



**NEWPORT VOLUNTEER FIREMEN'S RELIEF ASSOCIATION**

**HEREIN REFERRED TO AS:**

**NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**PERRY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2007 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 Newport 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 Newport Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>
Howe Township	Perry	\$ 4,407	\$ 4,469
Juniata Township	Perry	\$ 9,180	\$ 9,485
Miller Township	Perry	\$ 5,927	\$ 6,192
Newport Borough	Perry	\$ 7,651	\$ 7,813
Oliver Township	Perry	\$11,566	\$11,870

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

Citizens Fire Company No. 1

Mr. Richard Brunner, President  
NEWPORT VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Perry County

We have conducted a compliance audit of the Newport 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 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 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 Newport 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 Newport Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Newport 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, 2007 to December 31, 2008, found, in all significant respects, the Newport 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 finding discussed later in this report. The results of our tests indicated the Newport Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$48,971 and an investment balance with a fair value of \$41,432.

Finding – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

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

December 10, 2009

JACK WAGNER  
Auditor General



NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Newport Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is further discussed in the following finding noted in the Finding and Recommendation section of this report:

- Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

While the relief association received reimbursement in the amount of \$1,011 from the Citizens Fire Company No. 1 for the unauthorized expenditures made in the prior audit report, the relief association made additional unauthorized expenditures during the current audit period, as further discussed in the Finding contained in this report.

NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Condition: As cited in the prior audit report, the relief association again expended funds for items that are not authorized by Act 84. Specifically, the relief association expended a total of \$3,997 for two desktop computers and the related software and accessories. While the relief association is permitted to purchase one desktop computer and the necessary software for each fire station, they may not expend funds for any additional computers and the installation of a computer network system, as this system is for the benefit of the fire company operations. Of the \$3,997 paid by the relief association, \$2,956 of the expenditures were for costs associated with one additional computer and the installation of the network system; consequently, they are considered unauthorized expenditures as defined by Act 84.

Criteria: Act 84 at 53 P.S. § 8506(e)(1) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of its affairs including legal fees and including but not by way of limitation the rental or purchase of offices, the payment of reasonable compensation of any needed employees, and the purchase of office equipment and supplies.

Because the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and Economic Development (DCED) had been established whereby the DCED provided interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." The DCED has taken the position that the relief association may only purchase one computer along with the associated software for each fire station; consequently, the disbursements for the additional desktop computer, software, and network installation are not authorized under Act 84.

Cause: Relief association officials were unaware that the aforementioned expenditures for the additional computer, software, and computer network system were not authorized by Act 84.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 84.

However, subsequent to the audit period, on February 18, 2010, the relief association received reimbursement from the affiliated fire company, in the amount of \$2,956, for the above unauthorized expenditures.

NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We again recommend the relief association officials become familiar with Act 84 at 53 P.S. § 8506(e) to aid them in determining the propriety of future 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 did not agree with the finding as presented at the audit exit conference; however, the treasurer indicated they will take action to comply with the recommendation.

NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2007 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	\$ 4,928
Death benefits	150
Tokens of sympathy and goodwill	1,339
Total Benefit Services	\$ 6,417
Fire Services:	
Equipment purchased	\$ 13,687
Equipment maintenance	16,615
Training expenses	645
Fire prevention materials	1,299
Total Fire Services	\$ 32,246
Administrative Services:	
Miscellaneous administrative expenses	\$ 723
Total Administrative Services	\$ 723
Other Expenditures:	
Principal payments on loan	\$ 13,666
Interest payments on loan	16,189
Total Other Expenditures	\$ 29,855

NEWPORT VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Newport Volunteer Firefighters' Relief Association Governing Body:

Mr. Richard Brunner, President

Mr. Jason Barlup, Vice President

Ms. Karen Gabel, Secretary

Mr. Steven L. Haines, Treasurer

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

Ms. Nancy S. Cangioli, Secretary  
Howe Township

Ms. Trudy Fleisher, Secretary  
Juniata Township

Ms. Trudy Fleisher, Secretary  
Miller Township

Ms. Patricia Bowers, Secretary  
Newport Borough

Ms. Jill E. Hoover, Secretary  
Oliver 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).