



MILESBURG FIREMAN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

MILESBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CENTRE COUNTY

COMPLIANCE AUDIT REPORT

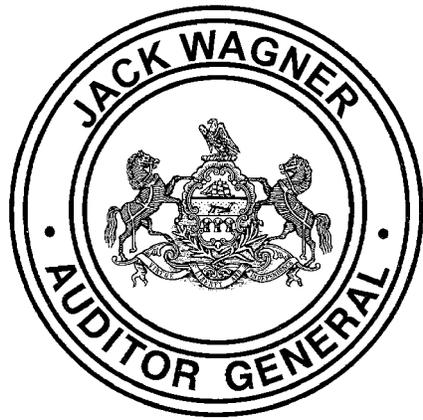
FOR THE PERIOD

JANUARY 1, 2004 TO DECEMBER 31, 2006



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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 Milesburg 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.

BACKGROUND (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Boggs Township	Centre	\$15,605	\$17,470	\$17,770
Howard Township	Centre	\$ 654	\$ 732	\$ -
Milesburg Borough	Centre	\$ 5,601	\$ 6,330	\$ 6,408
Union Township	Centre	\$ 6,769	\$ 7,667	\$ 7,815
Unionville Borough	Centre	\$ 1,489	\$ 1,641	\$ 1,679

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

Citizen's Hook & Ladder No. 1

Mr. Daniel L. Boring Sr., President
MILESBURG VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Centre County

We have conducted a compliance audit of the Milesburg 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, 2004 to December 31, 2006. The audit was conducted in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States.

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 Milesburg 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Milesburg Volunteer Firefighters' Relief Association's cash balance as of December 31, 2006, with the custodian of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit found that for the period January 1, 2004 to December 31, 2006, the Milesburg Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2006, had a cash balance of \$39,831 and no investments. Additionally, the results of our tests indicated that, in all significant respects, the Milesburg Volunteer Firefighters' Relief Association received and expended state aid and accumulated relief association funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following finding discussed later in this report:

Finding – Unauthorized Expenditures

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

September 25, 2007

JACK WAGNER
Auditor General

MILESBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Inappropriate Commingling of Funds

By ensuring all relief association expenses are paid directly from a relief association account.

- Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a cumulative roster of all relief association owned equipment and by documenting an inventory of all operable equipment owned.

- Inadequate Minutes of Minutes

By maintaining detailed minutes of all association meetings.

- Inadequate Financial Record-Keeping System

By establishing adequate accounting procedures that meet the minimum financial record-keeping requirements of this department.

- Inadequate Investments Records

By sufficiently documenting all investment transactions.

- Inadequate Documentation of Investment Income

By recording and identifying all investment income.

MILESBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Unauthorized Expenditures

Condition: The relief association expended funds for the following items, which are not authorized by Act 84:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/22/06	172	National registry of 13 member's certification	\$ 195
05/31/06	198	National registry of 1 member's certification	15
05/09/07	255	National registry of 10 member's certification	150
Total			<u>\$ 360</u>

Criteria: Act 84 at 53 P.S. § 8506(e)(7) states:

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

- (7) To acquire and maintain membership in any statewide association or corporation which extends advice and assistance to firefighters' relief associations in the conduct of their affairs and to pay reasonable expenses... of such statewide association or corporation.

Since 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) had been established whereby the DCED provided interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." Fees for this national registry have been deemed by DCED to not qualify under Act 84, since the organization does not extend advice and assistance to relief associations.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 84.

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

However, subsequent to the period under review, on December 4, 2007, the relief association received reimbursement from the affiliated fire department in the amount of \$360 for the unauthorized expenditures.

MILESBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the 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 and indicated they will take action to comply with the recommendation.

MILESBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2004 TO DECEMBER 31, 2006

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	\$ 21,977
Relief benefits	560
Total Benefit Services	\$ 22,537
Fire Services:	
Equipment purchased	\$ 44,426
Equipment maintenance	30,452
Training expenses	10,074
Total Fire Services	\$ 84,952
Administrative Services:	
Officer compensation	\$ 9,600
Other Administrative expenses	2,342
Total Administrative Services	\$ 11,942

MILESBERG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Milesburg Volunteer Firefighters' Relief Association Officers:

Mr. Daniel L. Boring Sr., President

Ms. Sally A. Bartley, Secretary

Ms. Karin M. Knisely, Treasurer

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

Ms. Xochi Confer, Secretary
Boggs Township

Ms. Sheila M. Yoder, Secretary
Howard Township

Ms. Paula J. Hall, Secretary
Milesburg Borough

Ms. C. Rochelle Dubbs, Secretary
Union Township

Ms. Sherry A. Lucas, Secretary
Unionville Borough

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.