



**TRAINER VOLUNTEER FIRE COMPANY'S VOLUNTEER RELIEF ASSOCIATION**

**HEREIN REFERRED TO AS:**

**TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**DELAWARE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2003 TO AUGUST 7, 2007**



## CONTENTS

Background.....	1
Letter From the Auditor General .....	3
Status of Prior Findings .....	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure to Obtain a Federal Tax Identification Number.....	6
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure to Maintain Minutes of Meetings .....	7
Finding No. 3 – Noncompliance With Prior Audit Recommendation – Failure to Maintain Officer's Bond Coverage.....	8
Finding No. 4 – Inadequate Financial Record-Keeping System.....	9
Finding No. 5 – Inadequate Signatory Authority for the Disbursement of Funds.....	11
Finding No. 6 – Failure to Maintain a Complete and Accurate Equipment Roster.....	13
Accompanying Expenditure Information .....	15
Report Distribution List .....	17



## 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 Trainer 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 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 Trainer Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Trainer Borough	Delaware	\$5,488	\$5,315	\$6,006	\$6,052

However, as of August 7, 2007, the Trainer Volunteer Firefighters' Relief Association dissolved its organization. Thereafter, it did not receive any further state aid allocations (see Accompanying Expenditure Information).

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

Ms. Susan A. Knarr, President  
TRAINER VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Delaware County

We have conducted a compliance audit of the Trainer 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, 2003 to August 7, 2007.

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 Trainer 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the closing of the Trainer

Volunteer Firefighters' Relief Association's cash account as of August 7, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our audit for the period January 1, 2003 to August 7, 2007, found the Trainer Volunteer Firefighters' Relief Association did not take appropriate corrective action to address the three 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, in all significant respects, the Trainer Volunteer Firefighters' Relief Association received and expended funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, except as noted in the findings listed below and discussed later in this report. The results of our tests also indicated the Trainer Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information. However, as of August 7, 2007, this relief association dissolved and all remaining monetary assets were transferred to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. (see Accompanying Expenditure Information)

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Failure to Obtain a Federal Tax Identification Number

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Minutes of Meetings

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Officer's Bond Coverage

Finding No. 4 – Inadequate Financial Record-Keeping System

Finding No. 5 – Inadequate Signatory Authority for the Disbursement of Funds

Finding No. 6 – Failure to Maintain a Complete and Accurate Equipment Roster

Furthermore, at our Bureau's referral, the Department's Office of Special Investigations (OSI) conducted an investigation into questionable transactions occurring within the Trainer Volunteer Firefighters' Relief Association during the period covered by our audit. OSI concluded that the evidence obtained in this investigation indicated the transactions were not fraudulent. A full copy of the investigative report is available at the Department's website at [www.auditor.gen.state.pa.us](http://www.auditor.gen.state.pa.us).

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

November 7, 2007

JACK WAGNER  
Auditor General



TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Trainer Volunteer Firefighters' Relief Association has not complied with the prior audit findings. These issues are further discussed in the following findings noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation – Failure to Obtain a Federal Tax Identification Number
  
- Noncompliance With Prior Audit Recommendation – Failure to Maintain Minutes of Meetings
  
- Noncompliance With Prior Audit Recommendation – Failure to Maintain Officer's Bond Coverage

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Failure to Obtain a Federal Tax Identification Number

Condition: As cited in our prior two audit reports, the volunteer firefighters' relief association failed to comply with the Tax Equity and Fiscal Responsibility Act by not obtaining a federal tax identification number. The relief association is inappropriately using the fire company's federal tax identification number, although the fire company and the relief association are separate legal entities.

Criteria: All businesses, both profit and nonprofit, are required to obtain a federal tax identification number and provide this number to any financial institution where funds are earning interest. If their tax identification number is not provided, the financial institution is required to withhold 31 percent of interest earned and transmit these funds to the Internal Revenue Service, representing federal income taxes.

Cause: The relief association was cited for this condition during our prior two audits but, again, neglected to obtain its own federal tax identification number.

Effect: Failure to comply with the Tax Equity and Fiscal Responsibility Act could cause the relief association to be penalized by the Internal Revenue Service, resulting in the loss of funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of this audit.

