



FAYETTE FIREFIGHTERS' RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

FAYETTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

JUNIATA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 2008



CONTENTS

Background.....	1
Letter From the Auditor General	3
Finding and Recommendation:	
Finding – Duplicate Receipt of State Aid.....	5
Accompanying Expenditure Information	6
Report Distribution List	7



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 Fayette 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. The Fayette Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>
Fayette Township	Juniata	\$22,349	* \$22,921

*See finding included in this report.

BACKGROUND (Continued)

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

Fayette Fire Company
Fayette Township EMS

Mr. Edward Harlacher, President
FAYETTE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Juniata County

We have conducted a compliance audit of the Fayette 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, 2007 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 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 Fayette 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 objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Fayette Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the

physical existence of inventories, interviews of selected officials and direct confirmation of the Fayette 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 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, 2007 to December 31, 2008, found, in all significant respects, the Fayette Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the following finding discussed later in this report. The results of our tests indicated the Fayette Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$34,470 and an investment balance with a fair value of \$26,176.

Finding – Duplicate Receipt of State Aid

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

November 19, 2009

JACK WAGNER
Auditor General

FAYETTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Duplicate Receipt of State Aid

Condition: The Fayette Volunteer Firefighters' Relief Association erroneously received a duplicate 2008 state aid allocation check, in the amount of \$22,921, from Fayette Township. The relief association deposited the first 2008 state aid allocation check into a relief association account on December 22, 2008. The second check for the same 2008 state aid allocation was deposited on September 10, 2009, subsequent to the current audit period.

Criteria: The foreign fire insurance tax allocation was distributed to the municipal treasurer, who is required to forward this state aid to the volunteer firefighters' relief association within the 60 days 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.

Cause: The municipality erroneously issued the 2008 state aid allocation twice to the relief association. The relief association deposited both allocation checks believing that the second check received in September 2009, was the 2009 state aid allocation.

Effect: As a result of the duplicate receipt and deposit of the 2008 state aid, the relief association received funds to which it was not entitled.

Recommendation: We recommend the relief association officials reimburse the municipality for the duplicate state aid check. In addition, the relief association should establish accounting and internal control procedures to monitor future relief association receipts. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management indicated they would not return the state aid to the municipality until the relief association receives the 2009 state aid allocation from the municipality.

Auditor's Conclusion: Since the relief association officials are aware of the erroneous duplicate check issued by Fayette Township, the funds should be returned to the municipality.

FAYETTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2007 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	\$ 6,263
Death benefits	4,000
Total Benefit Services	\$ 10,263
Fire Services:	
Equipment purchased	\$ 27,152
Equipment maintenance	7,883
Training expenses	1,097
Total Fire Services	\$ 36,132
Administrative Services:	
Miscellaneous administrative expenses	\$ 70
Total Administrative Services	\$ 70
Total Investments Purchased	\$ 25,000

FAYETTE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Fayette Volunteer Firefighters' Relief Association Governing Body:

Mr. Edward Harlacher, President

Mr. Adam Waite, Vice President

Mr. Dale Folk, Secretary

Mr. William Houdeshel, Treasurer

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

Ms. Joyce M. Hart, Secretary
Fayette 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.