



**THE GRATZ AREA FIREMEN'S RELIEF ASSOCIATION OF THE STATE OF  
PENNSYLVANIA**

**HEREIN REFERRED TO AS:**

**GRATZ VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**DAUPHIN 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 Gratz 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 Gratz 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>
Gratz Borough	Dauphin	\$4,131	\$4,166	\$4,298
Lykens Township	Dauphin	\$7,795	\$7,837	\$8,095*

\*The 2008 state aid allocation from Lykens Township was not deposited into a relief association account until February 5, 2009.

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

Gratz Area Fire Company No. 1

Mr. Randy Boyer, President  
GRATZ VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Dauphin County

We have conducted a compliance audit of the Gratz 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 Gratz 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 Gratz Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Gratz 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, in all significant respects, the Gratz 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 findings discussed later in this report. The results of our tests indicated the Gratz Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$4,997 and an investment balance with a fair value of \$8,000.

Finding No. 1 – Untimely Deposit of State Aid

Finding No. 2 – Inadequate Relief Association Bylaws

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

May 26, 2009

JACK WAGNER  
Auditor General



GRATZ VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Undocumented Expenditures

By receiving reimbursement from the affiliated fire company, subsequent to the audit period, on April 27, 2009, in the amount of \$450, for the undocumented expenditures made in the prior audit period. In addition, the relief association did not make any additional undocumented expenditures during the current audit period.

- Duplicate Payment

By receiving reimbursement on September 25, 2006, in the amount of \$1,131 for the duplicate payment made in the prior audit period. In addition, the relief association did not make any duplicate payments during the current audit period.

- Overpayment of Equipment Purchased

By obtaining reimbursement of \$100 for the erroneous overpayment made in the prior audit period. In addition, the relief association did not overpay any expenses incurred during the current audit period.

- Failure to Maintain a Complete and Accurate Equipment Roster

By maintaining a roster of equipment owned and recording the majority of the equipment purchased by the relief association during the audit period. However, there was no indication that an annual inventory of the equipment was conducted to account for the relief association's fixed assets. The relief association should strive to maintain a complete and accurate roster of all relief association owned equipment and ensure they perform and sufficiently document an annual equipment inventory.

GRATZ VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Untimely Deposit of State Aid

Condition: The relief association did not timely deposit the 2008 state aid allocation distributed by Lykens Township, in the amount of \$8,095. In January 2009, the relief association had determined that the state aid check intended for the relief association had been received by the affiliated fire company but had been misplaced and could not be located. The relief association then contacted the municipality and had a replacement check issued on February 2, 2009, which was deposited into a relief association account on February 5, 2009.

Criteria: The foreign fire insurance tax allocation was distributed to the municipal treasurer on September 19, 2008, who forwarded this state aid to the volunteer firefighters' relief association on October 22, 2008, which is 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.

Cause: The relief association failed to establish internal control procedures which require that all income received be recorded and deposited in a timely manner.

The 706-B receipt form submitted by Lykens Township for the 2008 state aid indicates that the 2008 state aid allocation was timely forwarded to the relief association on October 22, 2008. However, we determined that the state aid check intended for the relief association was mailed to the affiliated fire company's mailing address but misplaced; and it was not until January 2009 that the relief association pursued a replacement check.

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

Recommendation: We recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. Such procedures should include written communication with the municipality when the funds are not timely received. 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.

GRATZ VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Relief Association Bylaws

Condition: The existing bylaws of the Gratz Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 84 at 53 P.S. § 8505(c). Specifically, the bylaws do not address:

- The voting rights of the different classes of members.
- The quorum requirements for regular and special meetings.
- The procedure to be followed in nominating and electing directors.
- Procedures for the approval and payment of expenditures, and for the investment of funds and the sale of investments.

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

- Specify the voting rights of different classes of members.
- State the requirements and the procedure to be followed in calling meetings, as well as the quorum requirements for regular and special meetings.
- State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee.
- Establish procedures for the approval and payment of expenditures, and for the investment of funds and the sale of investments.

Cause: Relief association officials were aware of the mandatory bylaw provisions required by Act 84 but were unaware that their bylaws did not contain the required provisions.

Effect: As a result of the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization and contrary to the requirements of Act 84.

Recommendation: We recommend that relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84 and properly authorize the operating procedures of 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 and indicated they will take action to comply with the recommendation.

GRATZ 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	\$ 5,530
Tokens of sympathy and goodwill	452
Total Benefit Services	\$ 5,982
Fire Services:	
Equipment purchased	\$ 17,058
Equipment maintenance	4,270
Training expenses	935
Total Fire Services	\$ 22,263
Administrative Services:	
Miscellaneous administrative expenses	\$ 46
Total Administrative Services	\$ 46
Total Investments Purchased	\$ 8,000
Other Expenditures:	
Principal payments on loan	\$ 1,587
Interest payments on loan	8
Total Other Expenditures	\$ 1,595

GRATZ VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Gratz Volunteer Firefighters' Relief Association Governing Body:

Mr. Randy Boyer, President

Mr. Mark Zeiset, Vice President

Ms. Debra Trautman, Secretary

Mr. Douglas Schade, Treasurer

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

Ms. Cindy Shade, Secretary  
Gratz Borough

Ms. Jean M. Deppen, Secretary  
Lykens 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).