

**VIGILANTE ENGINE RELIEF ASSOCIATION OF ROME, BRADFORD COUNTY,
PENNSYLVANIA**

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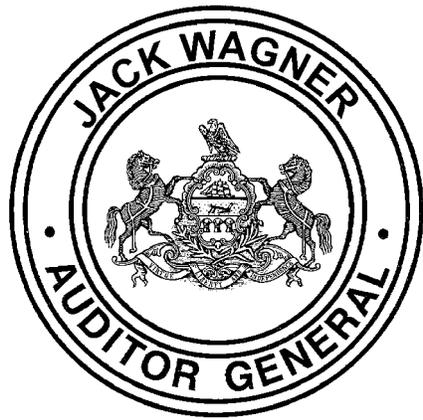
ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

BRADFORD COUNTY

AUDIT REPORT

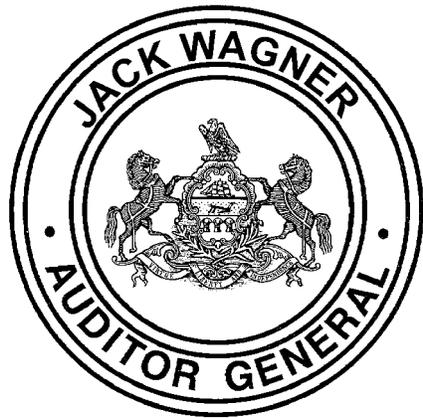
FOR THE PERIOD

JANUARY 1, 2002 TO DECEMBER 31, 2004



CONTENTS

Background.....	1
Independent Auditor's Report.....	3
Statement Of Monetary Assets Arising From Cash Transactions	5
Statement Of Cash Receipts, Disbursements, And Changes In Cash.....	6
Notes To Financial Statements	7
Report On Compliance And On Internal Control Over Financial Reporting	11
Finding and Recommendation:	
Finding – Inadequate Signatory Authority For The Disbursement Of Funds	13
Comment.....	14
Report Distribution List	15



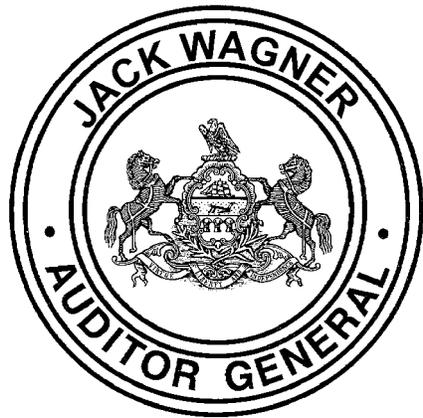
BACKGROUND

This audit report is a public record, which must be available for examination by all interested citizens and volunteer firefighters' relief association (VFRA) members.

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.

This department conducts its audits of volunteer firefighters' relief associations in accordance with generally accepted auditing standards. Representations contained in the accompanying financial statements are the responsibility of the relief association's management. This department's responsibility for those statements is confined solely to an expression of our opinion as to the fairness of management's representation of the financial statements taken as a whole.

Act 84 requires that the relief association be governed in accordance with bylaws, which establish the association's operating procedures. Act 84 provides that the primary purpose of a relief association is to afford financial protection to volunteer firefighters against misfortunes suffered during fire service participation. To fulfill this purpose, Act 84 authorizes specific types of expenditures and outlines appropriate 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.



Independent Auditor's Report

Mr. Leonard Jones, President
ROME-VIGILANTE VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Bradford County

We have audited the accompanying Statement Of Monetary Assets Arising From Cash Transactions as of December 31, 2004 and the related Statement Of Cash Receipts, Disbursements, And Changes In Cash of the Rome-Vigilante Volunteer Firefighters' Relief Association for the period January 1, 2002 to December 31, 2004. These financial statements are the responsibility of the relief association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Independent Auditor's Report (Continued)

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the monetary assets arising from cash transactions of the Rome-Vigilante Volunteer Firefighters' Relief Association as of December 31, 2004, and the cash receipts, disbursements, and changes in cash for the period January 1, 2002 to December 31, 2004, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2005, on our consideration of the Rome-Vigilante Volunteer Firefighters' Relief Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

October 18, 2005

JACK WAGNER
Auditor General

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF MONETARY ASSETS ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2004

ASSETS:

Cash (note 3)	\$ 20,831
Investments (note 4)	<u>14,956</u>
Total Monetary Assets	<u>\$ 35,787</u>

Notes to financial statements are an integral part of this report.

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
FOR THE PERIOD JANUARY 1, 2002 TO DECEMBER 31, 2004

RECEIPTS:

Support:		
State aid (note 5)	\$	27,031
Contribution		3,000
Other Receipts:		
Investments sold		1,000
Interest income		1,540
Proceeds from equipment sold		800
		<hr/>
Total Receipts		33,371

DISBURSEMENTS:

Fire Services:		
Equipment purchased		8,252
Equipment maintenance		2,311
Benefit Services:		
Insurance premiums		3,263
Relief benefits		663
Administrative Services:		
Office equipment and supplies		5
Bank service fees		26
Other Disbursements:		
Investments purchased		6,500
Income reinvested		417
		<hr/>
Total Disbursements		21,437

Net Increase or (Decrease) In Cash		11,934
Cash Balance, January 1		8,897
		<hr/>
Cash Balance, December 31	\$	<u>20,831</u>

Notes to financial statements are an integral part of this report.

