

MIFFLIN FIREMAN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

JUNIATA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006 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 Mifflin 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 Mifflin Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Mifflin Borough	Juniata	\$2,755	\$2,791	\$2,882
Milford Township	Juniata	\$8,583	\$8,773	\$9,090

BACKGROUND (Continued)

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

Mifflin Fire Department No. 2

Mr. Jonathan Lyter, President
MIFFLIN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Juniata County

We have conducted a compliance audit of the Mifflin 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, 2006 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 findings 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 Mifflin 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 Mifflin Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Mifflin 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, 2006 to December 31, 2008, found the Mifflin Volunteer Firefighters' Relief Association took appropriate corrective action to address two of the six findings contained in our prior audit report. However, the Mifflin Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the four remaining findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. Furthermore, the results of our audit found, in all significant respects, the Mifflin Volunteer Firefighters' Relief Association did not receive and expend state aid and accumulated funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Mifflin Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$20,335 and no investments.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Officer's Bond Coverage

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inappropriate Presigning of Blank Checks

Finding No. 5 – Misappropriation of Monetary Assets

Finding No. 6 – Duplicate Payment of Expenditure

Finding No. 7 – Inadequate Minutes of Meetings

Finding No. 8 – Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 9 – Failure to Maintain a Complete and Accurate Membership Roster

Finding No. 10 – Inadequate Internal Controls

The contents of this report were discussed with the management of the Mifflin Volunteer Firefighters' Relief Association and, where appropriate, their responses have been included in the report.

November 4, 2009

JACK WAGNER
Auditor General



MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Mifflin Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Inadequate Signatory Authority for the Disbursement of Funds

By requiring more than one signature on all negotiable instruments.

- Failure to Maintain a Pennsylvania Sales Tax Exemption Number

By obtaining a valid state sales tax exemption number and furnishing this number to entities from which the relief association purchases equipment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Mifflin Volunteer Firefighters' Relief Association has not complied with four of the six prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Undocumented Expenditures
- Noncompliance With Prior Audit Recommendation – Unauthorized Expenditure
- Noncompliance With Prior Audit Recommendation – Failure to Maintain Officer's Bond Coverage
- Noncompliance With Prior Audit Recommendation – Inappropriate Presigning of Blank Checks

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

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

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

Condition: As cited in our prior audit report, the relief association was unable to provide adequate supporting documentation for the following expenditure. The relief association did not obtain supporting documentation or receive reimbursement for the expenditure during the current audit period.

Date	Check No.	Amount
03/05/05	146	\$ 393

In addition, the relief association was unable to provide adequate supporting documentation for the following 14 expenditures made in the current audit period:

Date	Check No.	Amount
01/17/06	Debit Memo	\$ 594
01/27/06	297	75
03/01/06	310	34
03/01/06	311	39
03/22/06	316	160
03/23/06	317	224
04/14/06	319	800
05/05/06	321	5
05/05/06	323	354
05/05/06	328	140
06/16/06	330	150
07/18/06	336	70
08/02/06	340	376
08/03/06	341	25
Total Current Undocumented Expenditures		\$ 3,046
Total Prior Undocumented Expenditures		393
Total Undocumented Expenditures		\$ 3,439

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any 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 amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Without adequate supporting documentation, such as invoices and detailed minutes of meetings, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, good business practices require that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: While notified of this condition during our prior audit, relief association officials neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e). In addition, the failure to maintain adequate documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We again recommend the relief association provide this department with adequate supporting documentation, such as invoices, to determine the validity of the expenditures or that the relief association be reimbursed \$3,439 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation including detailed minutes of board meetings, for all 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 at the audit exit conference and indicated they will take action to comply with the recommendation.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Unauthorized Expenditure

Condition: As cited in our prior audit report, the relief association expended \$250 for the premium on the fire company officer's bond, which is not authorized by Act 84. The relief association failed to follow our prior audit recommendation and did not obtain reimbursement for the \$250 premium from the affiliated fire department.

Criteria: Act 84 at 53 P.S. § 8506(e)(1) states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of its affairs including legal fees and including but not by way of limitation the rental or purchase of offices, the payment of reasonable compensation of any needed employees, and the purchase of office equipment and supplies.

