



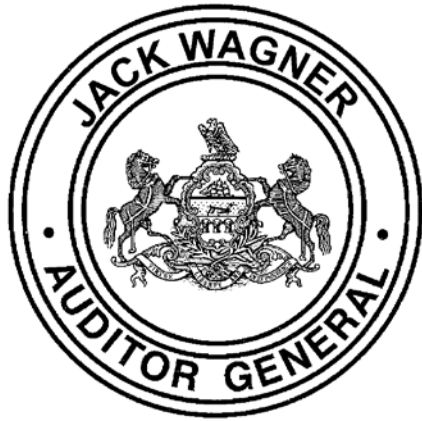
**PLYMOUTH TOWNSHIP VOLUNTEER FIRE COMPANY NO. 1 FIREMAN'S  
RELIEF ASSOCIATION OF PLYMOUTH TOWNSHIP, LUZERNE COUNTY,  
PENNSYLVANIA**

**LUZERNE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2005 TO AUGUST 19, 2009**



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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 Plymouth Township Volunteer Fire Company No. 1 Fireman's Relief Association of Plymouth Township, Luzerne County, Pennsylvania, herein referred to as Plymouth Township 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 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 Plymouth Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Plymouth Township	Luzerne	\$5,393	\$5,501	\$5,457	\$5,542

On August 19, 2009, the Plymouth Township Volunteer Firefighters' Relief Association disbanded and transferred its monetary assets to the Tilbury Volunteer Firefighters' Relief Association. As such, the relief association did not receive state aid allocation in 2009, nor will it receive any further state aid allocations.

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The Plymouth Township Volunteer Firefighters' Relief Association was affiliated with the Plymouth Township Volunteer Fire Company No. 1.

Mr. Dewain Spencer, President  
PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Luzerne County

We have conducted a compliance audit of the Plymouth Township 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, 2005 to August 19, 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 Plymouth Township 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 Plymouth Township Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Plymouth Township Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of August 19, 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, 2005 to August 19, 2009, found the Plymouth Township Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report. In addition, the results of our audit found the Plymouth Township Volunteer Firefighters' Relief Association, 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 findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Plymouth Township Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of August 19, 2009, Plymouth Township Volunteer Firefighters' Relief Association disbanded and all remaining monetary assets were transferred to the Tilbury Volunteer Firefighters' Relief Association.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Record-Keeping and Internal Controls

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Insufficient Officer's Bond Coverage

We were unable to discuss the contents of this report with the former management officials of the Plymouth Township Volunteer Firefighters' Relief Association due to the dissolution of the relief association. We are providing officials of the Tilbury Volunteer Firefighters' Relief Association with a copy of this report.

October 7, 2010

JACK WAGNER  
Auditor General



PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Plymouth Township Volunteer Firefighters' Relief Association has not complied with any of the six prior audit findings.

- Noncompliance With Prior Audit Recommendation –  
Undocumented Expenditures

While the relief association provided adequate support for the transferred title for a 1998 Dodge Ram 3500 brush truck from the fire company to the relief association, in lieu of obtaining reimbursement for the undocumented withdrawals made in 2002 and 2003, as cited in our prior audit report, the relief association made additional expenditures that were not sufficiently documented during the current audit period, as discussed in Finding No. 1 in the Findings and Recommendations section of this report.

The following issues are noted below and further discussed in Finding Nos. 2 and 3 in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Failure to Maintain a Complete and Accurate Equipment Roster
- Noncompliance With Prior Audit Recommendation –  
Inadequate Financial Record-Keeping System
- Noncompliance With Prior Audit Recommendation –  
Inadequate Minutes of Meetings
- Noncompliance With Prior Audit Recommendation –  
Inadequate Signatory Authority for the Disbursements of Funds
- Noncompliance With Prior Audit Recommendation –  
Insufficient Officer's Bond Coverage

We are concerned with the volunteer firefighters' relief association's failure to correct the previously reported audit findings. As a result of the transfer of all of Plymouth Township Volunteer Firefighters' Relief Association's remaining monetary assets to Tilbury Volunteer Firefighters' Relief Association, the Tilbury association management should strive to implement the recommendations and corrective actions noted in this audit report.

