



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

**HEREIN REFERRED TO AS:**

**CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**LYCOMING COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006 TO DECEMBER 31, 2008**



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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, 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.

The 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 84 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 84 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' 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.

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>2006</u>	<u>2007</u>	<u>2008</u>
Anthony Township	Lycoming	\$ 2,685	\$ 2,894	\$ 3,016 *
Jersey Shore Borough	Lycoming	\$10,878	\$11,228	\$11,495
Mifflin Township	Lycoming	\$ 6,529	\$ 6,750	\$ 6,993
Piatt Township	Lycoming	\$ 3,356	\$ 3,504	\$ 3,592
Porter Township	Lycoming	\$ 4,674	\$ 4,851	\$ 4,989
Salladasburg Borough	Lycoming	\$ 1,414	\$ 1,421	\$ 1,459
Watson Township	Lycoming	\$ 1,812	\$ 1,984	\$ 2,083

\*The 2008 state aid from Anthony Township was deposited on February 17, 2009.

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

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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), for the period January 1, 2006 to December 31, 2008.

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 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 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, 2008, 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, 2006 to December 31, 2008, found the Citizens Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report, except for Finding Nos. 1 and 2 listed below and discussed later in this report. In addition, the results of our audit found, in all significant respects, the Citizens Volunteer Firefighters' Relief Association received and expended 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 Citizens Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$40,903 and an investment balance with a fair value of \$24,718.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Untimely Deposit of State Aid

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Provide Minutes of Meetings

Finding No. 3 – Failure to Secure Financial Interest in Jointly Purchased Vehicle

Finding No. 4 – Failure to Comply With Terms of Joint Purchase Agreement

Finding No. 5 – Failure to Maintain a Complete and Accurate Equipment Roster

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.

July 1, 2009

JACK WAGNER  
Auditor General



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:

- Insufficient Officer's Bond Coverage

By decreasing the cash assets to an amount below the maximum protection of the officer's bond coverage.

- Inadequate Financial Record-Keeping System

By establishing adequate accounting procedures that meet the minimum financial record-keeping requirements of this department.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Citizens Volunteer Firefighters' Relief Association has not complied with two prior audit findings. These issues are listed below and further discussed in the findings noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Untimely Deposit of State Aid
- Noncompliance With Prior Audit Recommendation –  
Failure to Provide Minutes of Meetings

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

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Untimely Deposit of State Aid

Condition: As cited in the prior two audit reports, the volunteer firefighters' relief association did not timely deposit its state aid allocations. During the current audit period the relief association again did not timely deposit its state allocations into the volunteer firefighter's relief account. The detail of the receipt and deposit of these various state aid allocations is as:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2006	Anthony Township	\$ 2,685	09/30/06*	09/27/07
2006	Piatt Township	3,356	09/25/06*	01/26/07
2007	Anthony Township	2,894	05/31/08	07/17/08
2008	Anthony Township	3,016	09/30/08*	02/17/09

\*Replacement checks had to be issued by each respective municipality.

Criteria: The foreign fire insurance tax allocations were distributed by the Commonwealth to the municipal treasurers, who are to forward this state aid to the volunteer firefighters' relief association within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Prudent business practices require that if the relief association does not timely receive these state aid funds, it should have appropriate procedures in place to contact the municipality in writing to promptly request that the state aid funds be timely forwarded.

Cause: While cited for this condition in the prior two audit reports, the relief association failed to establish internal control procedures which require that all state aid due to relief association be collected and deposited in a timely manner. The current relief association treasurer indicated that state aid was not timely deposited because the relief association had not timely received the checks from Anthony and Piatt Townships in 2006 and Anthony Township in 2008. Replacement checks had to later be issued by these municipalities. In addition, the relief association treasurer indicated that the 2007 Anthony Township state aid was delayed in being issued to the relief association due to a new municipal secretary having taken office.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 (Continued)

The untimely deposit and extensive length of time that elapsed until the municipalities issued replacement checks was due to the relief association not timely contacting the respective municipalities in writing.

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts creates a risk that funds could be lost or misappropriated.

Recommendation: We again recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. Such procedures should involve timely written communication with the municipality when the funds are not timely received. A copy of this report is being furnished to the municipal officials of Anthony and Piatt Townships so they are aware of the circumstances regarding the untimely deposits of state aid. 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.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Provide Minutes of Meetings

Condition: As cited our prior audit report, the relief association did not maintain minutes of meetings as required by Act 84. During the audit engagement the relief association failed to provide copies of all minutes of meetings for all meetings that were to have taken place during the audit period.

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.

In addition, prudent business practice requires that if relief association records are maintained in electronic media that it maintain adequate electronic backup files to ensure accessibility and a permanent record of the relief association's financial-related business.

Cause: Relief association was unable to provide the minutes of meetings because the secretary had not printed a hard copy of all of the minutes that were maintained on the laptop computer. The relief association secretary's laptop broke due to it being dropped, resulting in the secretary being unable to access the relief association's meeting minutes.

Effect: The failure to maintain a permanent record of the minutes of meetings prevented the verification as to whether relief association business was presented before the membership for approval.

