



**THE CLINTON TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION OF  
MONTGOMERY R.R #1, LYCOMING COUNTY, PENNSYLVANIA**

**HEREIN REFERRED TO AS:**

**CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**LYCOMING COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2004 TO DECEMBER 31, 2006**



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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 Clinton 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. The Clinton Township Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Brady Township	Lycoming	\$ 5,047	\$ 5,645	\$ 5,726
Clinton Township	Lycoming	\$15,271	\$17,417	\$17,629

BACKGROUND (Continued)

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

Clinton Township Volunteer Fire Company No. 1

Mr. Ronald E. Winder, President  
CLINTON TOWNSHIP VOLUNTEER  
FIREFIGHTERS' RELIEF ASSOCIATION  
Lycoming County

We have conducted a compliance audit of the Clinton 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, 2004 to December 31, 2006. The audit was conducted in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States.

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 Clinton 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 applicable state laws, contracts, bylaws and administrative procedures significant within the context of the audit objectives. We also tested transactions, confirmed the Clinton Township Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2006, with the custodian 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, 2004 to December 31, 2006, found, in all significant respects, the Clinton 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 findings discussed later in this report. The results of our tests indicated the Clinton Township Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2006, had a cash balance of \$15,688 and an investment balance with a fair value of \$7,830.

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inadequate Internal Controls

Finding No. 2 – Failure to Deposit Investment Proceeds

Finding No. 3 – Unauthorized Expenditures

Finding No. 4 – Undocumented Expenditures

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

December 5, 2007

JACK WAGNER  
Auditor General



CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Clinton Township Volunteer Firefighters' Relief Association has not complied with a prior audit finding. This issue is further discussed in the following finding noted in the Findings and Recommendations section of this report:

- Noncompliance With Prior Audit Recommendation –  
Inadequate Internal Controls

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 recommendations and corrective actions noted in this audit report.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –  
Inadequate Internal Controls

Condition: As cited in the prior audit report, the relief association has failed to establish adequate internal controls. The following material internal control weaknesses existed during the period under review:

- Original invoices were billed to the fire company for payment of purchases.
- Funds were inappropriately deposited into the fire company's account.
- All financial related activities were not presented, discussed, and approved at relief association meetings.
- Detailed minutes of all meetings were not maintained nor were all minutes signed by the recording officer.
- A complete and accurate membership roster was not maintained.
- Documentation to support various receipts and disbursements was not available for examination at the time of the audit.
- All equipment purchased with relief association funds was not recorded on the equipment roster.
- Annual inventories of equipment owned by the relief association were not performed.

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 2, Section 3 of the relief association's bylaws states, in part:

- It shall be the duty of the Treasurer, to keep a true and correct account of all monies belonging to the Association, which may come into his hands. He shall also keep a true and correct account of all disbursements, authorized by the association at each meeting. . . he shall not disburse any money except on an order signed by the President and Secretary. He shall deposit all monies into either a checking or savings account in a banking institution selected by the association.

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

- All expenditures must be made through a relief association account and recorded, in detail, in the association journal and ledger. Supporting documentation such as invoices, cancelled checks, etc, shall be maintained to verify all disbursements.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Furthermore, prudent business practice dictates that:

- All original invoices should be billed directly to the relief association and not the fire company.
- All funds received by the relief association should be deposited directly into a relief association account.
- All purchases should be presented to the association membership for discussion and approval.
- Detailed meeting minutes should be maintained to accurately document relief association business and the minutes should be signed by the secretary.
- A complete and accurate membership roster should be maintained
- Documentation should be maintained for all receipts and disbursements.
- All equipment purchased with relief association funds should be recorded on the equipment roster.
- Physical inventories of equipment owned by the relief association should be performed on an annual basis.

Cause: The relief association failed to establish adequate internal controls to ensure the propriety of expenditures and proper documentation of relief association transactions.

Effect: The failure to establish adequate internal controls 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 places the relief association funds at greater risk for misappropriation.

Recommendation: We again recommend the relief association officials adopt internal control procedures which will require the following:

- All invoices paid by the relief association be billed directly to the relief association and not the fire company.
- Funds received by the relief association be directly deposited into a relief association account.
- Presentation, discussion, and approval of financial activities at relief association meetings.
- Maintenance of detailed meeting minutes, signed by the secretary.
- Maintenance of a complete and accurate membership roster.
- Documentation of all receipts and disbursements.
- Inclusion of all equipment purchased by the relief association on the equipment roster.
- Annual inventories of equipment owned by the relief association.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Deposit Investment Proceeds

Condition: On March 30, 2007, a certificate of deposit owned by the relief association was sold and the proceeds, in the amount of \$7,914, were erroneously deposited into the fire company's bank account, rather than the relief association's account.