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) has been established whereby the DCED provides interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." The fire department's bond premium has been deemed by DCED to not qualify as a reasonable operating expense of the relief association (ex. safeguard equipment, "bona fide firefighters' training school," insurance benefits which directly cover the volunteer firefighter); consequently, this disbursement for the fire department's bond premium is not authorized under Act 84.

Cause: While notified of this condition during our prior audit, relief association officials did not obtain reimbursement for the fire department's bond premium.

Effect: As a result of the unauthorized expenditure, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 84.

Recommendation: We again recommend the relief association be reimbursed \$250 for the unauthorized expenditure and that 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 at the audit exit conference and indicated they will take action to comply with the recommendation.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Officer's Bond Coverage

Condition: As cited in our prior audit report, the relief association failed to maintain bond coverage on the disbursing officer as required by Act 84. The relief association was without bond coverage from January 1, 2006 to May 10, 2007. On May 10, 2007, the relief association obtained bond coverage.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such 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 such bond shall be a proper charge against the funds of the association.

Cause: While notified of this condition during our prior audit, relief association officials failed to maintain bond coverage in accordance with Act 84 provisions until they purchased bond coverage on May 10, 2007. This internal control weakness is also noted in Finding No. 10 of this report.

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

Recommendation: We again recommend the relief association monitor and maintain officer's bond coverage in an amount greater than the maximum cash balance as required by Act 84. 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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Noncompliance With Prior Audit Recommendation –
Inappropriate Presigning of Blank Checks

Condition: As cited in our prior audit report, relief association officials presigned blank checks. During interviews with relief association officials, they stated that they presigned blank checks with one of the two relief association officials authorized to sign checks. The presigning of blank checks negates the relief association's internal control over the disbursement process. The presigned checks were associated with the former treasurer who pled guilty to criminal charges.

Criteria: Prudent business practice dictates that the relief association has sufficient internal control procedures in place to prohibit the presigning of blank checks. Good internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed.

Cause: While notified of this condition during our prior audit, the relief association neglected to establish internal control procedures to prevent the presigning of blank checks. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: As a result of the relief association officer presigning the blank checks, assets may have been placed at a greater risk due to expenditures being made without a second relief association officer having an opportunity to verify the propriety of the expenditures. The application of one of the two required signatures prior to evaluating the propriety of the expenditure increases the risk of errors occurring and going undetected and increases the risk of misappropriation.

Recommendation: We again recommend that the practice of presigning blank checks be immediately discontinued. We also recommend that all of the relief association officers ensure that checks are signed and co-signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. 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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Misappropriation of Monetary Assets

Condition: During the audit period, the relief association treasurer inappropriately issued a check to himself, in the amount of \$400, as payment for officer's salary; however, the officer had already been paid his annual stipend of \$150, per the relief association bylaws.

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the "Municipal Pension Plan Funding Standard, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Prudent business practice dictates that the relief association shall have sufficient internal controls in place to ensure the propriety of all relief association expenditures. Such internal controls should include procedures to ensure that the disbursements have been approved by the relief association membership and that the goods or services have actually been received prior to making payment.

In addition, according to an amendment to the bylaws, beginning December 31, 2005, the administrative salary was \$150 per year.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure the propriety of all relief association expenditures. The internal control weakness that contributed to this check being misappropriated is discussed in Finding No. 10 of this report.

Effect: As a result of the misappropriation of funds by the relief association member, relief association funds were not available for purposes authorized by Act 84. The officer eventually pled guilty to one count Theft by Unlawful Taking. On March 18, 2010, he was ordered to pay restitution in the amount of \$400, to perform 30 hours of community service, and serve a 12 month probationary period. The offender is no longer an officer in the relief association.

