

CENTERVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION

CRAWFORD COUNTY

COMPLIANCE AUDIT REPORT

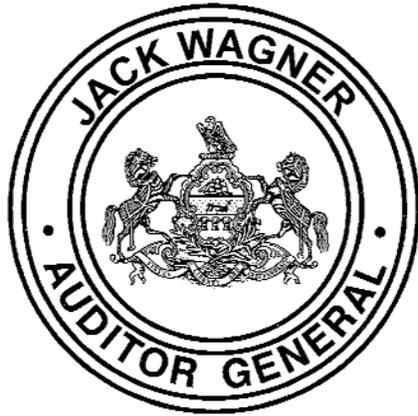
FOR THE PERIOD

JANUARY 1, 2008 TO DECEMBER 31, 2009



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

<u>Municipality</u>	<u>County</u>		<u>2008</u>	<u>2009</u>
Athens Township	Crawford	*	\$1,414	\$1,246
Centerville Borough	Crawford		\$1,193	\$1,086
Rome Township	Crawford	*	\$4,563	* \$4,124 **
Steuben Township	Crawford	*	\$2,443**	\$2,191

* The state aid allocations were not received within 60 days of the date that the municipalities received the funds from the Commonwealth of Pennsylvania. See Finding No. 2 in the Findings and Recommendations section of this report.

** The 2008 state aid allocation from Steuben Township and the 2009 state aid allocation from Rome Township were not deposited by the relief association until September 23, 2010, and October 11, 2010, respectively, subsequent to the audit period. See Finding No. 2 in the Findings and Recommendations section of this report.

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

Centerville Volunteer Fire Department

Mr. Max Clark, President
CENTERVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Crawford County

We have conducted a compliance audit of the Centerville 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, 2008 to December 31, 2009.

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 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 Centerville 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. Our audit procedures also included tests of documentary evidence supporting the Centerville Volunteer Firefighters' Relief Association's recorded financial transactions, tests

of the physical existence of inventories, interviews of selected officials and direct confirmation of the Centerville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2009, with the custodians of the funds, debtors, creditors, and financial institutions 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, 2008 to December 31, 2009, found the Centerville Volunteer Firefighters' Relief Association, in all significant respects, received 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 Centerville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2009, had a cash balance of \$31,016 and no investments.

Finding No. 1 – Unauthorized Expenditure

Finding No. 2 – Untimely Receipt of State Aid

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

September 23, 2010

JACK WAGNER
Auditor General

CENTERVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Unauthorized Expenditure

Condition: The relief association expended \$902 for collision and comprehensive automotive insurance for a fire department owned vehicle, which is not authorized by Act 118.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

Because the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and Economic Development (DCED) has been established whereby the DCED provides interpretation of Act 118. Costs associated for insurance on a fire department owned vehicle has been deemed by DCED to not qualify as an authorized expenditure; consequently, this disbursement for insurance for a fire department owned vehicle is not authorized under Act 118.

Cause: Relief association officials were unaware that the expenditure of insurance for a fire department owned vehicle is not authorized by Act 118.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118.

However, subsequent to the audit period, on September 23, 2010, the relief association received reimbursement, in the amount of \$902, from the affiliated fire department for the unauthorized expenditure.

Recommendation: We recommend that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future 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.

CENTERVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Untimely Receipt of State Aid

Condition: The Centerville Volunteer Firefighters' Relief Association did not receive three 2008 state aid allocations and one 2009 state aid allocation within 60 days of the date the municipalities received the funds from the Commonwealth of Pennsylvania.

<u>Year</u>	<u>Municipality</u>	<u>Municipality Date of Receipt</u>	<u>Amount</u>	<u>VFRA Date of Receipt</u>	<u>Days Late</u>
2008	Athens Township	09/19/08	\$ 1,414	07/01/09	285
2008	Rome Township	09/19/08	4,563	02/27/09	161
2008	Steuben Township	09/19/08	2,443 *	09/23/10	734
2009	Rome Township	09/14/09	4,124	10/11/10	392

* The 2008 Steuben Township state aid was erroneously distributed to the Centerville Volunteer Fire Department on October 5, 2009; the fire department did not reimburse the relief association until September 23, 2010.

Criteria: As required by the Foreign Fire Insurance Tax Distribution Law Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), the municipality shall within 60 days of the date of the receipt of monies, from the State Treasurer, pay the amount received to the relief association fund of the fire department or departments, or fire company or companies. It is the relief association's responsibility to monitor the municipality's distribution of the state aid allocation.

Cause: All three municipalities withheld the state aid past 60 days because of problems with the Centerville Volunteer Fire Department and did not want to distribute the state aid until the problems were resolved. In addition, the relief association failed to monitor the municipality's receipt and distribution of state aid allocation.

Effect: As a result of the untimely receipt of the state aid allocations, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely receipt of allocations increases the risk that funds could be lost or misappropriated.

Recommendation: We recommend the relief association monitor each municipality's distribution of state aid allocations to ensure that the allocations are distributed to the relief association within 60 days of the dates of receipt. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

CENTERVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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.

CENTERVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2008 TO DECEMBER 31, 2009

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	\$ 8,570
Total Benefit Services	\$ 8,570
Fire Services:	
Equipment purchased	\$ 2,322
Total Fire Services	\$ 2,322
Administrative Services:	
Miscellaneous administrative expenses	\$ 10
Total Administrative Services	\$ 10

CENTERVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Centerville Volunteer Firefighters' Relief Association Governing Body:

Mr. Max Clark, President

Mr. Richard Alexander, Vice President

Ms. Nancy Prenatt, Secretary

Ms. Ruth Ann Watson, Treasurer

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

Ms. Leslie A. Burton, Secretary
Athens Township

Ms. Jeanne M. Clark, Secretary
Centerville Borough

Ms. Therese A. See, Secretary
Rome Township

Ms. Robbie Watson, Secretary
Steuben 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.