Criteria: Act 84 at 53 P.S. § 8507(a), states, in part, that:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under the Act of June 28, 1895 (P.L. 408), as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this Act.

In addition, prudent business practice dictates that the relief association should closely monitor all investment sales to ensure the proceeds are received and timely deposited into a relief association account.

Cause: The relief association failed to establish internal control procedures to ensure that all investment proceeds are timely deposited into a relief association account.

Effect: As a result of the proceeds from the investment sale being deposited into a fire company account, the relief association was unable to use these funds for general operating expenses or for investment purposes. Furthermore, the lack of effective internal controls places the relief association funds at a greater risk for misappropriation.

However, subsequent to the period under review, on January 10, 2008, the relief association was reimbursed \$7,914 by the fire company for the erroneous deposit.

Recommendation: We recommend the relief association establish accounting and internal control procedures to ensure that all investment proceeds are received and timely deposited in a relief association account. 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.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items, which are not authorized by Act 84:

Date	Check No.	Description	Amount
01/20/03 *	248	Training course not completed by several members	\$ 752
12/06/04	150	Training course not completed by member	188
04/04/05	175	Mattresses for fire company bunk room	704
04/04/05	178	Second desktop computer for fire company	669
11/06/06	501	Maintenance of fire company vehicles	274
11/20/06	503	Maintenance of fire company vehicles	<u>1,044</u>
Total			<u>\$ 3,631</u>

\* In the prior audit period, the relief association expended \$2,256 for 12 members to attend basic EMT training; however, in the current audit period, it was determined that 4 of the members did not successfully complete the training course. Therefore, the tuition fees, in the amount of \$752, for these 4 individuals have been deemed to be unauthorized expenditures in this audit period.

Criteria: Act 84 at 53 P.S. § 8506(e)(10 and 11) state:

The funds of any volunteer firefighters' relief association may be spent:

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (11) To purchase safeguards for preserving life, health, and safety to volunteer firefighters, so as to ensure their availability to participate in the volunteer fire service.

Since the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and Economic Development (DCED) had been established whereby the DCED provided interpretation of Act 84 of 1968, the "Volunteer Firefighters' Relief Association Act." While the training courses taken by the members were considered bona fide training classes, DCED has taken the position that the relief association cannot pay for courses which were not successfully completed by the

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

member. In addition, the disbursements for mattresses, a second desktop computer, and the maintenance on fire company vehicles have also been deemed by DCED to not qualify as allowable expenditures, as these items are not for the protection of the volunteer firefighter. Consequently, all of the above expenditures are considered unauthorized pursuant to Act 84.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 84.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 84.

However, subsequent to the period under review, on January 10, 2008, the relief association was reimbursed \$3,631 by the fire company for the unauthorized expenditures.

Recommendation: We recommend that relief association officials become familiar with Act 84 at 53 P.S. § 8506(e) to aid them in determining the propriety of future expenditures. 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.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
02/16/04	105	Fire company reimbursement	\$ 534
04/04/05	176	Training course	<u>450</u>
Total			<u>\$ 984</u>

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No 205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Without adequate supporting documentation, such as invoices, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, good business practices would require that supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e).

However, subsequent to the period under review, on January 10, 2008, the relief association was reimbursed \$984 by the fire company for the undocumented expenditures.

Recommendation: We recommend that the relief association officials maintain supporting documentation for all future expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.



CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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.

CLINTON TOWNSHIP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2004 TO DECEMBER 31, 2006

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:	
Relief benefits	\$ 300
Total Benefit Services	\$ 300
Fire Services:	
Equipment purchased	\$ 38,058
Equipment maintenance	12,110
Training expenses	7,920
Total Fire Services	\$ 58,088
Administrative Services:	
Miscellaneous administrative expenses	\$ 586
Total Administrative Services	\$ 586
Total Investments Purchased	\$ 7,500
Other Expenditures:	
Undocumented expenditures	\$ 984
Total Other Expenditures	\$ 984

CLINTON 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

Clinton Township Volunteer Firefighters' Relief Association Officers:

Mr. Ronald E. Winder, President

Ms. Diane Staggert, Treasurer/Secretary

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

Ms. Linda Bower, Secretary  
Brady Township

Ms. Janet F. Mincemoyer, Secretary  
Clinton 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).