



**MUNCY CREEK COMMUNITY VOLUNTEER FIREMEN'S
RELIEF ASSOCIATION**

LYCOMING COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010 TO OCTOBER 2, 2012

RELEASED APRIL 2014

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL





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EUGENE A. DePASQUALE
AUDITOR GENERAL

Mr. Gregory Girven, President
MUNCY CREEK VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Lycoming County

We have conducted a compliance audit of the former Muncy Creek 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 October 2, 2012.

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 objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Muncy Creek 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 objective, and assessed whether those significant controls were properly designed and implemented. We also tested transactions, confirmed the closing of the former Muncy Creek Volunteer Firefighters' Relief Association's cash account as of October 2, 2012, with the custodian of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objective. 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 objective.

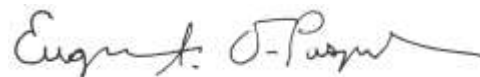
The results of our audit, for the period January 1, 2010 to October 2, 2012, found the former Muncy Creek Volunteer Firefighters' Relief Association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the former Muncy Creek Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of October 2, 2012, the former Muncy Creek Volunteer Firefighters' Relief Association dissolved its organization.

Finding No. 1 – Duplicate Payment of Expenditure

Finding No. 2 – Failure to Maintain a Complete and Accurate
Equipment Roster

The contents of this report were discussed with the management of the former Muncy Creek Volunteer Firefighters' Relief Association. As a result of the dissolution, Muncy Creek Volunteer Firefighters' Relief Association's monetary assets and equipment were transferred to the Muncy Volunteer Firefighters' Relief Association.

September 27, 2013



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 Muncy Creek Community Volunteer Firemen's Relief Association, herein referred to as Muncy Creek 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 Muncy Creek Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2010</u>	<u>2011</u>
Moreland Township	Lycoming	\$ 3,558	\$ 5,263
Muncy Creek Township	Lycoming	\$23,729	\$36,015
Anthony Township	Montour	\$ 2,074	\$ 3,036

However, as of October 2, 2012, the Muncy Creek Volunteer Firefighters' Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information on pages 6 and 7).

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

Muncy Creek Community Fire Company

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Duplicate Payment of Expenditure

Condition: On November 22, 2011, the relief association expended \$640 for repairs on a dry suit. On December 20, 2011, the relief association erroneously made a duplicate payment for the same \$640 invoice. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures which would require that all invoices or other billing documents be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

Recommendation: Due to dissolution of the Muncy Creek Volunteer Firefighters' Relief Association and subsequent merger with the Muncy Volunteer Firefighters' Relief Association, we recommend that the Muncy Volunteer Firefighters' Relief Association be reimbursed \$640 for the erroneous duplicate payment. The relief association should consider contacting the vendor to recover the duplicate payment. In addition, the relief association should establish accounting and internal control procedures to monitor future relief association expenditures. 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.

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. Although officials provided an equipment roster, the roster was incomplete and did not contain all of the equipment purchased during the current audit period. 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 owned 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: Relief association officials failed 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.

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.

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS (Continued)

Finding No. 2 – (Continued)

Recommendation: Due to the dissolution of the Muncy Creek Volunteer Firefighters' Relief Association and subsequent merger with the Muncy Volunteer Firefighters' Relief Association, the Muncy Volunteer Firefighters' Relief Association should ensure that all equipment purchased by and transferred from the Muncy Creek Volunteer Firefighters' Relief Association is included in the Muncy Volunteer Firefighters' Relief Association equipment roster. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2010 TO OCTOBER 2, 2012

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	\$ 27,359
Relief benefits	456
Total Benefit Services	\$ 27,815
Fire Services:	
Equipment purchased	\$ 48,724
Equipment maintenance	21,010
Training expenses	3,737
Total Fire Services	\$ 73,471
Administrative Services:	
Other administrative expenses	\$ 27
Total Administrative Services	\$ 27
Total Investments Purchased:	\$ 30,000

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION – (Continued)
FOR THE PERIOD JANUARY 1, 2010 TO OCTOBER 2, 2012

Other Expenditures:	
Transfer of monetary assets*	<u>\$ 20,392</u>
Total Other Expenditures	<u><u>\$ 20,392</u></u>

*As of October 2, 2012, the Muncy Creek Volunteer Firefighters' Relief Association completed the process of dissolution and subsequent merger with the Muncy Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets were transferred to the Muncy Volunteer Firefighters' Relief Association. Due to the dissolution of the former Muncy Creek Volunteer Firefighters' Relief Association, we are providing officials from the Muncy Volunteer Firefighters' Relief Association copies of this report.

MUNCY CREEK VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Muncy Creek Volunteer Firefighters' Relief Association Governing Body:

Mr. Gregory Girven, President

Mr. Bruce Miller, Vice President

Mr. John M. Felix, Secretary

Ms. Alice Girven, Treasurer

Muncy Volunteer Firefighters' Relief Association Governing Body:

Mr. Daniel Knapp, President

Mr. Kevin Rupert, Vice President

Ms. Misty Flock, Secretary

Ms. Alice Girven, Treasurer

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

Ms. Susan J. Liuzza, Secretary
Moreland Township

Ms. Cindy Newcomer, Secretary
Muncy Creek Township

Ms. Penny Jo Rishel, Secretary
Anthony 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.