



**RICE TOWNSHIP FIREMAN'S RELIEF
ASSOCIATION**

LUZERNE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010 TO JANUARY 22, 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. John C. Hardiman, President
RICE TOWNSHIP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Luzerne County

We have conducted a compliance audit of the former Rice Township 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, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2010 to January 22, 2014.

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 state aid 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 former Rice Township Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief 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 those requirements and that we considered to be significant within the context of the audit objectives, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the former Rice Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the former Rice Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of January 22, 2014, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

The results of our audit, for the period January 1, 2010 to January 22, 2014, found the former Rice Township Volunteer Firefighters' Relief Association took appropriate corrective action to address two of the five findings contained in our prior audit report. However, the former Rice Township Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the remaining three findings contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Rice Township Volunteer Firefighters' Relief Association did not, in all significant respects, receive state aid and expend state aid and accumulate relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed later in this report. Therefore, the former Rice Township Volunteer Firefighters' Relief Association will be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster
- Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster
- Finding No. 4 – Failure To Maintain Officer's Bond Coverage
- Finding No. 5 – Failure To Maintain Minutes Of Meetings

The results of our tests also indicated the former Rice Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure. However, as of January 22, 2014, the former Rice Township Volunteer Firefighters' Relief Association dissolved its organization and transferred all remaining monetary assets of the former Rice Township Volunteer Firefighters' Relief Association to the Wright Township Volunteer Firefighters' Relief Association as discussed later in this report.

Furthermore, a scope limitation on our audit exists, as detailed in the Observation section of this report.

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

April 22, 2014



EUGENE A. DEPASQUALE
Auditor General

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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, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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 former Rice Township Firemen's Relief Association, herein referred to as the Rice Township Volunteer Firefighters' Relief Association, was 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 118 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 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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 former Rice Township Volunteer Firefighters’ Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Rice Township	Luzerne	\$19,739	\$36,909	\$21,169	*

* In 2013, the affiliated fire department was decertified by Rice Township. Consequently, Rice Township secured fire protection services from the Wright Township Fire Company, and therefore, did not allocate any of its 2013 state aid allocation to the former Rice Township Volunteer Firefighters’ Relief Association. As of January 22, 2014, the former Rice Township Volunteer Firefighters’ Relief Association was dissolved. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on page 13).

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former Rice Township Volunteer Firefighters’ Relief Association was affiliated with the following fire service organization:

Rice Township Volunteer Fire Department

In December 2013, the relief association’s secretary, who was also the affiliated fire department’s treasurer, was arrested and charged with embezzlement of \$30,000 from the affiliated fire department, only months after the former affiliated fire department’s treasurer (but not an officer of the relief association), avoided criminal charges after agreeing to pay restitution and court costs for earlier embezzlement of fire department’s funds in September 2013.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Rice Township Volunteer Firefighters' Relief Association has complied with two of the five prior audit findings and recommendations, as follows:

- Inadequate Signatory Authority For The Disbursements Of Funds

By requiring more than one signature on all negotiable instruments; and

- Failure To Secure Ownership Interest In Jointly Purchased Vehicle

By executing a written formal agreement with the affiliated fire company that adequately secured its proportional ownership interest in the jointly purchased vehicle.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Rice Township Volunteer Firefighters' Relief Association has not complied with the three of the five prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Although the relief association received reimbursement from the affiliated fire department in the amount of \$600 on December 12, 2011 for the undocumented expenditure made in the prior audit period, a similar condition occurred during the current audit period as disclosed in Finding No. 1 contained in this report.

- Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

- Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

We are concerned with the former volunteer firefighters' relief association's failure to correct these previously reported audit findings before it ceased operations January 22, 2014. Since the former Rice Township Volunteer Firefighters' Relief Association dissolved as of January 22, 2014 and transferred its remaining monetary assets to Wright Township Volunteer Firefighters' Relief Association, the Wright Township Volunteer Firefighters' Relief Association's management should strive to implement the recommendations and corrective actions noted in this report.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Condition: As disclosed in the Status of Prior Findings section of this report, although the former relief association received reimbursement from the affiliated fire department for the undocumented expenditure made in the prior audit period, a similar condition occurred during the current audit period. The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
03/11/10	2055	Training vendor	100
06/15/11	2069	Individual reimbursement	88
09/28/11	2071	Equipment vendor	440
10/01/11	2072	Individual reimbursement	10
10/01/11	2073	Training vendor	30
11/10/11	2074	Training vendor	80
01/03/12	2076	Training vendor	29
02/02/12	2078	Individual reimbursement	45
12/19/11	2082	Individual reimbursement	700
04/23/12	2089	Individual reimbursement	150
05/09/12	2091	Training vendor	100
06/15/12	2093	Equipment vendor	643
12/31/12	2100	Maintenance vendor	190
12/31/12	2101	Maintenance vendor	107
01/23/13	2104	Emergency association	15
03/27/13	2114	Training vendor	40
08/06/13	2119	Affiliated fire department	1,456
*09/08/13	2121	Affiliated fire department	1,400
Total			<u>\$ 5,623</u>