PLYMOUTH TOWNSHIP 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 was unable to provide adequate supporting documentation for all of its expenditures. During the current audit period, adequate supporting documentation was not provided for the following:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/28/06	993	Cash	*  \$ 3,300
02/06/06	994	Equipment vendor	** 762
02/26/06	995	Equipment vendor	** 112
03/08/06	102	Equipment vendor	* 1,176
03/15/06	103	Equipment vendor	** 261
03/15/06	104	Equipment vendor	* 904
03/17/06	105	Equipment vendor	* 460
03/17/06	106	Cash	400
04/14/06	109	Cash	400
06/30/06	112	Relief association member	* 36
07/07/06	113	Affiliated fire company	* 70
07/18/06	115	Relief association officer	100
08/05/06	118	Relief association member	** 60
08/05/06	119	Insurance provider	** 22
02/18/07	125	Affiliated fire company	* 150
06/22/07	Debit	Debit	* 3,195
08/05/07	1002	Equipment vendor	* 208
09/04/07	1003	Relief association member	* 30
04/20/08	1009	Equipment vendor	* 1,143
04/20/08	1013	Relief association member	* 458
04/21/08	1015	Insurance provider	* 42
04/28/08	1014	Equipment vendor	* 1,470
05/07/08	1016	Equipment vendor	* 173
05/19/08	1017	Equipment vendor	** 130
05/20/08	1018	Equipment vendor	* 36
06/18/08	1019	Training provider	* 110
08/07/08	1020	Equipment vendor	* 232
09/10/08	1023	Training provider	* 240
10/06/08	1022	Local court	* 472
10/17/08	1024	Equipment vendor	* 232
05/05/09	1032	Equipment vendor	* 26
05/05/09	1033	Training provider	* 350
Total			<u>\$ 16,760</u>

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

We requested the assistance of our Department's Office of Special Investigations (OSI) to make contact with the prior officers of the disbanded Plymouth Township Volunteer Firefighters' Relief Association, in order to obtain supporting documentation for the above expenditures. The results of the investigation revealed the following:

- \* Adequate supporting documentation was not available at the time of audit but through a series of interviews and inquiries, it was determined that these 22 transactions totaling \$11,213 were fully supported by invoices or receipts.
- \*| Cash withdrawals totaling \$2,846 was supported by invoices or receipts and that remaining cash of \$454 was withdrawn by the former treasurer, without proper authorization and deemed missing and unaccounted for.
- | Three transactions, totaling \$900, consisted of cash obtained by the former treasurer without proper authorization.
- \*\* No supporting documentation could be found for these six transactions, totaling \$1,347.

Ultimately, relief association expenditures totaling \$2,700 remain undocumented, including \$1,354 in cash obtained by the former treasurer without proper authorization.

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 training certificates, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, good business practices dictate 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 failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: Lack of supporting documentation, such as invoices, training certificates 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.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Plymouth Township Volunteer Firefighters' Relief Association. A summary of OSI's investigation will be forwarded to the District Attorney of Luzerne County for review and further action, if deemed appropriate. We are also providing the officials of the Tilbury Volunteer Firefighters' Relief Association with a copy of this report.

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Inadequate Financial Record-Keeping System and Internal Controls

Condition: As cited in our prior audit report, the relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and did not meet the minimum requirements of maintaining financial records established by the department. The following are the noted deficiencies:

- Relief association records were not adequately safeguarded;
- Detailed minutes of meetings were not maintained;
- On multiple checks, the signature of only one officer was used to disburse funds from the relief association's checking account;
- A roster of relief association owned equipment was not maintained nor were periodic physical inventories performed;
- Multiple bank statements and canceled checks were not maintained; copies of these documents had to be obtained from the bank;
- Original invoices to support various relief association expenditures were not available for review;
- A financial journal was not maintained to record the relief association's receipts and disbursements;
- Ledgers were not utilized to record transactions from the relief association accounts;
- Documentation to support various receipts was not available for examination;
- A complete and accurate membership roster was not maintained; and
- Documentation relating to the relief association's dissolution and transfer of assets was not maintained.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and constitution. In either case, it 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.

