

**REIFFTON FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION, BERKS  
COUNTY, PA**

**HEREIN REFERRED TO AS:**

**REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**BERKS COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006 TO DECEMBER 31, 2007**



## CONTENTS

|   |    |
|---|----|
| Background.....   | 1  |
| Letter From the Auditor General .....   | 3  |
| Status of Prior Findings .....  | 5  |
| Findings and Recommendations:   |    |
| Finding No. 1 – Noncompliance With Prior Audit Recommendation –<br>Inadequate Minutes of Meetings.....                                | 6  |
| Finding No. 2 – Noncompliance With Prior Audit Recommendation –<br>Inadequate Relief Association Bylaws .....                         | 7  |
| Finding No. 3 – Noncompliance With Prior Audit Recommendation –<br>Failure to Maintain a Complete and Accurate Equipment Roster ..... | 8  |
| Finding No. 4 – Noncompliance With Prior Audit Recommendation –<br>Failure to Maintain Adequate Officer's Bond Coverage .....         | 10 |
| Accompanying Expenditure Information .....  | 11 |
| Report Distribution List .....  | 13 |



## 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 Reiffton 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 Reiffton Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

| <u>Municipality</u>    | <u>County</u> | <u>2006</u> | <u>2007</u> |
|------------------------|---------------|-------------|-------------|
| Exeter Township        | Berks         | \$84,090    | \$90,000    |
| Saint Lawrence Borough | Berks         | \$ 4,699    | \$ 4,741    |

BACKGROUND (Continued)

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

Reiffton Fire Company

Mr. Robert Jordan, President  
REIFFTON VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Berks County

We have conducted a compliance audit of the Reiffton 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, 2007.

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 Reiffton 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 Reiffton Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2006 to December 31, 2007, found, in all significant respects, the Reiffton Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following findings discussed later in this report. The results of our tests indicated the Reiffton Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$227,399 and an investment balance with a fair value of \$29,378.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Relief Association Bylaws

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 4 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Adequate Officer's Bond Coverage

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

January 30, 2009

JACK WAGNER  
Auditor General

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Unauthorized Expenditure

By receiving reimbursement from the affiliated fire company on November 17, 2007, in the amount of \$931, for emergency medical supplies which was considered an unauthorized expenditure during the prior audit. In addition, the relief association did not make any unauthorized expenditures during the current audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Reiffton Volunteer Firefighters' Relief Association has not complied with a prior audit findings. These issues are further discussed in the following findings noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Inadequate Minutes of Meetings
- Noncompliance With Prior Audit Recommendation – Inadequate Relief Association Bylaws
- Noncompliance With Prior Audit Recommendation – Failure to Maintain a Complete and Accurate Equipment Roster
- Noncompliance With Prior Audit Recommendation – Failure to Maintain Adequate Officer's Bond Coverage

We are highly concerned with the volunteer firefighters' relief association's repeated 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.

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings

Condition: As cited in the prior three audit reports, the relief association failed to maintain detailed minutes of meetings as required by Act 84 and the relief association's bylaws. During the current audit period, the relief association's minutes of meetings again did not address all of the financial-related transactions that occurred during the year 2006. In addition, the relief association did not provide any minutes for meetings that were to have taken place in the year 2007.

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.

In addition, Article III, Section 3, of the relief association's bylaws states in pertinent part:

He/she shall keep a full and complete record of the proceedings of all meetings of the Association.

Cause: While notified of this condition in the prior three audit reports, relief association officials neglected to maintain detailed minutes of meetings as required by Act 84 and the relief association's bylaws.

Effect: The failure to maintain detailed minutes of meetings prevented the verification as to whether all relief association business was presented before the membership for approval.

Recommendation: We again recommend the relief association maintain detailed minutes of meetings, including all financial-related business conducted by the relief association. 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.

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Relief Association Bylaws

Condition: As cited in the prior two audit reports, the existing bylaws of the Reiffton Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 84 at 53 P.S. § 8505(c). Specifically, the bylaws do not address the quorum requirements for meetings nor do they specify that the treasurer must be one of the two signatures on all negotiable instruments.

