



SINNAMAHONING VOLUNTEER FIREMAN'S RELIEF ASSOCIATION

CAMERON COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO DECEMBER 31, 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, 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 Sinnamahoning Volunteer Fireman's Relief Association, herein referred to as Sinnamahoning 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 Sinnamahoning Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Driftwood Borough	Cameron	\$ 545	\$ 554	\$ 495*
Gibson Township	Cameron	\$2,034	\$2,101	\$1,804
Grove Township	Cameron	\$1,655	\$1,684	\$1,492

* However, the 2009 state aid allocation from Driftwood Borough was not distributed to the relief association until January 19, 2010; and thus, it was not deposited into a relief association account until February 9, 2010, as discussed in the finding contained in this report.

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

Sinnamahoning Volunteer Fire Department

Mr. Melvin L. Kehl, President
SINNAMAHONING VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cameron County

We have conducted a compliance audit of the Sinnamahoning 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, 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 objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Sinnamahoning 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 objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Sinnamahoning Volunteer Firefighters' Relief Association's recorded financial transactions, tests

of the physical existence of inventories, interviews of selected officials and direct confirmation of the Sinnamahoning 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 objective. 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 objective.

The results of our audit for the period January 1, 2007 to December 31, 2009, found, in all significant respects, the Sinnamahoning Volunteer Firefighters' Relief Association received and expended 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 Sinnamahoning Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2009, had a cash balance of \$9,849 and no investments.

Finding – Untimely Deposit of State Aid

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

May 11, 2010

JACK WAGNER
Auditor General

SINNAMAHER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Untimely Receipt and Deposit of State Aid

Condition: Driftwood Borough failed to forward the 2009 state aid allocation to the volunteer firefighters' relief association within 60 days of receipt, which resulted in the untimely deposit of the state aid into the relief association's account.

Criteria: The municipal treasurer is required to forward the tax allocation to the volunteer firefighters' relief association within 60 days of receipt, as required by Section 706 (b)(2) of Act 205 of December 18, 1984, (P.L. 1005, No. 205). Furthermore, pursuant to this provision of Act 205, relief association officials are required to monitor the municipality's distribution of state aid allocations to ensure the timely receipt of its respective state aid allocation checks.

Cause: The \$495 foreign fire insurance tax allocation check distributed to the Driftwood Borough municipal treasurer was dated September 14, 2009. The Driftwood Borough municipal treasurer completed the 706-B receipt form on December 8, 2009, and wrote a check, in the amount of \$495, to the relief association which was dated December 20, 2009. However, as evidenced by the postmark on the envelope and a corresponding note, the relief association did not receive the check until January 20, 2010, and deposited it on February 9, 2010. It is the relief association's responsibility to monitor the receipt of the state aid. 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 checks. If the relief association has not received its state aid allocation check from the municipality by December 1 of each year, the relief association officers should contact the municipality to expedite the distribution of the funds due the association.

Effect: As a result of the state aid not being timely received and deposited, funds were not available, as soon as they should have been, to pay general operating expenses or for investment purposes. In addition, untimely deposit of receipts can lead to a greater risk of funds being lost or misappropriated.

Recommendation: We recommend the relief association officials implement procedures to monitor the municipality's distribution of state aid allocations to ensure the timely receipt and deposit of all state aid allocation checks. 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.

SINNAMAHERONING VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 ACCOMPANYING EXPENDITURE INFORMATION
 FOR THE PERIOD JANUARY 1, 2007 TO DECEMBER 31, 2009

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	\$ 9,620
Total Benefit Services	\$ 9,620
Fire Services:	
Equipment purchased	\$ 837
Training expenses	920
Total Fire Services	\$ 1,757

SINNAMAHONING VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Sinnamahoning Volunteer Firefighters' Relief Association Governing Body:

Mr. Melvin L. Kehl, President

Mr. Jeffrey L. Geist, Vice President

Mr. F. Bruce Whitman, Secretary

Ms. Donna M. Kehl, Treasurer

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

Mr. Samuel C. Chilcote, Secretary
Driftwood Borough

Mr. Roger Knisely, Secretary
Gibson Township

Ms. Mary Hardinger, Secretary
Grove 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.