



**MANSFIELD VOLUNTEER FIREMAN'S  
RELIEF ASSOCIATION**

**TIOGA COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2009 TO DECEMBER 31, 2011**

**RELEASED NOVEMBER 2013**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**





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**EUGENE A. DePASQUALE**  
**AUDITOR GENERAL**

Mr. Earl Goodrich, President  
MANSFIELD VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Tioga County

We have conducted a compliance audit of the Mansfield 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, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2009 to December 31, 2011.

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 finding 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 Mansfield Volunteer Firefighters' Relief Association's administration of state aid and accumulated relief funds

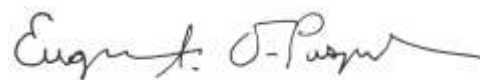
complies with applicable state laws, contracts, bylaws and administrative procedures including the safeguarding of assets. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those 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 Mansfield Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Mansfield Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2011, 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, 2009 to December 31, 2011, found the Mansfield Volunteer Firefighters' Relief Association took appropriate corrective action to address the finding contained in our prior audit report and, in all significant respects, received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the finding listed below and discussed later in this report. The results of our tests also indicated the Mansfield Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2011, had a cash balance of \$149,950 and an investment balance with a fair value of \$53,774.

#### Finding – Untimely Receipt and Deposit of State Aid

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

September 21, 2012



EUGENE A. DEPASQUALE  
Auditor General

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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, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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 Mansfield Volunteer Fireman's Relief Association, herein referred to as Mansfield 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 118 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 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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 Mansfield Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Covington Township	Tioga	\$ 3,101	\$ 3,490	\$ 5,558
Mansfield Borough	Tioga	\$14,994	\$16,877	\$27,039
Putnam Township	Tioga	\$ 1,013*	\$ 1,140	\$ 1,757*
Richmond Township	Tioga	\$15,164	\$17,068	\$25,898
Roseville Borough	Tioga	\$ 453*	\$ 510	\$ 729
Rutland Township	Tioga	\$ 2,251	\$ 2,534	\$ 4,251
Sullivan Township	Tioga	\$ 7,833	\$ 8,816	\$14,322

\*The 2009 state aid from Putnam Township and Roseville Borough was not deposited until 2010. In addition, the 2011 state aid from Putnam Township was not deposited until 2012. See the finding in the Finding and Recommendation section of this report.

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

Mansfield Firemen's Ambulance Association, Inc.  
Mansfield Hose Company Auxiliary  
Mansfield Hose Company, Inc

MANSFIELD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Mansfield Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Insufficient Surety (Fidelity) Bond Coverage

By maintaining the Surety (Fidelity) bond coverage in an amount greater than the balance of cash assets.



MANSFIELD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Untimely Receipt and Deposit of State Aid

Condition: The volunteer firefighters' relief association failed to timely deposit the 2009 state aid allocations it received from Putnam Township and Roseville Borough. In addition, the 2011 state aid allocation from Putnam Township was not timely received by the relief association. The details of the distributions and deposits of these state aid allocations are as follows:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2009	Putnam Township	\$ 1,013	October 16, 2009	March 5, 2010
2009	Roseville Borough	\$ 453	September 15, 2009	March 5, 2010
2011	Putnam Township	\$ 1,757	November 30, 2011	January 24, 2012

Criteria: Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), states:

The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.

Furthermore, prudent business practice dictates that, upon receipt of its state aid allocation, the relief association should ensure the funds are deposited in a timely manner.

Cause: The 2009 foreign fire insurance tax allocation was distributed to the municipalities on September 14, 2009. Putnam Township forwarded the state aid to the relief association on October 16, 2009. Roseville Borough forwarded the state aid to the relief association on September 15, 2009. Both 2009 allocations were distributed within 60 days of receipt, as required by section 706(b)(2) of the Act of December 18, 1984 (P.L. 1005, No. 205). However, the relief association failed to establish internal control procedures to ensure that all income received was recorded and deposited in a timely manner. The 2011 foreign fire insurance tax allocation was distributed to the municipalities on September 26, 2011. However, Putnam Township did not forward the state aid to the relief association until January 3, 2012, which was not within 60 days of receipt, as required by section 706(b)(2) of the Act of December 18, 1984 (P.L. 1005, No. 205). However, it is the relief association's responsibility to monitor each municipality's distribution of state aid to ensure the timely receipt of its state aid allocations.

MANSFIELD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION (Continued)

Finding – (Continued)

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, untimely deposits 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. 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.

MANSFIELD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2009 TO DECEMBER 31, 2011

Act 118 at 35 Pa.C.S. § 7412 states: 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. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 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.

Furthermore, 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	\$ 21,370
Relief benefits	1,961
Total Benefit Services	\$ 23,331
Fire Services:	
Equipment purchased	\$ 107,522
Equipment maintenance	26,317
Training expenses	1,065
Total Fire Services	\$ 134,904
Administrative Services:	
Officer compensation	\$ 1,800
Other administrative expenses	2,513
Total Administrative Services	\$ 4,313
Other Expenditures:	
Principal payments on lease-financing	\$ 9,232
Total Other Expenditures	\$ 9,232

MANSFIELD VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Mansfield Volunteer Firefighters' Relief Association Governing Body:

Mr. Earl Goodrich, President

Mr. Donald Clark, Vice President

Ms. Gabrielle Welch, Secretary

Mr. Jerry Ayers, Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report.

Ms. Lisa G. Everett, Secretary  
Covington Township

Ms. Lynnette M. Hoyt, Secretary  
Mansfield Borough

Ms. Jacquenline L. Ogden, Secretary  
Putnam Township

Ms. Deborah E. Kotulka, Secretary  
Richmond Township

Ms. Patricia Kittle-Nares, Secretary  
Roseville Borough

Ms. Lauri Sargent, Secretary  
Rutland Township

Ms. Nancy K. Smith, Secretary  
Sullivan Township

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).