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Pursuant to the Act of June 11, 1968, (P.L. 149, No. 84), as amended, the Rome-Vigilante Volunteer Firefighters' Relief Association is a charitable organization that was formed to afford financial protection to volunteer firefighters and to encourage individuals within the community to participate in volunteer fire service.

Act 84 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws regulate the specific procedures by which the association assets are managed.

The Rome-Vigilante Volunteer Firefighters' Relief Association is affiliated with Vigilante Engine Company No. 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The relief association's records are maintained on a cash basis, and the statement of cash receipts and disbursements reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses, and depreciation, which would otherwise be recognized under accounting principles generally accepted in the United States of America (GAAP) and which may be material in amount, are not recognized in the accompanying financial statements.
- B. Fixed assets are recognized as expenditures at the time of purchase, rather than being capitalized and depreciated over their estimated useful lives.
- C. The relief association did not adopt Statement of Financial Accounting Standard (SFAS) No. 117 since they do not follow GAAP.
- D. The nature of the relief association's monetary assets is considered to be unrestricted.
- E. All investments of the relief association are carried at their original cost to the association, rather than the fair value.

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

3. CASH

Cash consisted of the following at December 31, 2004:

Checking account	\$	321
Money market account		20,510
 Total Cash	 \$	 <u>20,831</u>

4. INVESTMENTS

The investments held by the relief association as of December 31, 2004, consisted of the following:

	Cost	Fair Value
Certificates of deposit	\$ 11,456	\$ 11,463
U.S. government securities	3,500	3,500
 Total Investments	 \$ <u>14,956</u>	 \$ <u>14,963</u>

5. STATE AID

Chapter 7 of the Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 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 relief association of the fire department or departments, which is or are recognized as providing service to the municipality.

During the years 2002, 2003, and 2004, the Rome-Vigilante Volunteer Firefighters' Relief Association received state aid from the following municipalities:

Municipality	County
Orwell Township	Bradford
Rome Borough	Bradford
Rome Township	Bradford

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

6. RELATED PARTY SITUATIONS

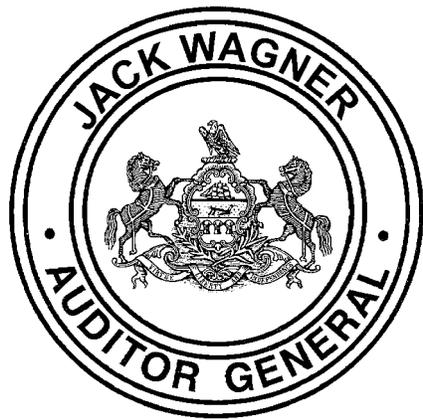
A related party situation exists because the volunteer firefighters' relief association is affiliated with the fire service organization disclosed in Note 1. The relief association is a distinct separate legal entity that was established primarily for the purpose of affording financial protection to the volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service.

Another related party situation exists because certain officers of the relief association hold offices in the fire service organization.

The relief association membership is aware of these situations and all transactions are approved by the relief association membership.

7. INCOME TAX STATUS

The relief association is a not-for-profit organization that is exempt from federal income tax under Section 501 (a) of the Internal Revenue Code as an organization described under Section 501 (c)(3) of the Code.



**Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance With
*Government Auditing Standards***

Mr. Leonard Jones, President
ROME-VIGILANTE VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Bradford County

We have audited the financial statements (cash basis) of the Rome-Vigilante Volunteer Firefighters' Relief Association as of December 31, 2004 and for the period January 1, 2002 to December 31, 2004, and have issued our report thereon dated October 18, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Compliance

As part of obtaining reasonable assurance about whether Rome-Vigilante Volunteer Firefighters' Relief Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the finding stated below:

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

**Report On Compliance And On Internal Control Over Financial Reporting
Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards (Continued)**

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rome-Vigilante Volunteer Firefighters' Relief Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Rome-Vigilante Volunteer Firefighters' Relief Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the following finding:

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by association officers in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the relief association's members and management, and the officials of the municipalities that grant the foreign fire insurance tax monies to the volunteer firefighters' relief association. It is not intended to be and should not be used by anyone other than these specified parties.

October 18, 2005

JACK WAGNER
Auditor General

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: The signature of only one relief association officer was used to disburse relief association funds from the checking account, although the signatures of at least two relief association officers are required.

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

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required in order to bind the association by formal contract or to issue any negotiable instrument.

Cause: Relief association officials were unaware of the Act 84 provision, which requires the signatures of at least two officers for the disbursement of funds.

Effect: As a result of the relief association not obtaining two signatures for all disbursements, assets were placed at greater risk of misappropriation.

Recommendation: We recommend the relief association officials adopt procedures which would require the signatures of at least two officers on all relief association negotiable instruments, 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.

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
COMMENT

PRIOR AUDIT RECOMMENDATION

Undocumented Expenditures

The relief association has complied with the prior audit recommendation by receiving reimbursement, subsequent to the period under review, on October 18, 2005, in the amount of \$315, for the undocumented expenditures made during the prior financial period.

ROME-VIGILANTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Rome-Vigilante Volunteer Firefighters' Relief Association Officers:

Mr. Leonard Jones, President

Ms. Rebecca Beaudoin, Secretary

Mr. Duane Phillips, Treasurer

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

Ms. Laurie J. Novak, Secretary
Orwell Township

Ms. Shirley Phillips, Secretary
Rome Borough

Ms. Randy Griffin, Secretary
Rome 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.