R.W. & BT. VOL. FIREFIGHTERS' ASSOCIATION OF WOOD TOWNSHIP, HUNTINGDON, PENNA

HEREIN REFERRED TO AS:

R.W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

HUNTINGDON COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2007

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, 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 R.W. & BT. 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 R.W. & BT. Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

Municipality	County	2005	2006	2007
Broad Top Township	Bedford	$ 51	$ 519*	$ 523
Wells Township	Fulton	$ 283	$ 293	$ 299
Broad Top City Borough	Huntingdon	$1,985	$1,992	$2,015
Dudley Borough	Huntingdon	$ 225*	$ 266	$ 223
Todd Township	Huntingdon	$2,452	$2,456	$2,512
Wood Township	Huntingdon	$3,526	$3,572	$3,564

* However, the 2005 state aid allocation from Dudley Borough was not deposited into a relief association account until February 17, 2006. In addition, the 2006 state aid allocation from Broad Top Township was not deposited into a relief association account until December 15, 2008. See Finding No. 1 contained in this report.

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

R.W. and BT Volunteer Fire Company

Mr. Kirby D. Lockard, President
R.W. & BT. VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Huntingdon County

We have conducted a compliance audit of the R.W. & BT. 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, 2005 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 R.W. & BT. 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 R.W. & BT. Volunteer Firefighters' Relief Association's cash balance as of December 31, 2007, with the custodian 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, 2005 to December 31, 2007, found, in all significant respects, the R.W. & BT. 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 R.W. & BT. Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of $22,522 and no investments.

Finding No. 1 – Failure to Timely Receive and Deposit State Aid

Finding No. 2 – Insufficient Officer's Bond Coverage

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

November 24, 2008

JACK WAGNER
Auditor General

R.W.& BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The R.W. & BT. Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Undocumented Expenditures

  By providing adequate documentation to support the validity of $153 of the undocumented expenditures and receiving reimbursement from the R.W. & BT Fire Company on January 17, 2005, in the amount of $1,192, for the remaining undocumented expenditures. In addition, the relief association did maintain adequate supporting documentation for all expenditures tested during the current audit.

- Failure to Obtain a Federal Tax Identification Number

  By obtaining a federal tax identification number and furnishing it to the financial institution in which the relief association maintains funds.

- Failure to Maintain a Complete and Accurate Equipment Roster

  By maintaining a cumulative roster of all equipment owned.

R.W.& BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure to Timely Receive and Deposit State Aid

Condition: The relief association did not timely receive and deposit its 2005 state aid allocation it received from Dudley Borough and its 2006 state aid it received from Broad Top Township. The details of the distribution and deposit of these state aid allocations are as follows:

Municipality	Year	Amount	Date Distributed	Date Deposited
Dudley Borough	2005	$225	02/13/06	02/17/06
Broad Top Township	2006	$519	10/31/06	12/15/08*

* After bringing this matter to the relief association's attention during the current audit, the relief association received reimbursement on December 15, 2008, in the amount of $519, from the affiliated fire company for the state aid intended for the relief association.

Criteria: The foreign fire insurance tax allocations were distributed to the municipal treasurers, who were to forward this state aid to the volunteer firefighters' relief association treasurer within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocations, the relief association should ensure the funds are timely deposited into a relief association account.

Prudent business practice dictates that if the relief association does not timely receive these funds, it should contact the appropriate government agency.

Cause: The relief association failed to establish internal control procedures to ensure that all state aid received is timely deposited into a relief association account. The 706-B forms submitted by each of the municipalities indicated that both of these state aid checks were erroneously issued to the fire department rather than the relief association. The 2005 allocation from Dudley Borough was not timely forwarded to the relief association. The 2006 Broad Top Township state aid was timely distributed by the municipality but was erroneously deposited into a fire company account.

Effect: As a result of the state aid allocations not being timely deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner can lead to a greater risk that funds could be lost or misappropriated.

Finding No. 1 – (Continued)

Recommendation: We recommend the relief association establish accounting and internal control procedures to ensure that all future state aid is received in a timely manner and deposited into a relief association account. A copy of this report is being furnished to the municipal officials of Broad Top Township and Dudley Borough so they are aware of the circumstances regarding the failure to timely receive and deposit state aid funds. 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.

Finding No. 2 – Insufficient Officer's Bond Coverage

Condition: The relief association did not maintain a bond in a sufficient amount to cover the authorized disbursing officer. The relief association's bond coverage was $20,000; however, as of December 31, 2007, the cash assets totaled $22,522.

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: Relief association officials failed to monitor the cash balance to ensure the officer's bond coverage was in compliance with Act 84 provisions.

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

However, subsequent to the audit period, on January 8, 2008, the relief association decreased its cash balance below its coverage amount.

Recommendation: We recommend the relief association continue to ensure that a faithful performance bond adequately covers the disbursing officer, as required by Act 84. Relief association officials should monitor the cash balance to ensure that unexpected events affecting current funds do not again result in an insufficient officer's bond coverage. 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.

R.W.& BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2005 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	$	2,167
Total Benefit Services	$	2,167
Fire Services:		
Equipment purchased	$	12,087
Equipment maintenance		1,326
Training expenses		60
Total Fire Services	$	13,473
Administrative Services:		
Miscellaneous administrative expenses	$	69
Total Administrative Services	$	69

JACK WAGNER

AUDITOR GENERAL

R. W. & BT. VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

R.W. & BT. Volunteer Firefighters' Relief Association Officers:

Mr. Kirby D. Lockard, President

Ms. Bethany Hess, Secretary

Ms. Audrey H. Jones, Treasurer

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

Mr. Earnest Fuller, Secretary
Broad Top Township

Ms. Lori Hann, Secretary
Broad Top City Borough

Ms. Charlotte Wright, Secretary
Todd Township

Mr. Karole S. Barton, Secretary
Wells Township

Mr. Dennis Fields, Secretary
Dudley Borough

Ms. Tonya Passmore, Secretary
Wood 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.