gregory M. Gerlach, President  
Upper St. Clair Volunteer Fire  
Relief Association Inc.  
Allegheny County

We have conducted a compliance audit of the Upper St. Clair Volunteer Fire Relief Association Inc. (relief association) for the period January 1, 2019, to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

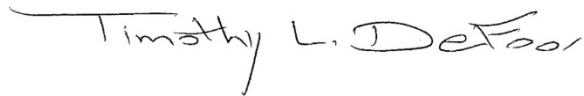
The objective of the audit was to determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds. Our audit was limited to the areas related to the objective identified above and was not, nor was it required to be, 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 objective. 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, 2019, to December 31, 2021, 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 – Improper Equipment Donation Transaction

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor  
Auditor General  
November 9, 2022

# CONTENTS

	<u>Page</u>
Background .....	1
Finding and Recommendation:	
Finding – Improper Equipment Donation Transaction .....	5
Report Distribution List .....	7

## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("VFRA Act"), 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<sup>3</sup> (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

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<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

**BACKGROUND – (Continued)**

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Upper St. Clair Township	Allegheny	\$142,865	\$143,972	\$128,554

Based on the relief association's records, its total cash and investments as of December 31, 2021, were \$582,924, as illustrated below:

Cash	\$ 144,993
Fair Value of Investments	<u>437,931</u>
Total Cash and Investments	<u>\$ 582,924</u>

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$579,576, as noted below. The accuracy of these expenditures was evaluated as part of the Department's audit to conclude on the relief association's compliance 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.<sup>4</sup> **The scope of the Department's audit does not include the issuance of an opinion on the accuracy of these amounts.**

### Expenditures:

Benefit Services:	
Insurance premiums	\$ 108,212
Relief benefits	3,124
Tokens of sympathy and goodwill	100
Total Benefit Services	<u>\$ 111,436</u>
Fire Services:	
Equipment purchased	\$ 296,585
Equipment maintenance	81,208
Training expenses	32,613
Total Fire Services	<u>\$ 410,406</u>
Administrative Services:	
Bond premiums	\$ 1,983
Other administrative expenses	5,536
Total Administrative Services	<u>\$ 7,519</u>
Total Investments Purchased	<u>\$ 50,000</u>
Other Expenditures:	
Undocumented expenditure *	\$ 15
Unauthorized expenditure **	200
Total Other Expenditures	<u>\$ 215</u>
Total Expenditures	<u><u>\$ 579,576</u></u>

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<sup>4</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

## **BACKGROUND – (Continued)**

- \* The relief association was unable to provide adequate supporting documentation evidencing the propriety of a \$15 expenditure made during calendar year 2020. We disclosed this issue to relief association officials during the conduct of our audit, but we did not include a finding in this report due to the relatively low dollar amount. The relief association received full reimbursement for this undocumented expenditure on October 5, 2022.
- \*\* During 2020 and 2021, the relief association made disbursements in the amounts of \$100 and \$100, respectively, for memorial honor guard donations, that were not authorized under the VFRA Act. We disclosed this issue to relief association officials on September 28, 2022, but we did not include a finding in this report due to the relatively low dollar amount. The relief association received full reimbursement for the unauthorized expenditures on September 28, 2022.

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

Upper St. Clair Volunteer Fire Department Inc.



UPPER ST. CLAIR VOLUNTEER FIRE RELIEF ASSOCIATION INC.  
FINDING AND RECOMMENDATION

**Finding – Improper Equipment Donation Transaction**

Condition: The relief association improperly donated a 1996 trench trailer to a local rescue organization on November 20, 2019. The trailer appeared to retain minimal value, according to information provided by the relief association.

Criteria: Section 7418(a) of the VFRA Act 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), 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.

In addition, Section 7416(f) of the VFRA Act states:

Funds of any volunteer firefighters' relief association may be spent:

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

Furthermore, the relief association is not authorized to act as a donating agent for relief association-owned equipment under the VFRA Act. However, a relief association may donate relief association-owned equipment that is no longer in service to another relief association, not another organization. Prudent business practice dictates that if such a donation of equipment occurs, an agreement documenting the transfer should be completed between the participating relief associations.

Cause: The relief association officials indicated they were trying to donate the trailer to what they considered a worthy cause and did not realize the donation was considered improper under the VFRA Act.

Effect: As a result of the improper equipment donation transaction, the relief association may have potentially lost the opportunity to obtain funds that could be used for authorized purposes to benefit the relief association.

UPPER ST. CLAIR VOLUNTEER FIRE RELIEF ASSOCIATION INC.  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We recommend that in the future the relief association officials discontinue the practice of donating relief association-owned equipment to any organization other than to another relief association. We also recommend that the relief association officials maintain supporting documentation, such as a donation agreement, for all future donations. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Relief association management stated that after twenty-five years the value of the trailer was fully depreciated and had no value. In addition, relief association management indicated that it attempted to sell the equipment in 2019 but was unsuccessful.

Auditor’s Conclusion: To ensure compliance with the VFRA act, in the future, the relief association should seek to obtain a fair value of return on all relief association owned equipment, which should include seeking to obtain the scrap value of the equipment from a scrap yard. Compliance for future equipment donations will be subject to verification through our next audit.

UPPER ST. CLAIR VOLUNTEER FIRE RELIEF ASSOCIATION INC.  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Upper St. Clair Volunteer Fire Relief Association Inc. Governing Body:

**Mr. Gregory M. Gerlach**  
President

**Mr. Steven Henk**  
Vice President

**Mr. Russell Rauch**  
Secretary

**Mr. Joseph Pascarella**  
Treasurer

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

**Mr. Matthew R. Serakowski**  
Secretary  
Upper St. Clair 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).