



**UTICA VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION**

**HEREIN REFERRED TO AS:**

**UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**VENANGO COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006 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 Utica 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. The Utica 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>
Canal Township	Venango	\$5,257	\$5,426	\$5,585
Frenchcreek Township	Venango	\$2,959	\$3,037	\$3,123
Utica Borough	Venango	\$ 939	\$ 978	\$1,005

BACKGROUND (Continued)

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

Utica Volunteer Fire Company

Mr. William Henze, President  
UTICA VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Venango County

We have conducted a compliance audit of the Utica 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, 2006 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 Utica 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 Utica Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Utica 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, 2006 to December 31, 2008, found, in all significant respects, the Utica 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 Utica Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$8,385 and no investments.

Finding – Noncompliance With Prior Audit Recommendation –  
Inadequate Relief Association Bylaws and Constitution

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

December 17, 2009

JACK WAGNER  
Auditor General



UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The Utica Volunteer Firefighters' Relief Association has complied with the following prior audit findings and recommendations:

- Undocumented Expenditures

By providing adequate documentation to determine the validity of \$7,059 in expenditures previously determined to be undocumented and by receiving reimbursement in the amount of \$978 from the affiliated fire company for the remaining undocumented expenditures. In addition, the relief association maintained supporting documentation for all expenditures made during the current audit period.

- Unauthorized Expenditures

By receiving full reimbursement from the affiliated fire company in the amount of \$4,336 for the expenditures deemed unauthorized in the prior audit period. In addition, the relief association did not make any unauthorized expenditures during the current audit period.

- Failure to Obtain a Pennsylvania Sales Tax Exemption Number

By obtaining a state sales tax exemption number.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Utica 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 –  
Inadequate Relief Association Bylaws and Constitution

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

UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation –  
Inadequate Relief Association Bylaws and Constitution

Condition: As cited in the prior audit report, the existing bylaws of the Utica Volunteer Firefighters' Relief Association do not contain all of the provisions required by Act 84 at 53 P.S. § 8505(c). Specifically, the bylaws do not address the quorum requirements for meetings and the procedure to be followed in nominating and electing officers, trustees, directors, and members of the executive committee, as applicable. In addition, the bylaws do not establish procedures for the investment of funds and the sale of investments.

During the current audit, in addition to the bylaws above, the relief association provided a document on Utica Fire Company letterhead entitled Utica Volunteer Fire Company and Relief Association Constitution. Although the constitution provided does address the procedures for nominating and electing officers, it appears that the constitution is that of an organization encompassing the Utica Fire Company, Ladies Auxiliary, an Ambulance Association and Fire Police. The constitution provided does not clearly distinguish the relief association as an entity separate and distinct from these other organizations.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that the relief association's bylaws should:

- State the quorum requirements for regular and special meetings.
- State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, as applicable.
- Establish procedures for the approval and payment of expenditures, and for the investment of funds and the sale of investments.

Furthermore, prudent business practice dictates the bylaws of an organization should stand on its own.

Cause: While notified of this condition in the prior audit report, relief association officials neglected to amend the relief association bylaws to meet the bylaw provisions required by Act 84.

UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: Commingling the relief association and another organization's operating procedures within the same bylaws or constitution causes confusion and does not present the organizations as separate legal entities, independent of one another. As a result of the bylaws being commingled and the mandatory provisions not being included in the bylaws, the relief association may have conducted its affairs without proper authorization. In addition, the inadequate bylaws increase the likelihood that relief association assets are not adequately protected and could become commingled with those of another organization.

Recommendation: We again recommend that relief association officials review and update the constitution and bylaws governing their organization so that the bylaws meet the requirements set forth in Act 84 and properly authorize the operating procedures of the relief association and clearly separate and distinguish the operations of the relief association from the other organizations. 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.

UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2006 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	\$ 5,343
Tokens of sympathy and goodwill	250
Total Benefit Services	\$ 5,593
Fire Services:	
Equipment purchased	\$ 21,808
Equipment maintenance	2,290
Training expenses	580
Fire prevention materials	325
Total Fire Services	\$ 25,003
Administrative Services:	
Miscellaneous administrative expenses	\$ 105
Total Administrative Services	\$ 105

UTICA VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Utica Volunteer Firefighters' Relief Association Governing Body:

Mr. William Henze, President

Mr. Gerald Boughner, Vice President

Mr. Walter Donaldson, Secretary

Ms. Cindy Dailey, Treasurer

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

Ms. Deanna Yarnell, Secretary  
Canal Township

Ms. Dixie L. Morrow, Secretary  
Frenchcreek Township

Ms. Diane Prusaczyk, Secretary  
Utica 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).