



**CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREMAN'S RELIEF
ASSOCIATION**

HEREIN REFERRED TO AS:

**CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION**

CLARION 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 Callensburg-Licking Township 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 Callensburg-Licking Township 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>
Callensburg Borough	Clarion	\$ 964	\$ 969	\$ 993*
Licking Township	Clarion	\$2,689	\$2,792	\$2,850
Toby Township	Clarion	\$ -	\$ -	\$ 92

*The 2008 state aid allocation from Callensburg Borough was not deposited into a relief association account until August 19, 2009.

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

Callensburg-Licking Township Volunteer Fire Company

Mr. Joseph L. Painter, President
CALLENSBURG-LICKING TOWNSHIP VOLUNTEER
FIREFIGHTERS' RELIEF ASSOCIATION
Clarion County

We have conducted a compliance audit of the Callensburg-Licking 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, 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 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 Callensburg-Licking Township 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 Callensburg-Licking 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 Callensburg-Licking Township 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 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, 2006 to December 31, 2008, found, in all significant respects, the Callensburg-Licking Township 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 Callensburg-Licking Township Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$2,456 and no investments.

Finding – Failure to Deposit State Aid

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

August 25, 2009

JACK WAGNER
Auditor General

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Deposit State Aid

Condition: During the current audit engagement, we detected that the relief association did not receive or deposit the 2008 state aid distributed by Callensburg Borough, in the amount of \$993. After bringing this matter to the relief association's attention during the audit engagement, the relief association then realized the funds had been received by the affiliated fire company and erroneously deposited into a fire company account.

Criteria: The foreign fire insurance tax allocation was distributed to the municipal treasurer, who was to forward this state aid to the volunteer firefighters' relief association within 60 days of receipt, as required by Section 706 (b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205). Upon receipt of the state aid allocation, the relief association should ensure the funds are timely deposited into a relief association account.

Prudent business practice dictates that if the relief association does not timely receive its state aid funds, it should contact the appropriate government agency in writing to request that the funds be timely forwarded.

Cause: The relief association failed to establish internal control procedures to ensure that all state aid is received and deposited into a relief association account. The 706-B receipt form submitted by Callensburg Borough for the 2008 state aid indicated that the check issued by the municipality was made payable to the affiliated fire company rather than the relief association.

Effect: As a result of the state aid not being received or deposited, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to deposit receipts in a timely manner increases the risk that funds could be lost or misappropriated.

However, subsequent to the audit period, on August 19, 2009, after bringing this matter to the relief association's attention, the relief association received reimbursement from the affiliated fire company, in the amount of \$993, for the 2008 state aid distributed by Callensburg Borough that was due the relief association.

Recommendation: We recommend the relief association adopt internal control procedures to ensure that all state aid is received timely and deposited into a relief association account. Such procedures should involve written communication with the appropriate government agency when funds are not timely received. A copy of this report is being furnished to all the municipal officials so they are aware of the circumstances and recommended corrective action. 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.

CALLENSBURG-LICKING TOWNSHIP 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	\$ 2,005
Total Benefit Services	\$ 2,005
Fire Services:	
Equipment purchased	\$ 20,335
Equipment maintenance	1,723
Training expenses	1,135
Total Fire Services	\$ 23,193
Administrative Services:	
Miscellaneous administrative expenses	\$ 13
Total Administrative Services	\$ 13

CALLENSBURG-LICKING TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Callensburg-Licking Township Volunteer Firefighters' Relief Association Governing Body:

Mr. Joseph L. Painter, President

Mr. Joseph M. Davis, Vice President

Mr. Arnold Kepple, Secretary

Ms. Hollie Mohny, Treasurer

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

Ms. Donna Whitmer, Secretary
Callensburg Borough

Ms. Karen A. Best, Secretary
Licking Township

Ms. Janey L. Corle, Secretary
Toby 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.