Recommendation: We recommend that the relief association immediately establish sufficient internal controls to ensure the propriety of all future relief association 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 and indicated they will take action to comply with the recommendation.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Duplicate Payment of Expenditure

Condition: On June 16, 2006, the relief association expended \$345 for a helmet. On January 31, 2007, the relief association erroneously made a duplicate payment for the same helmet. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures, which would require that all invoices or other billing documents be canceled or otherwise effectively marked to prevent duplicate payments. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: We recommend the relief association be reimbursed \$345 for the erroneous duplicate payment. The relief association should consider contacting the vendor to recover the duplicate payment. In addition, the relief association should establish accounting and internal control procedures to monitor future relief association 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 at the audit exit conference and indicated they will take action to comply with the recommendation.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – Inadequate Minutes of Meetings

Condition: The relief association failed to maintain adequate minutes of meetings as required by Act 84. Specifically, the minutes were not complete. They did not document all financial transactions of the relief association and were not signed and dated by the recording officer.

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.

Cause: Relief association officials were aware that maintaining adequate minutes of meetings was required by Act 84 but failed to do so. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend the relief association maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association and that the minutes be signed and dated by the recording officer. 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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association failed to maintain a complete and accurate equipment roster. While an equipment roster was provided, it was not complete and accurate. The relief association previously maintained equipment rosters; however, no purchases since 2005 were recorded. The equipment roster provided did not include \$22,750 worth of equipment purchased during the current audit period. In addition, the equipment roster lacked names of suppliers, dates of purchases, unit costs, serial numbers, item locations and final dispositions. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's fixed assets.

Criteria: The relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's fixed assets. A cumulative equipment roster of all relief association equipment should include the following:

- Types of equipment purchased;
- Dates of purchases;
- Unit costs;
- Names of suppliers;
- Serial numbers, if applicable;
- Current locations of items;
- Final dispositions of sold or damaged equipment; and
- Evidence of the results of an annual physical inventory.

Furthermore, sound business practice requires the performance of an annual physical inventory of all relief association owned equipment.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 8 – (Continued)

Recommendation: We recommend the relief association officials maintain a cumulative equipment roster of all relief association owned equipment. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 9 – Failure to Maintain a Complete and Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. Although membership rosters existed during prior audit periods, no membership rosters were provided for the current audit period.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by the criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member;
- Members' mailing addresses;
- Dates of birth;
- Dates of membership; and
- Membership classifications.

In addition, when applicable, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials were aware that they should maintain a comprehensive roster of relief association members but they failed to do so. This internal control weakness is also noted in Finding No. 10 of this report.

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 10 – Inadequate Internal Controls

Condition: The relief association has failed to establish adequate internal controls. The following material internal control weaknesses existed during the current audit period:

- Expenditure transactions were not properly documented (See Finding No. 1);
- Reimbursement for prior unauthorized expenditure was not pursued (See Finding No. 2);
- Officer's bond coverage was not maintained (See Finding No. 3);
- Officers presigned blank checks (See Finding No. 4);
- Monetary assets were misappropriated (See Finding No. 5);
- A duplicate payment was made to a vendor (See Finding No. 6);
- Membership meetings were conducted infrequently and not properly documented (See Finding No. 7);
- A complete and accurate equipment roster was not maintained (See Finding No. 8);
- Periodic physical inventories of equipment were not performed (See Finding No. 8);
- A complete and accurate membership roster was not maintained (See Finding No. 9);
- Receipts, totaling \$6,874, could not be identified. During the audit period, the relief association recorded 21 deposits totaling \$6,874 as "Unidentified Income" because officers did not know the source of, or the reason for, the income;
- No evidence exists that financial related activities were presented, discussed, and approved at relief association meetings;
- Financial record keeping was inadequate; and
- Financial oversight by relief officers was lacking.

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.

Article III, Section 3, of the relief association bylaws states, in part:

"Regular meeting of the association shall be conducted once every month."

Article I, Section 3, of the relief association bylaws states, in part:

"The Secretary will keep a true record of the proceedings of every meeting to include authorization of all financial transactions and other business discussed. He/she shall be responsible for providing representation to the Department of the Auditor General with association minutes...."

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No.10 – (Continued)

Article I, Section 5, of the relief association bylaws states, in part:

“The Treasurer will keep account of all money belonging to the association and he/she will not expend or invest without authorization of the members. The treasurer shall...maintain all documents supporting the receipts and disbursement made by the association. The treasurer is responsible for maintaining relief association financial records in a businesslike manner and presenting them in an orderly fashion...”