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Furthermore, prudent business practice dictates that:

- Relief association records be adequately safeguarded;
- Original invoices shall be required prior to payment of purchases;
- The signatures of at least two officers be required to disburse funds;
- A roster of relief association owned equipment be maintained and made available for review;
- A financial journal be maintained to record all receipts and disbursements of the relief association;
- Ledgers be maintained to record all transactions of the relief association accounts;
- Supporting documentation of all relief association business be maintained;
- Invoices be cancelled or otherwise effectively marked as paid to prevent reuse;
- Purchases with cash terms should be prohibited;
- Checks should be mailed directly to vendors;
- Monthly bank reconciliations should be performed;
- All purchases shall be presented to the relief association membership for discussion and approval;
- Detailed meeting minutes must be maintained to accurately document relief association business; and
- Periodic physical inventories of equipment owned.

Cause: While notified of this condition during our prior audit, due to inactivity and subsequent dissolution of the organization, relief association officials failed to maintain the required financial records and effective internal controls.

Effect: The failure to establish and maintain adequate internal controls and 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 financial records placed the relief association funds at greater risk for misappropriation.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Plymouth Township Volunteer Firefighters' Relief Association. We are providing Tilbury Volunteer Firefighters' Relief Association with a copy of this report.

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Insufficient Officer's Bond Coverage

Condition: As cited in our prior audit report, the relief association, again, failed to maintain a bond in a sufficient amount to cover the authorized disbursing officer. The relief association's bond coverage was \$10,000; however, our review of the relief association's cash balance during the current audit period found that the cash balance exceeded the bond coverage amount from January 1, 2005 through March 22, 2006.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: While notified of this condition during our prior audit, relief association officials failed to monitor the cash balance to ensure the officer's bond coverage was in compliance with Act 118 provisions.

Effect: As a result of the disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Plymouth Township Volunteer Firefighters' Relief Association. We are providing Tilbury Volunteer Firefighters' Relief Association with a copy of this report.

PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2005 TO AUGUST 19, 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	\$ 120
Total Benefit Services	\$ 120
Fire Services:	
Equipment purchased	\$ 6,925
Equipment maintenance	2,961
Total Fire Services	\$ 9,886
Administrative Services:	
Miscellaneous administrative expenses	\$ 306
Total Administrative Services	\$ 306
Other Expenditures:	
Transfer of monetary assets *	\$ 9,352
Undocumented expenditures **	16,760
Total Other Expenditures	\$ 26,112

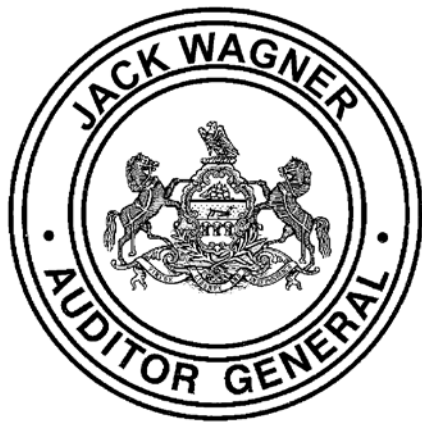


PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
ACCOMPANYING EXPENDITURE INFORMATION  
FOR THE PERIOD JANUARY 1, 2005 TO AUGUST 19, 2009 (Continued)

\* Transfer of Monetary Assets

As of August 19, 2009, the Plymouth Township Volunteer Firefighters' Relief Association disbanded and transferred all monetary assets over to the Tilbury Volunteer Firefighters' Relief Association.

\*\* The Department's OSI conducted a series of interviews and inquiries and determined that \$2,700 of this reported figure could not be supported by invoices or receipts. For further details, see Finding No. 1 contained in this report.



PLYMOUTH TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Plymouth Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Dewain Spencer, President

Ms. Jennifer Creasy, Secretary

Ms. Lindsay Smith, Treasurer

Tilbury Volunteer Firefighters' Relief Association Governing Body:

Mr. Thomas Deretchin, President

Mr. Dan Lexie, Vice President

Mr. John A. Nash, Secretary

Ms. Lynn Traher, Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association.

Mr. Steven Grzyski, Secretary  
Plymouth 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).