



MIFFLINBURG HOSE COMPANY FIREMAN'S RELIEF ASSOCIATION

UNION COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2006 TO DECEMBER 31, 2009



CONTENTS

Background.....	1
Letter From the Auditor General	3
Status of Prior Finding	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures	6
Finding No. 2 – Failure to Maintain Minutes of Meetings	9
Finding No. 3 – Untimely Receipt and Deposit of State Aid	10
Potential Withhold of State Aid.....	11
Accompanying Expenditure Information	12
Report Distribution List	13



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 Mifflinburg Hose Company Fireman's Relief Association, herein referred to as Mifflinburg 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 Mifflinburg 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>	<u>2009</u>
Buffalo Township	Union	\$11,216	\$11,148	\$11,456	\$11,879
Hartleton Borough	Union	\$ 1,386	\$ 1,368	\$ 1,403	\$ 1,360
Hartley Township	Union	*	*	\$12,237	\$13,405**
Lewis Township	Union	\$ 8,837	\$ 8,747	\$ 8,943	\$ 8,634
Limestone Township	Union	\$ 5,225	\$ 5,228	\$ 5,389	\$ 6,189
Mifflinburg Borough	Union	\$20,815	\$20,554	\$21,152	\$18,101
West Buffalo Township	Union	\$18,418	\$18,096	\$18,678	\$18,192

* The relief association did not receive state aid from Hartley Township in 2006 and 2007.

** The 2009 state aid allocation from Hartley Township was not deposited into the relief association's account until February 22, 2010. (see Finding No. 3 of this report)

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

Mifflinburg Hose Company No. 1

Mr. Tod Steese, President
MIFFLINBURG VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Union County

We have conducted a compliance audit of the Mifflinburg 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, 2006 to December 31, 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 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 Mifflinburg 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 Mifflinburg Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Mifflinburg Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of December 31, 2009, 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, 2009, found the Mifflinburg Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report. In addition, the results of our audit found the Mifflinburg Volunteer Firefighters' Relief Association did not, in all significant respects, receive and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Mifflinburg Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information and, as of December 31, 2009, had a cash balance of \$94,515 and no investments.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Finding No. 2 – Failure to Maintain Minutes of Meetings

Finding No. 3 – Untimely Receipt and Deposit of State Aid

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

June 30, 2010

JACK WAGNER
Auditor General

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Mifflinburg Volunteer Firefighters' Relief Association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

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

**MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS**

**Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures**

Condition: As cited in our prior audit report, the relief association, again, was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
07/28/03	1819	Equipment	\$ 385
08/11/03	1826	Equipment	350
09/29/03	1840	Equipment	115
12/08/03	1860	Equipment	178
02/02/04	1877	Training	455
08/29/04	1937	Equipment	1,602
11/08/04	1956	Equipment	171
11/28/04	1960	Equipment	448
01/31/05	1981	Training	650
04/25/05	2013	Training	164
Total Prior Audit Period Undocumented Expenditures			<u>\$ 4,518</u>

In addition, the relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/16/06	2087	Training	\$ 100
01/23/06	2088	Training	390
01/27/06	2090	Training	550
01/27/06	2092	Equipment	953
02/27/06	2108	Equipment	1,105
03/26/06	2120	Computer equipment	1,430
10/16/06	2231	Training	450
10/30/06	2236	Equipment repair	188
05/07/07	2299	Office supplies	52
08/20/07	2325	Training	575
11/26/07	2349	Office supplies	7
01/24/08	2364	Training	130
02/24/08	2368	Computer equipment	2,205
04/14/08	2388	Equipment	353
04/27/08	2391	Equipment	1,665
06/30/08	2409	Training	300
08/24/08	2422	Training	650
10/27/08	2433	Office supplies	72
02/07/09	2456	Office supplies	75
02/07/09	2458	Training	490
02/16/09	2462	Training	650
03/29/09	2471	Equipment	734
04/26/09	2480	Office supplies	44
Total Current Audit Period Undocumented Expenditures			<u>\$ 13,168</u>
Total Prior Audit Period Undocumented Expenditures			<u>\$ 4,518</u>
Grand Total Undocumented Expenditures			<u><u>\$ 17,686</u></u>