Article II, Section 1, of the relief association bylaws states, in part:

“Funds of this association will not be spent for any purpose other than those authorized by provisions of Act 84 and the bylaws. All expenditures must be approved by a majority vote at the association meeting and be recorded in the minutes.”

Article II, Section 2, of the relief association bylaws states, in part:

“All expenditures must be...recorded in detail, supporting documentation such as invoices, cancelled checks, savings withdrawal slips etc. shall be maintained to verify all disbursements.”

Article IV, Section 2, of the relief association bylaws states, in part:

“The association shall maintain an officers bond...and the amount of the bond shall be at least as great as the maximum cash balance in current funds in the association at any time during the fiscal year.”

Furthermore, prudent business practice dictates that:

- Expenditure transactions be properly authorized;
- Officers' bond coverage be maintained in a sufficient amount;
- Officials should not pre-sign checks;
- Funds should not be misappropriated;
- Duplicate payments should not be made;
- Membership meetings should be conducted frequently and documented;
- Equipment rosters should be maintained and complete;
- Periodic physical inventories of relief equipment should be conducted;
- Membership rosters should be maintained and complete;

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 10 – (Continued)

- Receipts should be identified;
- Financial activities be presented, discussed and approved at relief association meetings;
- Financial record keeping be accurate and complete; and
- Officers must maintain proper financial oversight.

Cause: The relief association failed to establish internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions. The relief association officials were aware of the relief association's duties and responsibilities as is evidenced by the relief association bylaws.

Effect: The failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls resulted in relief association funds being misappropriated, during the current audit period.

Recommendation: We recommend the relief association officials adopt internal control procedures which will ensure that:

- All expenditure transactions are authorized;
- Reimbursement for unauthorized expenditures be pursued;
- Officers' bond coverage is sufficiently maintained;
- Checks are not presigned;
- Funds are not misappropriated;
- Duplicate payments are not made;
- Membership meetings are conducted frequently and documented;
- Equipment rosters are maintained and complete;
- Periodic physical inventories of relief equipment are conducted;
- Membership rosters are maintained and complete;
- Receipts are identified;
- Financial activities are presented, discussed, and approved at relief association meetings;
- Financial record keeping is accurate and complete; and
- Officers maintain proper financial oversight.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions of the repeat findings such as that reported in Finding Nos. 1 and 2 may lead to a total withholding of state aid in the future unless these findings are corrected. Furthermore, a condition such as that reported in Finding Nos. 5 and 6 may lead to a total withholding of state aid in the future unless these findings are corrected. However, such action will not be considered if sufficient written documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2008

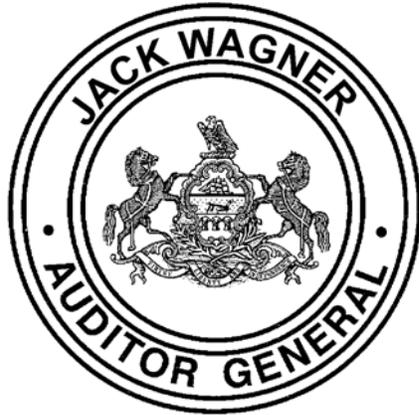
Act 84 at 53 P.S. § 8502(1) states, in part, that:

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	\$ 5,155
Total Benefit Services	\$ 5,155
Fire Services:	
Equipment purchased	\$ 22,751
Equipment maintenance	5,191
Training expenses	905
Total Fire Services	\$ 28,847
Administrative Services:	
Officer compensation	\$ 1,800
Other administrative expenses	194
Total Administrative Services	\$ 1,994
Other Expenditures:	
Misappropriation of funds	\$ 400
Undocumented expenditures	3,046
Total Other Expenditures	\$ 3,446



MIFFLIN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Mifflin Volunteer Firefighters' Relief Association Governing Body:

Mr. Jonathan Lyter, President

Mr. Nathan Jones, Vice President

Mr. James Milliken, Jr., Secretary

Ms. Tresa Swartz, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Brandy N. Burns, Secretary
Mifflin Borough

Ms. Mary D. Houtz, Secretary
Milford 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.