Management's Response: Relief association management agreed with the condition cited above.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Minutes of Meetings

Condition: As cited in our prior audit report, the relief association did not maintain adequate minutes of relief association meetings, as required by Act 84. During the current audit engagement, the relief association, again, failed to provide copies of any minutes of meetings.

Criteria: Act 84 at 53 P.S. § 8505(a) states, in part, that the relief association:

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

In addition, Article III, Section 3, of the relief association bylaws stipulates in part:

The Secretary shall keep a true and accurate record of every regular and special meeting of the Association. The meeting record shall include but is not limited to A) membership in attendance B) officers at the meetings C) date and time of meeting D) detailed account of the meeting E) any and all other pertinent business.

Cause: Relief association officials were cited for this condition during our prior audit but, again, neglected to maintain minutes of meetings, as required by Act 84 and the relief association's bylaws.

Effect: Without detailed minutes of meetings, verification that relief association business was presented before the membership for approval does not exist nor could we determine whether meetings were held in accordance with stipulations in the relief association's bylaws.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of this audit.

Management's Response: Relief association management agreed with the condition cited above.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Noncompliance With Prior Audit Recommendation –  
Failure to Maintain Officer's Bond Coverage

Condition: As cited in our prior audit report, the relief association failed to maintain bond coverage on the relief association's disbursing officer, as required by Act 84 and the relief association's bylaws. During the current audit period, the relief association did obtain bond coverage on the disbursing officer, effective June 30, 2003. However, this policy lapsed on June 30, 2006, and was never renewed.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such 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 such bond shall be a proper charge against the funds of the association.

In addition, Article VI, Section 1, of the relief association bylaws states in pertinent part:

The Association shall maintain an officer's bond on the Treasurer and errors and omissions insurance on all officers of the Association. The bond and E&O insurance shall be an amount at least equal to the amount of liquid assets of the Association.

Cause: While cited for this condition during our prior audit, relief association officials neglected to maintain continuous bond coverage to ensure adequate protection of relief association assets, as required by Act 84 and the relief association's bylaws.

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

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of this audit.

Management's Response: Relief association management agreed with the condition cited above.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Inadequate Financial Record-Keeping System

Condition: We determined during the current audit engagement that the relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and does not meet the minimum requirements of maintaining financial records established by this department. The record-keeping deficiencies noted are as follows:

- A journal was not maintained to record the receipts and disbursements of the relief association;
- Ledgers were not utilized to record the transactions of the relief association that occurred during the audit period;
- Bank statements, cancelled checks, and investment statements were not maintained by the relief association and were not available at the time of the audit engagement. Copies of those financial records had to be obtained by our department directly from the financial institution;
- Original invoices to support various relief association expenditures were not available for examination at the time of the audit. Copies of invoices had to be obtained from vendors; and
- Financial statements were not prepared.

Criteria: Act 84 at 53 P.S. § 8505 (a) states, in part, that the relief association:

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

In addition, an adequate system of accounting and record keeping is a prerequisite for sound administration of relief association assets.

Cause: The relief association officials were aware of the record-keeping requirements but neglected to maintain sufficient financial records.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of this audit.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Management's Response: Relief association management agreed with the condition cited above.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Inadequate Signatory Authority for the Disbursement of Funds

Condition: During the current audit engagement, we identified nine checks drawn on the relief association's checking account that only contained the signature of one officer, although two signatures are required, pursuant to Act 84 and the relief association bylaws. Issuing checks with the signature of only one officer negates the relief association's internal control over the disbursement process.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required in order to bind the association by formal contract or to issue any negotiable instrument.

In addition, Article V, Section 2, of the relief association's bylaws states:

All checks shall require the signature of the Treasurer and one other officer, as well as any withdrawal from any of the Association's bank accounts, the redemption of any Association investment or any negotiable instrument issued by the Association.

Furthermore, prudent business practice dictates that the relief association have sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Good internal control procedures require that checks be signed only after the propriety of the expenditures have been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officers were aware of the necessity for two signatures but neglected to implement procedures to ensure that all checks contain two signatures.

