



**FAYETTEVILLE VOLUNTEER FIRE DEPARTMENT
RELIEF ASSOCIATION, INCORPORATED**

HEREIN REFERRED TO AS:

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

FRANKLIN COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005 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 Fayetteville 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 Fayetteville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Greene Township	Franklin	\$92,222	\$94,824	\$99,489	\$104,565
Guilford Township	Franklin	\$15,961	\$16,277	\$16,824	\$ 17,819

BACKGROUND (Continued)

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

Fayetteville Volunteer Fire Department

Mr. Mark A. Bumbaugh, President
FAYETTEVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Franklin County

We have conducted a compliance audit of the Fayetteville 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, 2005 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 Fayetteville 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 Fayetteville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Fayetteville 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, 2005 to December 31, 2008, found the Fayetteville Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report, except for Finding No 1 listed below and discussed later in this report. In addition, the results of our audit found, in all significant respects, the Fayetteville 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 Fayetteville Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$385,527 and no investments.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Finding No. 2 – Inadequate Relief Association Bylaws

Finding No. 3 – Failure to Maintain a Complete and Accurate Membership Roster

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

December 29, 2009

JACK WAGNER
Auditor General

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Insufficient Officer's Bond Coverage

By increasing the officer's bond coverage to an amount greater than the balance of cash assets.

- 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 FINDING AND RECOMMENDATION

The Fayetteville Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is further discussed in the finding listed below and noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

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

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Failure to Maintain a Complete and Accurate Equipment Roster

Condition: As cited in the prior audit report, the relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. While a roster was provided during the current audit, it was incomplete since the majority of the equipment purchases tested during the audit could not be traced to the equipment roster. In addition, the equipment roster provided was not cumulative in that equipment purchased in prior audits was not recorded. Furthermore, there was no indication that an annual inventory of the equipment was performed to account for the relief association's fixed assets.

Although the relief association provided a list of equipment, there was no way to identify when purchased, from which vendor and the cost.

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 equipment 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.
- Notation of the annual inventory.

Cause: While notified of this condition in the prior audit report, relief association officials neglected 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.

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.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend the relief association officials maintain a cumulative equipment 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.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Relief Association Bylaws

Condition: The relief association bylaws do not describe the various classes of relief association members, as required by Act 84. The relief association bylaws only make reference to members as being anyone who is an active or life member in good standing of the Fayetteville Volunteer Fire Department. However, simply being a member of a fire company does not in itself justify membership in the relief association. Since the various classes of members are not defined in the relief association bylaws, we could not determine if benefits were extended to individuals who are not or were not actively involved in the fire service. While benefits are authorized expenditures, as defined by Act 84, they may only be paid on behalf of individuals who currently participate or have participated in the fire service.

Criteria: Act 84 at 53 P.S. § 8503(3) states, in part, the purpose of the legislature in enacting this statute is to encourage individuals to take part in the fire services volunteer firefighters, by establishing criteria and standards for the orderly administration of and conduct of the affairs of firefighters' relief associations, so as to ensure as far as circumstances will reasonably permit that funds shall be available for the protection of the firefighters and their heirs:

- (3) to provide, either by insurance or by the operation of a beneficial fund,...and **to establish criteria which members must meet in order to qualify** as participants in such death benefit fund. (emphasis added)

In addition, Act 84 at 53 P.S. § 8505(b) states, in part, that the relief association's bylaws shall include the following provision:

- The constitution or charter shall state the name, the purposes, and the form of the organization, **shall designate the class or classes of persons eligible for membership**, and the procedures to be followed in making amendments. (emphasis added)

Furthermore, Act 84 at 53 P.S. § 8505(c) states, in part, that the relief association's bylaws shall include the following provisions:

- Specify the requirements of securing membership, the voting rights of different classes of members, if any, and the conditions under which membership may be terminated.

Prudent business practice also dictates that the relief association should only be extending benefits to individuals who currently participate or have participated in the fire service. While the relief association's bylaws may contain more restrictive provisions than Act 84, its bylaws cannot provide benefits that are not authorized by Act 84.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Relief association officials were unaware of the Act 84 requirement to specifically define the different classes of membership in the bylaws and that benefits may only be extended to members who are currently or were previously involved in providing fire service.

Effect: As a result of the membership classifications not being defined, the relief association's bylaws appear to allow for the payment of benefits to or on behalf of individuals who are not currently participating or have not previously participated in the fire service and are not entitled to benefits, thus reducing relief association funds that may otherwise be used to support the active volunteer firefighters.

Recommendation: We recommend that relief association officials review and amend the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84. The relief association should immediately discontinue the practice of making benefit payments on behalf of individuals who do not currently participate or did not previously participate in the fire service. Any future payment of benefits on behalf of individuals who do not currently participate or did not previously participate in fire service will be considered unauthorized 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.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain a Complete and Accurate Membership Roster

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members. While the relief association provided a fire company membership listing, it does not detail all of the required information (member's addresses, dates of birth and dates of membership) for each member. In addition, the listing provided includes the membership classifications for some of the members but not for each member. Furthermore, the membership classifications denoted on the membership listing are not defined by the relief association bylaws and include social members. We were not able to distinguish individuals actually involved in the fire service from those that may have simply joined in a social capacity.

Criteria: Section 7 (a) of Act 84 state, 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 money received was expended or is being expended for no purpose other than that authorized by this act.

To qualify for relief association membership, an individual must currently or previously have participated in fire service related activities. In addition, to ensure that the relief association members receive all appropriate benefits and to ensure that benefits are not provided to nonmembers, sound business practices dictate the relief association officials maintain a complete and accurate listing of the relief association's membership. The importance of and necessity for keeping a membership roster is set forth on Page 10 of the department's "Management Guidelines for Volunteer Firefighters' Relief Association" (2010 edition). A comprehensive roster of all relief association members should include the following:

- Name of each member.
- Member's mailing address.
- Date of birth.
- Date of membership.
- Membership classification.

Cause: Relief association officials were aware that they should maintain a listing of relief association members but were not aware that they must distinguish the different classes of memberships.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to individuals not entitled to benefits or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend the relief association officials compile and maintain a complete and accurate listing of the relief association's membership. The relief association should evaluate each individual's membership status and classify members by whether each individual is considered to have participated in providing fire service. As such, the relief association should ensure they are only paying benefits to individuals who currently participate or who have participated in the fire service. For additional 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.

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2005 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	\$ 21,566
Death benefits	12,500
Relief benefits	5,082
Tokens of sympathy and goodwill	2,753
Total Benefit Services	\$ 41,901
Fire Services:	
Equipment purchased	\$ 202,877
Equipment maintenance	112,878
Training expenses	7,826
Fire prevention materials	4,691
Total Fire Services	\$ 328,272
Administrative Services:	
Officer compensation	\$ 2,650
Total Administrative Services	\$ 2,650

FAYETTEVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Fayetteville Volunteer Firefighters' Relief Association Governing Body:

Mr. Mark A. Bumbaugh, President

Mr. Michael Small, Vice President

Ms. Colleen Anderson, Secretary

Mr. Albert L. Kyler, Treasurer

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

Ms. Diann Weller, Secretary
Greene Township

Ms. Karen A. Killian, Secretary
Guilford 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.