



SOUTH SIDE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

BEAVER COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO AUGUST 19, 2004



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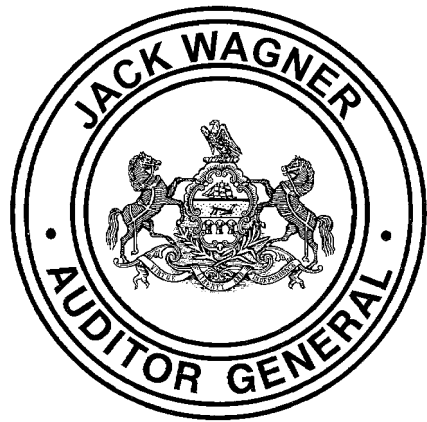
BACKGROUND

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. Tim Tuccinard, President
SOUTH SIDE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Beaver County

We have audited the accompanying Statement of Monetary Assets Arising From Cash Transactions as of August 19, 2004, and the related Statement of Cash Receipts, Disbursements, and Changes in Cash of the South Side Volunteer Firefighters' Relief Association for the period January 1, 2003 to August 19, 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. 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 South Side Volunteer Firefighters' Relief Association as of August 19, 2004, and the cash receipts, disbursements, and changes in cash for the period January 1, 2003 to August 19, 2004, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2006, on our consideration of the South Side Volunteer Firefighters' Relief Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

December 29, 2006

JACK WAGNER
Auditor General

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF MONETARY ASSETS ARISING FROM CASH TRANSACTIONS
AUGUST 19, 2004

ASSETS:

Cash	<u>\$ -</u>
Total Monetary Assets (note 4)	<u>\$ -</u>

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

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
FOR THE PERIOD JANUARY 1, 2003 TO AUGUST 19, 2004

RECEIPTS:

Support:		
State aid (note 3)	\$	7,821
Other Receipts:		
Interest income		220
Reimbursements		577
		<hr/>
Total Receipts		<hr/> 8,618 <hr/>

DISBURSEMENTS:

Fire Services:		
Equipment purchased		6,848
Equipment maintenance		250
Training expenses		436
Administrative Services:		
Office equipment and supplies		138
Bank service fees		5
Other Disbursements:		
Transfer of monetary assets (note 4)		13,964
		<hr/>
Total Disbursements		<hr/> 21,641 <hr/>
Net Increase or (Decrease) In Cash	(13,023)
Cash Balance, January 1, 2003		<hr/> 13,023 <hr/>
Cash Balance, August 19, 2004	\$	<hr/> - <hr/>

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

SOUTH SIDE 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 South Side 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 South Side Volunteer Firefighters' Relief Association was affiliated with the South Side Volunteer Fire Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The relief association's records were 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, were not recognized in the accompanying financial statements.
- B. Fixed assets were 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 was considered to be unrestricted.

3. 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 year 2003, the South Side Volunteer Firefighters' Relief Association received state aid from Rochester Township in Beaver County.

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. RELIEF ASSOCIATION MERGER

In 2004, the South Side Volunteer Fire Department merged with the Rochester Township Volunteer Fire Department. As such, the South Side Volunteer Firefighters' Relief Association disbanded and merged into Rochester Township Volunteer Firefighters' Relief Association. As of August 19, 2004, all monetary assets, in the amount of \$13,964, were transferred to the Rochester Township Volunteer Firefighters' Relief Association, and the South Side Volunteer Firefighters' Relief Association ceased operation.

5. RELATED PARTY SITUATIONS

A related party situation existed because the volunteer firefighters' relief association was affiliated with the fire service organization disclosed in Note 1. The relief association was 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 existed because certain officers of the relief association held offices in the fire service organization. Also, an officer of the relief association was an official of the municipality from which the relief association receives its state aid.

The relief association membership was aware of these situations and all transactions were approved by the relief association membership.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Mr. Tim Tuccinard, President
SOUTH SIDE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Beaver County

We have audited the financial statements (cash basis) of the South Side Volunteer Firefighters' Relief Association as of August 19, 2004, and for the period January 1, 2003 to August 19, 2004, and have issued our report thereon dated December 29, 2006. 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.

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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Side 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)

financial reporting that, in our judgement, could adversely affect South Side Volunteer Firefighters' Relief Association's ability to record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the following findings:

Finding No. 1 – Inadequate Record-Keeping and Internal Controls

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Officer's Bond Coverage

A material weakness is a reportable 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 caused by error or fraud 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 conditions described in Finding Nos. 1 and 2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Side 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the following findings:

Finding No. 1 – Inadequate Record-Keeping and Internal Controls

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Officer's Bond Coverage

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards (Continued)**

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.

December 29, 2006

JACK WAGNER
Auditor General

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Inadequate Record-Keeping and Internal Controls

Condition: The relief association failed to establish adequate internal controls and to maintain pertinent financial records. The following material internal control weaknesses and record-keeping deficiencies existed during the period under review:

- Detailed minutes of meetings were not maintained.
- A roster of relief association owned equipment was not maintained nor were physical equipment inventories performed.
- A financial journal was not maintained to record receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts, for the period May 19, 2003 to August 19, 2004.
- Financial statements were not prepared.
- Documentation to support an expenditure was not available for examination.
- Documentation relating to the relief association's dissolution and transfer of assets was not maintained.

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.

Furthermore, prudent business practice dictates that:

- Detailed meeting minutes be maintained to accurately document relief association business.
- A roster of relief association owned equipment be maintained, and periodic physical inventories be performed and documented.
- A financial journal be maintained to record all receipts and disbursements of the relief association.
- Complete ledgers be maintained to record all transactions of the relief association accounts.
- Financial statements be prepared on an annual basis.
- Supporting documentation of all relief association business be maintained.

Cause: Due to the inactivity and subsequent dissolution of the organization, relief association officials neglected to maintain the required financial records and an effective internal control system.

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: The failure to establish and maintain adequate internal controls and financial records prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

Recommendation: No recommendation is deemed necessary due to the merger of the South Side Volunteer Firefighters' Relief Association into the Rochester Township Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain Officer's Bond Coverage

Condition: As cited in the prior audit report, the relief association failed to maintain bond coverage on the disbursing officer, as required by Act 84. While the relief association did obtain officer's bond coverage in November of 2002, they cancelled the bond policy effective May 19, 2004, even though the South Side Volunteer Firefighters' Relief Association did not dissolve until August 19, 2004.

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: The relief association inadvertently cancelled the officer's bond policy in May of 2004, anticipating the disbandment of the South Side Volunteer Firefighters' Relief Association; however, the financial accounts were not actually closed until August of 2004.

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

Recommendation: No recommendation is deemed necessary due to the merger of the South Side Volunteer Firefighters' Relief Association into the Rochester Township Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding.

SOUTH SIDE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

South Side Volunteer Firefighters' Relief Association Officers:

Mr. Tim Tuccinard, President

Ms. Bernadette Bonaparte, Secretary

Mr. Robert T. Lipnicky, Treasurer

Rochester Township Volunteer Firefighters' Relief Association Officers:

Mr. Ed Baughman, President

Ms. Lea Siget, Secretary

Mr. Rick Verrico, Treasurer

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

Ms. Laura Hill, Secretary
Rochester 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.