*These disbursements were made to the affiliated fire department. The relief association's secretary and secretary/treasurer of the affiliated fire department were charged with embezzling funds amounting to \$30, 000 from the affiliated fire department in December 2013 as previously noted in this report.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), [FN1] known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as invoices, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the continued failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: Due to the dissolution of the former Rice Township Volunteer Firefighters' Relief Association and subsequent transfer of monetary assets to the Wright Township Volunteer Firefighters' Relief Association, we recommend that the Wright Township Volunteer Firefighters' Relief Association's management attempt to obtain the supporting documentation for the undocumented expenditures or attempt to seek reimbursement amounting to \$5,623. We also recommend that the relief association maintain supporting documentation for all future expenditures. For additional guidance please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference September 4, 2013.

Auditor Conclusion: Subsequent to the exit conference on September 4, 2013, the Rice Township Volunteer Firefighters' Relief Association dissolved and the audit was extended to include the dissolution date of January 22, 2014. After dissolution, no former relief association officials remained and there were no changes to the aforementioned issue. Therefore, the audit finding remains as written.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Equipment Roster

Condition: As cited in our prior audit report, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. In addition, there was no indication that a physical inventory of equipment was conducted on an annual basis, nor whether such inventory accounted for all of the relief association's owned equipment

Criteria: Prudent business practice dictates 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 equipment. A cumulative equipment roster of all relief association equipment should include the following:

- Types of equipment purchased;
- Dates of purchase;
- Unit costs;
- Names of suppliers;
- Serial numbers, if applicable;
- Current locations of items;
- Final dispositions of sold or damaged equipment; and
- Evidence of the performance and results of an annual physical inventory

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected to establish adequate internal control procedures over equipment requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: Due to the dissolution of the former Rice Township Volunteer Firefighters' Relief Association and subsequent transfer of monetary assets to the Wright Township Volunteer Firefighters' Relief Association, we recommend that the Wright Township Volunteer Firefighters' Relief Association's management determine if a cumulative equipment roster of the former relief association's equipment is available and if so, determine if equipment should be transferred to the Wright Township Volunteer Firefighters' Relief Association, accordingly. Furthermore the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the equipment inventory be sufficiently documented. For additional guidance please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding, as presented at the audit exit conference September 4, 2013.

Auditor Conclusion: Subsequent to the exit conference on September 4, 2013, the Rice Township Volunteer Firefighters' Relief Association dissolved and the audit was extended to include the dissolution date of January 22, 2014. After dissolution, no former relief association officials remained and there were no changes to the aforementioned issue. Therefore, the audit finding remains as written.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Membership Roster

Condition: As cited in our prior audit report, the relief association officials did not maintain a complete and accurate roster of relief association members.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member;
- Members' mailing addresses;
- Dates of births;
- Dates of memberships; and
- Membership classifications.

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Even though notified of this condition during our prior audit, relief association officials again, neglected that the relief association should maintain a comprehensive roster of relief association members.

Effect: The continued failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: Due to the dissolution of the former Rice Township Volunteer Firefighters' Relief Association and subsequent transfer of monetary assets to the Wright Township Volunteer Firefighters' Relief Association, we recommend that the Wright Township Volunteer Firefighters' Relief Association's management maintain a complete and accurate membership roster. For additional guidance please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding, as presented at the audit exit conference September 4, 2013.

Auditor Conclusion: Subsequent to the exit conference on September 4, 2013, the Rice Township Volunteer Firefighters' Relief Association dissolved and the audit was extended to include the dissolution date of January 22, 2014. After dissolution, no former relief association officials remained and there were no changes to the aforementioned issue. Therefore, the audit finding remains as written.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by Act 118. The relief association failed to renew the bond and the bond lapsed on December 9, 2010.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the 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 the bond shall be a proper charge against the funds of the association.

Cause: Relief association officials were unaware of the Act 118 provision requiring the maintenance of Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer.

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. Moreover, had the relief association maintained bond coverage over its disbursing officer, the relief association may have been able to file a claim for funds allegedly misappropriated by the disbursing officer who was subsequently arrested on theft charges.

Recommendation: Due to the dissolution of the former Rice Township Volunteer Firefighters' Relief Association and subsequent transfer of monetary assets to the Wright Township Volunteer Firefighters' Relief Association, we recommend that the Wright Township Volunteer Firefighters' Relief Association's management maintain bond coverage in an amount greater than the relief association's maximum cash balance as required by Act 118. For additional guidance please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding, as presented at the audit exit conference September 4, 2013.