Recommendation: We again recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 84. We also recommend that if the meeting minutes are maintained in electronic media, adequate electronic backup files should be maintained to ensure accessibility of the relief association's records. 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.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Secure Financial Interest in Jointly Purchased Vehicle

Condition: During the year 2006, the relief association expended in excess of \$190,000 for the purpose of jointly purchasing a vehicle with the Citizens Hose Company of Jersey Shore. However, the relief association did not adequately document and secure its financial interest in this jointly purchased vehicle. The formal written agreement between the fire company and the relief association that was created did not state the total cost of the apparatus, the total dollar amount contributed by the relief association, or the proportional percentage of ownership by the relief association. In addition, the relief association did not record its name on the title of the vehicle as lien holder to adequately secure and protect its financial interest in the vehicle.

The written agreement with the affiliated fire company also included a requirement for the fire company to make annual payments of \$6,000 to the relief association. However, the relief association did not timely collect the annual payment.

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

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

Prudent business practice dictates that the relief association should document its proportional financial interest in the jointly purchased vehicle by executing a formal written agreement that enumerates the relief association's proportional share of financing. In addition, the relief association should have its name recorded on the title to the vehicle as a lien holder to adequately protect and secure its financial interest in the vehicle. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the vehicle, in the event the vehicle is ever sold.

Cause: Relief association officials failed to adequately secure its proportional financial interest in the jointly purchased vehicle.

Effect: Failure to adequately secure the proportional share of financial interest in the jointly purchased vehicle places the relief association's ownership interest at greater risk.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 (Continued)

Recommendation: We recommend the relief association amend the formal written agreement with the fire company that enumerates the relief association's proportional ownership interest in the jointly purchased vehicle as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the vehicle is ever sold. We also recommend that the relief association have its name listed on the title to the vehicle as a lien holder to adequately protect and secure its financial interest in the vehicle. 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.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure to Comply With Terms of Joint Purchase Agreement

Condition: On August 29, 2006, the relief association and the affiliated fire company entered into a joint purchase agreement for the purchase of a Pierce enforcer Heavy Rescue. The written agreement stipulates that the fire company is to make a yearly payment of \$6,000 towards the annual bank loan payment due with the remaining amount being the responsibility of the relief association. However, the relief association did not collect the fire company's yearly contribution of \$6,000 towards the loan payment for the year 2007.

Criteria: The terms of the joint purchase agreement state that payments of \$6,000 are to be paid on an annual basis, "on or before September 30 of each year through and including the year 2020 or until the financing is retired."

Cause: The relief association failed to establish adequate internal control procedures to ensure annual contributions would be collected in accordance with the payment schedule outlined in the joint purchase agreement.

Effect: Due to the relief association not receiving the scheduled payment, funds were unavailable for general operating expenses or for investment purposes.

Recommendation: We recommend the relief association immediately collect \$6,000 representing the 2007 contribution due from the fire company. We further recommend that the relief association ensure future contributions are collected in accordance with the joint purchase agreement. If such action is not taken, we recommend that the agreement be immediately liquidated. 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.

CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – 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. During the audit engagement the relief association did provide a roster of equipment purchased in prior audit periods but none of the equipment purchased during the audit period was recorded on the equipment roster. In addition, there was no indication that an annual inventory of the equipment was performed to account for the relief association's fixed assets.

Criteria: 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 fixed assets. A cumulative roster of all relief association equipment should include the following:

- Type of equipment purchased;
- Date of purchase;
- Unit cost;
- Name of supplier;
- Serial number, if applicable;
- Current location of item;
- Final disposition of sold or damaged equipment; and
- Notation of the annual inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets to include the maintenance of a cumulative equipment roster and the performance of an annual equipment inventory to properly account for the relief association's fixed assets.

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 equipment inventory prevents adequate accountability and safeguarding of relief association assets.

Recommendation: We recommend the relief association officials maintain a cumulative roster of all relief association owned equipment. Furthermore, the relief association should ensure it performs an annual inventory of all operable equipment and that 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.



CITIZENS VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2008

Act 84 at 53 P.S. § 8502(1) states, in part, that:

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. Such an association may also serve other purposes, . . . provided only that adequate provisions be first made to serve its primary purpose. . . .

Act 84 at 53 P.S. § 8506, 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. 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	\$ 7,716
Death benefits	900
Tokens of sympathy and goodwill	286
Total Benefit Services	\$ 8,902
Fire Services:	
Equipment purchased	\$ 215,991
Equipment maintenance	7,976
Training expenses	145
Total Fire Services	\$ 224,112
Administrative Services:	
Miscellaneous administrative expenses	\$ 630
Total Administrative Services	\$ 630
Other Expenditures:	
Principal payments on loan	\$ 51,501
Interest payments on loan	26,752
Total Other Expenditures	\$ 78,253



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. Terry Harrow, Vice President

Ms. Jaimie Vandruff, Secretary

Ms. Anna J. Edkin, Treasurer

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

Ms. Shelly S. Davis, Secretary  
Anthony Township

Mr. John Engle, Secretary  
Jersey Shore Borough

Ms. Elaine Younkin, Secretary  
Mifflin Township

Ms. Shirl Theis, Secretary  
Piatt Township

Ms. Judith D. Herr, Secretary  
Porter Township

Ms. Karen Thompson, Secretary  
Salladasburg Borough

Ms. Elaine C. Younkin, Secretary  
Watson 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](http://www.auditorgen.state.pa.us).