Effect: As a result of the relief association officer issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having an opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk for errors occurring and going undetected, and reduces the risk of misappropriation.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of this audit.

Management's Response: Relief association management agreed with the condition cited above.



TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials did not maintain a complete and accurate roster of equipment owned by the relief association. At the time of the audit engagement, the relief association did not provide an equipment roster to demonstrate that equipment purchases made during the audit period had been recorded. As such, it appears that none of the \$29,445 of the relief association's equipment purchases made during the audit period had been recorded. The relief association had previously maintained and provided an equipment roster in prior audit engagements; however, no equipment has been recorded since May 7, 1997. In addition, there was no documentation available at the time of the audit engagement to indicate that the relief association had performed an annual inventory of its equipment to account for the relief association's fixed assets.

Criteria: The relief association is required to establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's fixed assets. A cumulative roster of all relief association equipment should include the following:

- Types of equipment purchased;
- Dates of purchases;
- Unit costs;
- Names of suppliers;
- Serial numbers, if applicable;
- Current locations of items;
- Final dispositions of sold or damaged equipment; and
- Evidence of the results of annual physical inventory.

Furthermore, sound business practice requires the performance of an annual physical inventory of all relief association owned equipment.

Cause: Relief association officials neglected to establish adequate internal control procedures over fixed assets requiring a cumulative roster of all equipment owned and an annual equipment inventory to account for the relief association's fixed assets.

Effect: The failure to maintain a cumulative roster of all equipment owned by the relief association and perform an annual inventory of the equipment prevents officials from adequately accounting for and safeguarding relief association assets.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Recommendation: No recommendation is deemed necessary due to the dissolution of the Trainer Volunteer Firefighters' Relief Association and the transfer of assets to the Marcus Hook Trainer Volunteer Firefighters' Relief Association. We are providing a copy of this report to officials of the Marcus Hook Trainer Volunteer Firefighters' Relief Association so they are aware of the conditions that were detected at the Trainer Volunteer Firefighters' Relief Association during the course of the audit.

Management's Response: Relief association management agreed with the condition cited above.

TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2003 TO AUGUST 7, 2007

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. . . .

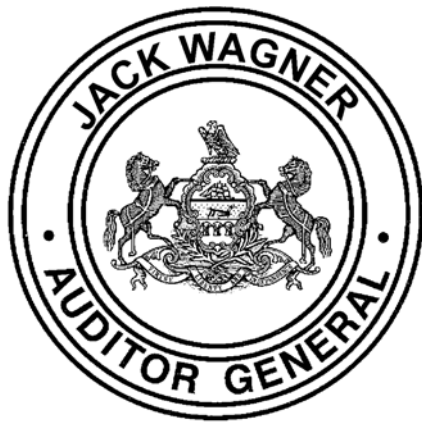
Act 84 at 53 P.S. § 8506, authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds. All expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Fire Services:	
Equipment purchased	\$ 29,445
Training expenses	750
Total Fire Services	\$ 30,195
Administrative Services:	
Miscellaneous administrative expenses	\$ 303
Total Administrative Services	\$ 303
Other Expenditures:	
Transfer of monetary assets*	\$ 9,567
Total Other Expenditures	\$ 9,567

\* Transfer of Monetary Assets/Dissolution of Trainer Volunteer Firefighters' Relief Association

As of August 7, 2007, the Trainer Volunteer Firefighters' Relief Association completed the process of dissolution and merged with the Marcus Hook Volunteer Firefighters' Relief Association to form the Marcus Hook Trainer Volunteer Firefighters' Relief Association. Consequently, all remaining monetary assets were transferred to the Marcus Hook Trainer Volunteer Firefighters' Relief Association.



TRAINER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Former Trainer Volunteer Firefighters' Relief Association Officers:

Ms. Susan A. Knarr, President

Ms. Lauren Hoffman, Secretary

Marcus Hook Trainer Volunteer Firefighters' Relief Association Officers:

Mr. Dave Shafer, President

Mr. Raleigh Heacock, Delegate

Mr. Kenneth Smith, Jr., Secretary

Mr. John Clausen, Treasurer

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

Ms. Alice Steppke, Secretary  
Trainer Borough

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).