Auditor Conclusion: Subsequent to the exit conference on September 4, 2013, the Rice Township Volunteer Firefighters' Relief Association dissolved and the audit was extended to include the dissolution date of January 22, 2014. After dissolution, no former relief association officials remained and there were no changes to the aforementioned issue. Therefore, the audit finding remains as written.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Failure To Maintain Minutes Of Meetings

Condition: The relief association did not maintain minutes of meetings as required by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Relief association officials were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: Due to the dissolution of the former Rice Township Volunteer Firefighters' Relief Association and subsequent transfer of monetary assets to the Wright Township Volunteer Firefighters' Relief Association, we recommend that the Wright Township Volunteer Firefighters' Relief Association's management maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by the relief association. For additional guidance please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding, as presented at the audit exit conference September 4, 2013.

Auditor Conclusion: Subsequent to the exit conference on September 4, 2013, the Rice Township Volunteer Firefighters' Relief Association dissolved and the audit was extended to include the dissolution date of January 22, 2014. After dissolution, no former relief association officials remained and there were no changes to the aforementioned issue. Therefore, the audit finding remains as written.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION OBSERVATION

Observation – Scope Limitation

Management of the former Rice Township Volunteer Firefighters' Relief Association (VFRA) failed to provide the auditors with a written representation letter covering our entire audit period. Written representations provided by management only covered the period January 1, 2010 to December 31, 2012; however, when the scope of the engagement was expanded to include January 1, 2013 to January 22, 2014, due to dissolution of the relief association, officials failed to provide a written representation for the extended period covering January 1, 2013 to January 22, 2014.

According to the auditing standards instituted by the American Institute of Certified Public Accountants (AICPA), AU Section 333, the independent auditor must obtain written representations from management as part of the audit process. Written Representations from management confirm representations explicitly or implicitly given to the auditor, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Auditors were unable to contact management due to the dissolution of the former relief association.

Without a signed management representation letter from VFRA management covering the entire period under audit, we have no confirmation from VFRA management representing that they:

- Are responsible for compliance with all state laws, contracts, bylaws, and administrative procedures of the VFRA;
- Made available all records and data related to the audit including minutes of meetings and policies and procedures of the VFRA;
- Have had no communication from any regulatory agency concerning noncompliance with state laws or contracts, except as disclosed during the audit;
- Have identified and disclosed to the auditors all state laws, contracts, bylaws (including amendments) that have a direct significant effect on the VFRA;
- Are not aware of any fraud involving VFRA officers or members or any other fraud that may have a significant effect on the VFRA;

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
OBSERVATION

Observation – (Continued)

- Are responsible for establishing effective internal controls;
- Have no intention to terminate or dissolve the VFRA;
- Have disclosed to the auditors all related party transactions from or payable to related parties involving purchases, loans, transfers, investments, or contracts;
- Have complied with all contractual agreements; and
- Have not altered or falsified any records and have not removed or discards any records without informing the auditor.

The failure of management officials of the Rice Township Volunteer Firefighters' Relief Association to provide the auditors with a written management representation letter covering the period January 1, 2013 to January 22, 2014 constitutes a scope limitation on our audit.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO JANUARY 22, 2014

Act 118 at 35 Pa.C.S. § 7412 states: 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. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 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.

Furthermore, 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	<u>\$ 1,455</u>
Fire Services:	
Equipment purchased	\$ 17,352
Equipment maintenance	1,111
Training expenses	<u> 2,910</u>
Total Fire Services	<u>\$ 21,373</u>
Administrative Services:	
Other administrative expenses	<u>\$ 766</u>
Repayment of short-term loan to affiliated fire department	<u>\$ 3,000</u>

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO JANUARY 22, 2014

Other Expenditures	
Principal payments on loan	\$ 1,754
Interest payments on loan	541
Principal payments on lease-financing	42,605
Interest payments on lease-financing	23,402
Undocumented Expenditures	5,623
Transfer of monetary assets**	11
Total other expenditures	<u>\$ 73,936</u>

**Transfer of Monetary Assets/Dissolution of Rice Township Volunteer firefighters' Relief Association

As of January 22, 2014, the Rice Township Volunteer Firefighters Relief Association completed the process of dissolution; consequently, all remaining monetary assets were transferred to the Wright Township Volunteer Firefighters' Relief Association. Due to the dissolution of the Rice Township Volunteer Firefighters' Relief Association, we are providing officials of the Wright Township Volunteer Firefighters' Relief Association copies of this report.

RICE TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Rice Township Volunteer Firefighters' Relief Association Governing Body:

Mr. John C. Hardiman	President
Mr. Jeremy Rabe	Vice President
Ms. Gina Tombasco	Secretary

Wright Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Gregg Gerko	President
Mr. Gary Price	Vice President
Mr. Stanley Gutkowski	Secretary
Mr. Daniel Gutkowski	Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report.

Ms. Alicia Stier, Secretary
Rice Township

Ms. Joan K. Malemes, Secretary
Wright Township

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.