The bylaws in their current form are not in compliance with the requirements of Act 84. Although all checks reviewed that were drawn during the audit period did contain the signature of two officers including the signature of the treasurer, we believe the stipulation requiring two signatures including that of the treasurer should be contained within the relief association's bylaws so that the association membership is aware of proper operating procedures.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that the relief association's bylaws shall include the following provisions:

- State the requirements and the procedure to be followed in calling meetings, as well as the quorum requirements for regular and special meetings.
- Require the signatures of at least two officers, one of which shall be the disbursing officer, in order to bind the relief association by formal contract or to issue any negotiable instrument.

Cause: While notified of this condition in the prior two audit reports, relief association officials neglected to amend the relief association bylaws to meet the bylaw provisions required by Act 84.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We again recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84 and properly authorize the operating procedures of the relief association. 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.

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in the prior two audit reports, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. While a partial roster of relief association owned equipment was provided at the time of the audit, it was incomplete, as not all equipment purchased was recorded and it did not contain serial numbers to accurately identify equipment owned. The relief association had maintained and provided an equipment rosters in prior years but it has not been maintained to accurately account for all equipment owned by the relief association. In addition, there was no indication that an annual inventory of the equipment was performed to account for 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 roster of all relief association equipment should include the following:

- Type of equipment purchased.
- Date of purchase.
- Unit cost.
- Name of supplier.
- Serial number, if applicable.
- Current location of item.
- Final disposition of sold or damaged equipment.
- Notation of the annual inventory.

Cause: While notified of this condition in the prior two audit reports, relief association officials neglected to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster and the performance of an annual equipment inventory.

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 equipment inventory prevents adequate accountability and safeguarding of relief association assets.

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Adequate Officer's Bond Coverage

Condition: As cited in the prior audit report, the relief association failed to maintain adequate bond coverage on the association's disbursing officer as required by Act 84. Specifically, the bond policy that was in effect in the prior audit period and a portion of the current audit period was issued jointly in the name of the fire company and the relief association. During the current audit period, this joint bond policy expired on June 25, 2006, and the relief association was without bond coverage from June 25, 2006 through the date of this report.

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.

Since the relief association and fire company are separate and distinct legal entities, the relief association should maintain a bond policy solely in the name of the relief association to ensure that there is adequate protection of relief association assets.

Cause: While notified in the prior audit report of the necessity to maintain adequate bond coverage, relief association officials neglected to have the officer bond policy corrected so that it would ensure adequate protection of relief association assets.

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

Recommendation: We again recommend the relief association ensure that the disbursing officer is adequately covered by a faithful performance bond, as required by Act 84. We also recommend the relief association monitor the balance of cash assets to ensure that the disbursing officer is adequately covered by a faithful performance bond, 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.

REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2007

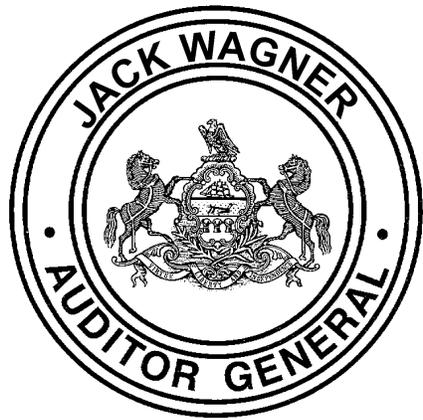
Act 84 at 53 P.S. § 8502(1) states, in part, that:

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                    | \$ 13,066         |
| Total Benefit Services                | <u>\$ 13,066</u>  |
|                                       |                   |
| Fire Services:                        |                   |
| Equipment purchased                   | \$ 159,211        |
| Equipment maintenance                 | 2,057             |
| Training expenses                     | 6,538             |
| Total Fire Services                   | <u>\$ 167,806</u> |
|                                       |                   |
| Administrative Services:              |                   |
| Miscellaneous administrative expenses | \$ 16             |
| Total Administrative Services         | <u>\$ 16</u>      |
|                                       |                   |
| Total Investments Purchased           | <u>\$ 50,000</u>  |



REIFFTON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Reiffton Volunteer Firefighters' Relief Association Officers:

Mr. Robert Jordan, President

Mr. Gill Morisette, Secretary

Mr. Daniel Wiekrykas, Treasurer

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

Mr. Troy S. Bingaman, Secretary  
Exeter Township

Ms. Susan D. Eggert, Secretary  
Saint Lawrence 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](http://www.auditorgen.state.pa.us).