



**THE RELIEF ASSOCIATION OF THE CITIZENS HOSE  
COMPANY OF JERSHEY SHORE, PENNSYLVANIA**

**LYCOMING COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009 TO DECEMBER 31, 2011**

**RELEASED JANUARY 2014**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**







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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Elmer Christian, President  
CITIZENS VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Lycoming County

We have conducted a compliance audit of the Citizens 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, 2009 to December 31, 2011.

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 Citizens 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 Citizens Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Citizens Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, 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, 2009 to December 31, 2011, found the Citizens Volunteer Firefighters' Relief Association took appropriate corrective action to address four of the five findings contained in our prior audit report. However, the Citizens Volunteer Firefighters' Relief Association failed to take appropriate corrective action to address the remaining finding 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 Citizens 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 in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Citizens Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$70,284 and an investment balance with a fair value of \$25,921.

Finding No. 1 – Noncompliance with Prior Audit Recommendation –  
Failure to Maintain Minutes of Meetings

Finding No. 2 – Insufficient Surety (Fidelity) Bond Coverage

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

September 10, 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 Relief Association of the Citizens Hose Company of Jersey Shore, Pennsylvania, herein referred to as Citizens 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 Citizens Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Anthony Township	Lycoming	\$ 2,718	\$ 3,059	\$ 4,479
Jersey Shore Borough	Lycoming	\$10,397	\$11,702	\$17,200
Mifflin Township	Lycoming	\$ 6,250	\$ 7,035	\$10,555
Piatt Township	Lycoming	\$ 3,269	\$ 3,680	\$ 3,579
Porter Township	Lycoming	\$ 4,523	\$ 5,091	\$ 7,735
Salladasburg Borough	Lycoming	\$ 1,300	\$ 1,463	\$ 2,085
Watson Township	Lycoming	\$ 1,861	\$ 2,095	\$ 3,256

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

Citizens Hose Company of Jersey Shore

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Citizens Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Untimely Deposit of State Aid

By adopting internal control procedures to ensure the timely deposit of all income received.

- Failure to Secure Ownership Interest in Jointly Purchased Vehicle

By executing an amendment to a formal written agreement, on April 22, 2013, with Citizens Hose Company of Jersey Shore that enumerates the relief association's proportionate ownership interest in the jointly purchased vehicle as well as stipulating the proportionate sales proceeds that revert to the relief association in the event the vehicle is ever sold.

- Failure to Comply with Terms of Joint Purchase Agreement

By receiving the 2007 vehicle loan payment, on December 4, 2009, in the amount of \$6,000, from the Citizens Hose Company of Jersey Shore.

- Failure to Maintain A Complete and Accurate Equipment Roster

By maintaining a cumulative inventory roster of all equipment owned.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Citizens Volunteer Firefighters' Relief Association has not complied with one of the five prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Minutes of Meetings

We are concerned with the volunteer firefighters' relief association's failure to correct the previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.



## FINDINGS AND RECOMMENDATIONS

### Finding No. 1 – Noncompliance With Prior Audit Recommendation - Failure to Maintain Minutes of Meetings

Condition: As cited in our prior audit report, the relief association failed to maintain minutes of meetings as required by Act 118. While the relief association's bylaws call for monthly meetings, the relief association only maintained minutes for 7 out of 36 months in the audit period. The relief association did provide treasurers reports for an additional six dates, but these documents do not adequately support what occurred during those meetings. Furthermore, the minutes failed to detail the number of members present, so we could not determine whether the quorum requirement of the relief association bylaws was met.

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 stated there was a computer issue and meeting minutes could not be recovered.

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

Recommendation: We, again, recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 118. Furthermore, the relief association should implement a policy to protect computer data to be sure it is not lost and can be recovered in the event of equipment failure, intentional destruction of data or disaster. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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.

## FINDINGS AND RECOMMENDATIONS (Continued)

### Finding No. 2 – Insufficient Surety (Fidelity) Bond Coverage

Condition: The relief association failed to maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer. The relief association's Surety (Fidelity) bond coverage amount was \$50,000; however, as of December 31, 2011, the relief association's cash assets totaled \$70,284.

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 failed to monitor the relief association's cash balance to ensure that the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer was in compliance with Act 118 provisions.

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

However, subsequent to the audit period, and as a result of our prior audit, on December 19, 2012, the relief association increased their Surety (Fidelity) bond coverage to \$85,000.

Recommendation: We recommend that the relief association officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by Act 118. Relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer. 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 took action to comply with the recommendation.

ACCOMPANYING EXPENDITURE INFORMATION  
FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2011

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	\$ 7,542
Total Benefit Services	<u>\$ 7,542</u>
Fire Services:	
Equipment maintenance	\$ 10,931
Total Fire Services	<u>\$ 10,931</u>
Administrative Services:	
Other administrative expenses	\$ 40
Total Administrative Services	<u>\$ 40</u>
Other Expenditures:	
Principal payments on loan	\$ 58,630
Interest payments on loan	33,961
Total Other Expenditures	<u>\$ 92,591</u>

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Citizens Volunteer Firefighters' Relief Association Governing Body:

Mr. Elmer Christian, President

Mr. Howard Matthew Fausey, Vice President

Ms. Katelyn Kunes, Secretary

Mr. Joseph P. Mitchell Jr., Treasurer

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

Ms. Shelly S. Davis, Secretary  
Anthony Township

Mr. Joseph Hamm, Secretary  
Jersey Shore Borough

Ms. Renee E. Shetty, Secretary  
Mifflin Township

Ms. Shelly Davis, Secretary  
Piatt Township

Ms. Judith D. Herr, Secretary  
Porter Township

Ms. Karen Thompson, Secretary  
Salladasburg Borough

Mr. Allen D. Green, Secretary  
Watson Township

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://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](mailto:news@auditorgen.state.pa.us).