THE NEW ALBANY VOLUNTEER FIRE RELIEF ASSOCIATION OF THE STATE OF PENNSYLVANIA

BRADFORD COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2009

JACK WAGNER

AUDITOR GENERAL

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JACK WAGNER

AUDITOR GENERAL

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 New Albany Volunteer Fire Relief Association of the State of Pennsylvania, herein referred to as New Albany 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 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.

BACKGROUND (Continued)

The New Albany Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

Municipality	County	2007	2008	2009
Albany Township	Bradford	$5,631	$5,769	* $5,198
New Albany Borough	Bradford	$1,455	$1,491	$1,324
Overton Township	Bradford	$1,717	$1,271	$1,066
Terry Township	Bradford	$1,998	$2,052	$1,859

* The state aid check from Albany Township, in the amount of $5,198, was not distributed by the municipality until February 11, 2010, subsequent to the audit period (refer to the finding in the Finding and Recommendation section of this report).

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

New Albany Volunteer Fire Company

Mr. Dale Hatch, President
NEW ALBANY VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Bradford County

We have conducted a compliance audit of the New Albany 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, 2007 to December 31, 2009.

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 finding 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 New Albany Volunteer Firefighters' 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. 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 New Albany Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the New Albany Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2009, 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, 2007 to December 31, 2009, found the New Albany Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report and, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the finding listed below and discussed later in this report. The results of our tests also indicated the New Albany Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2009, had a cash balance of $20,927 and an investment balance with a fair value of $14,500.

Finding – Untimely Receipt of State Aid

The contents of this report were discussed with the management of the New Albany Volunteer Firefighters' Relief Association and, where appropriate, their response has been included in the report.

September 7, 2010

JACK WAGNER
Auditor General

NEW ALBANY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The New Albany Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Insufficient Officer's Bond Coverage

  By increasing the officer's bond coverage to an amount greater than the balance of cash assets.

NEW ALBANY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Receipt of State Aid

Condition: The New Albany Volunteer Firefighters' Relief Association did not receive its 2009 state aid allocation from Albany Township, in the amount of $5,198, until February 11, 2010, which was 150 days after the municipality received the funds from the Commonwealth of Pennsylvania, on September 14, 2009.

Criteria: As required by the Foreign Fire Insurance Tax Distribution Law Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), the municipality shall within 60 days of the date of the receipt of the monies, from the State Treasurer, pay the amount received to the relief association fund of the fire department or departments, or fire company or companies. It is the relief association's responsibility to monitor the municipality's distribution of the state aid. Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The township treasurer confirmed, in a conversation with the auditor, that the state aid was held until the fire company complied with township requirements. In addition, the relief association failed to monitor the municipality's receipt and distribution of state aid allocations.

Effect: As a result of the untimely receipt of the state aid allocation, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely receipt of allocations increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend that Albany Township abide by the law and distribute state aid to all relief associations within 60 days of the date of receipt. If the state aid is not received within 60 days, the relief association should contact the municipality. 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.

NEW ALBANY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2009

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	$	5,393
Tokens of sympathy and goodwill		34
Total Benefit Services	$	5,427
Fire Services:		
Equipment purchased	$	35,896
Equipment maintenance		2,964
Training expenses		702
Total Fire Services	$	39,562
Administrative Services:		
Miscellaneous administrative expenses	$	63
Total Administrative Services	$	63
Total Investments Purchased	$	14,500

JACK WAGNER

AUDITOR GENERAL

NEW ALBANY VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

New Albany Volunteer Firefighters' Relief Association Governing Body:

Mr. Dale Hatch, President

Mr. Larry Newberry, Sr., Vice President

Ms. Connie Green, Secretary

Mr. David L. Hindman, Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report.

Ms. Andrae Cummiskey, Secretary
Albany Township

Ms. Anne Berkley, Secretary
New Albany Borough

Ms. Michelle McGroarty, Secretary
Overton Township

Ms. Stacy J. Hart, Secretary
Terry 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.