



THE SHINGLEHOUSE FIREMEN'S RELIEF FUND ASSOCIATION

HEREIN REFERRED TO AS:

SHINGLEHOUSE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

POTTER COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2007



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

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Ceres Township	McKean	\$4,115	\$4,147	\$4,151
Clara Township	Potter	\$ 652	\$ 664	\$ 656*
Hebron Township	Potter	\$2,219	\$2,252	\$2,275
Oswayo Borough	Potter	\$ 719	\$ 726	\$ 726
Oswayo Township	Potter	\$2,216	\$2,256	\$2,422
Pleasant Valley Township	Potter	\$ 163	\$ 166	\$ 181
Sharon Township	Potter	\$4,899	\$4,994*	\$5,159
Shinglehouse Borough	Potter	\$5,805	\$5,848	\$5,864*

* However, the 2006 state aid allocation from Sharon Township was not deposited into a relief association account until January 10, 2007; and the 2007 state aid allocations from Clara Township and Shinglehouse Borough were not deposited into a relief association account until May 30, 2008, and August 5, 2008, respectively.

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

Volunteer Fire Company of Shinglehouse, PA

Mr. William Harvey, President
SHINGLEHOUSE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Potter County

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

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Shinglehouse 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 objective. We also tested transactions, confirmed the Shinglehouse Volunteer Firefighters' Relief Association's investment balance and the 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 objective.

The results of our audit for the period January 1, 2005 to December 31, 2007, found, in all significant respects, the Shinglehouse 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 finding discussed later in this report. The results of our tests indicated the Shinglehouse Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$27,298 and an investment balance with a fair value of \$3,737.

Finding – Untimely Deposit of State Aid

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

September 4, 2008

JACK WAGNER
Auditor General

SHINGLEHOUSE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Deposit of State Aid

Condition: The volunteer firefighters' relief association did not timely deposit the following state aid allocations:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2006	Sharon Township	\$ 4,994	09/27/06	01/10/07
2007	Clara Township	656	10/01/07	05/30/08
2007	Shinglehouse Borough	5,864	10/01/07	08/05/08

Criteria: The foreign fire insurance tax allocations were distributed to the municipal treasurers, who forwarded the state aid to the volunteer firefighters' relief association 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 deposited in a timely manner.

Cause: The relief association failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner.

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. 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.

SHINGLEHOUSE 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	\$ 13,711
Relief benefits	92
Total Benefit Services	\$ 13,803
Fire Services:	
Equipment purchased	\$ 29,851
Equipment maintenance	6,364
Training expenses	3,997
Total Fire Services	\$ 40,212
Administrative Services:	
Miscellaneous administrative expenses	79
Total Administrative Services	\$ 79
Total Investments Purchased	\$ 3,500

SHINGLEHOUSE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Shinglehouse Volunteer Firefighters' Relief Association Officers:

Mr. William Harvey, President

Ms. Robin Murray, Secretary

Mr. Douglas R. Estes, Treasurer

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

Ms. Brenda Baxter, Secretary
Ceres Township

Ms. Linda Pease, Secretary
Clara Township

Ms. Karin E. Karr, Secretary
Hebron Township

Ms. Deanna Johnston, Secretary
Oswayo Borough

Ms. Paula Weber, Secretary
Oswayo Township

Ms. Carla Major, Secretary
Pleasant Valley Township

Ms. Frances Stilson, Secretary
Sharon Township

Ms. Deborah C. Resig, Secretary
Shinglehouse 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.