



GEISTOWN VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION

CAMBRIA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO MAY 14, 2009



CONTENTS

Background.....	1
Letter From the Auditor General	3
Status of Prior Findings	5
Finding and Recommendation:	
Finding – Inadequate Record-Keeping and Internal Controls	6
Accompanying Expenditure Information	8
Report Distribution List	9



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 Geistown Volunteer Fire Company Relief Association, herein referred to as Geistown Volunteer Firefighters' Relief Association, was 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)

During the current audit period, the Geistown Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>
Geistown Borough	Cambria	\$15,088	\$15,411

However, as of May 14, 2009, the Geistown Volunteer Firefighters' Relief Association dissolved its organization. As such, the relief association did not receive a state aid allocation in 2009 nor will it receive any further state allocations. (See Accompanying Expenditure Information.)

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

Geistown Volunteer Fire Company

Mr. Gary Boxler, President
GEISTOWN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cambria County

We have conducted a compliance audit of the Geistown 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 May 14, 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 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 Geistown 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 Geistown Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the closing of the Geistown Volunteer Firefighters' Relief Association's cash accounts as of May 14, 2009, with the custodian of the funds 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, 2007 to May 14, 2009, found, in all significant respects, the Geistown Volunteer Firefighters' Relief Association took appropriate corrective action to address the findings contained in our prior audit report and 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 Geistown Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information. However, as of May 14, 2009, the Geistown Volunteer Firefighters' Relief Association dissolved and all remaining monetary assets were transferred to the Richland Township Volunteer Firefighters' Relief Association. (See Accompanying Expenditure Information.)

Finding – Inadequate Record-Keeping and Internal Controls

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

April 6, 2010

JACK WAGNER
Auditor General

GEISTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure to Maintain a Complete and Accurate Membership Roster

By maintaining a comprehensive listing of the relief association membership.

- Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a cumulative roster of all equipment owned.

GEISTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inadequate Record-Keeping and Internal Controls

Condition: The relief association has failed to establish adequate internal controls and to maintain pertinent financial records. The following material internal control weaknesses and record-keeping deficiencies existed during the audit period:

- Detailed minutes of meetings were not maintained.
- Journals and ledgers maintained by the relief association were incomplete.
- Financial statements were not prepared.
- Bank reconciliations were not performed on a monthly basis.
- Check numbers 1172 through 1175 were not accounted for in the relief association's financial records nor were they cashed and reflected on the bank statements.
- Documentation of an annual inventory of equipment was not maintained.
- Documentation to support various receipts was not available for examination.

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.

Furthermore, prudent business practice dictates that:

- Detailed meeting minutes be maintained to accurately document relief association business.
- Complete and accurate journals and ledgers be maintained to record all transactions of the relief association accounts.
- Financial statements be prepared on an annual basis.
- Monthly bank reconciliations be performed for all relief association accounts
- All checks are accounted for in the relief association's financial records.
- An annual inventory of relief association owned equipment be conducted and documented.
- Supporting documentation of all relief association business be maintained.

Cause: Due to the dissolution of the organization, relief association officials neglected to maintain the required financial records and failed to establish effective internal controls.

Effect: The failure to establish adequate internal controls and maintain required financial records prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls and inadequate financial records placed the relief association funds at greater risk for misappropriation.

GEISTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding (Continued)

Recommendation: No recommendation is deemed necessary due to the dissolution of the Geistown Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding.

GEISTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2007 TO MAY 14, 2009

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	\$ 5,011
Relief benefits	240
Total Benefit Services	\$ 5,251
Fire Services:	
Equipment purchased	\$ 27,506
Equipment maintenance	2,440
Training expenses	1,048
Total Fire Services	\$ 30,994
Other Expenditures:	
*Transfer of monetary assets	\$ 22,722
Total Other Expenditures	\$ 22,722

* The Geistown Volunteer Firefighters' Relief Association was dissolved as of May 14, 2009. All remaining monetary assets and equipment items were transferred to the Richland Township Volunteer Firefighters' Relief Association as of this date.

GEISTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Geistown Volunteer Firefighters' Relief Association Governing Body:

Mr. Gary Boxler, President

Mr. Steve Dickert, Vice President

Ms. Ruth Boxler, Secretary

Mr. Ed Vyhonsky, Treasurer

Richland Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Jason Ober, Treasurer

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

Ms. Sandra L. Porada, Secretary
Geistown Borough

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.