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), [FN1] known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as invoices, and detailed minutes of meetings, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, good business practice dictates that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: While notified of this condition during our prior audit, relief association officials, again, neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Subsequent to the audit period, on June 28, 2010, via a written agreement, the fire service organization transferred ownership of three MSA self-contained breathing apparatus (SCBA) and three spare cylinders to the relief association. This equipment was purchased by the fire service organization on February 25, 2010, at a total cost of \$15,585. The value of this equipment will be applied towards the \$17,686 balance of undocumented expenditures.

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend the relief association maintain adequate supporting documentation, such as invoices, for all future expenditures. We further recommend that the relief association be reimbursed \$2,101 for the remaining balance of undocumented 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.

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain Minutes of Meetings

Condition: The relief association did not maintain detailed minutes of meetings as required by Act 118. While minutes were maintained for the 2008 year, minutes were not maintained for 2006, 2007, and 2009 years.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

Cause: Relief association officials stated that minutes were maintained, but the documents could not be located.

Effect: Without detailed minutes of meetings, verification that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 118. The minutes should include an adequate record of all financial-related business conducted by 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 as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Untimely Receipt and Deposit of State Aid

Condition: The volunteer firefighters' relief association did not receive the 2009 state aid allocation from Hartley Township until December 16, 2009, which was 92 days after the municipality received the funds from the Commonwealth of Pennsylvania on September 14, 2009. Furthermore, the relief association did not deposit the 2009 state aid allocation it received from Hartley Township, in the amount of \$13,405, until February 22, 2010.

Criteria: As required by the Foreign Fire Insurance Tax Distribution Law Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205), the municipality 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. It is the relief association's responsibility to monitor the municipality's distribution of the state aid. 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 monitor the municipality's distribution of state aid allocations to ensure the timely receipt of its respective state aid allocation check. If the relief association has not received its state aid allocation check within 60 days of the municipality's receipt of the monies from the Commonwealth of Pennsylvania, the relief association officers should contact the municipality to expedite the distribution of the funds due to the relief association. Also, the relief association failed to establish internal control procedures requiring that all income received be recorded and deposited in a timely manner.

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 monitor the municipality's distribution of the state aid allocation to ensure it is received within 60 days of the date of receipt. Also, all income received should be deposited in a timely manner. 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.

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition of the repeat finding such as that reported in Finding No. 1 may lead to a total withholding of state aid in the future unless that finding is corrected. Furthermore, a condition such as that reported in Finding No. 2 may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, Room 316-D Finance Building, Harrisburg, PA 17120.

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2006 TO DECEMBER 31, 2009

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	\$ 22,635
Death benefits	17,500
Tokens of sympathy and goodwill	328
Total Benefit Services	<u>\$ 40,463</u>
Fire Services:	
Equipment purchased	\$ 196,774
Equipment maintenance	40,642
Training expenses	2,620
Fire prevention materials	4,125
Total Fire Services	<u>\$ 244,161</u>
Administrative Services:	
Miscellaneous administrative expenses	\$ 5,743
Total Administrative Services	<u>\$ 5,743</u>
Other Expenditures:	
Undocumented expenditures	\$ 13,168
Total Other Expenditures	<u>\$ 13,168</u>

MIFFLINBURG VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Mifflinburg Volunteer Firefighters' Relief Association Governing Body:

Mr. Tod Steese, President

Mr. Thomas Kleckner, Vice President

Mr. Harold Erdley, Jr., Secretary

Mr. John R. Walter, Treasurer

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

Mr. Robert A. Beck, Secretary
Buffalo Township

Ms. Wendy Styers, Secretary
Hartleton Borough

Ms. Patricia Camp, Secretary
Hartley Township

Ms. Karen L. Watters, Secretary
Lewis Township

Ms. Judith A. Christ, Secretary
Limestone Township

Ms. Margaret A. Metzger, Secretary
Mifflinburg Borough

Mr. Robert E. Valentine, Secretary
West Buffalo 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.