

**CLINTONVILLE VOLUNTEER FIRE DEPARTMENT FOREIGN FIRE
ASSOCIATION**

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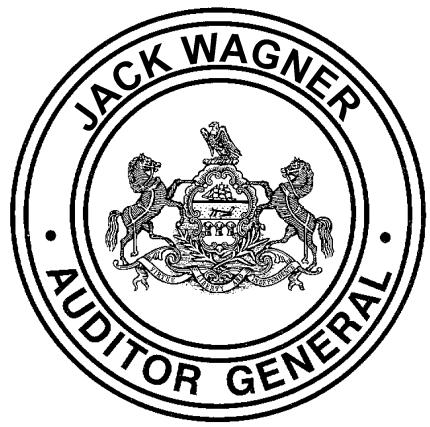
CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

VENANGO COUNTY

COMPLIANCE AUDIT REPORT

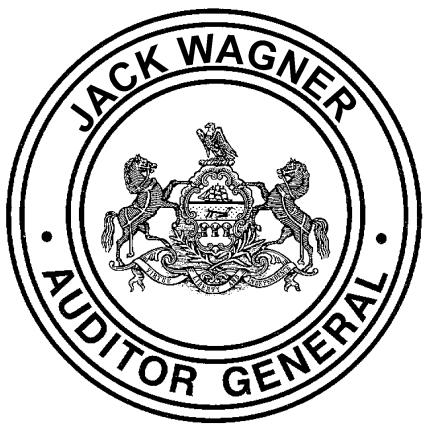
FOR THE PERIOD

JANUARY 1, 2005 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 Clintonville 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 Clintonville Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

Municipality	County	2005	2006	2007	2008
Barkeyville Borough	Venango	\$1,056	\$1,060	\$2,005	\$2,046*
Clinton Township	Venango	\$4,466	\$4,507	\$4,590	\$4,672*
Clintonville Borough	Venango	\$2,328	\$2,348	\$2,387	\$2,442*
Irwin Township	Venango	\$6,964	\$7,044	\$7,341	\$7,582
Scrubgrass Township	Venango	\$2,987	\$2,998	\$3,158	\$3,209
Victory Township	Venango	\$2,314	\$2,337	\$2,402	\$2,467

* However, the 2008 state aid allocations from Barkeyville Borough, Clinton Township, and Clintonville Borough were not deposited into a relief association account until February 2, 2009; January 26, 2009; and February 6, 2009, respectively. These details are further discussed in Finding No. 1 contained in this report.

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

Clintonville Volunteer Fire Department

Mr. Michael Uber, President
CLINTONVILLE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Venango County

We have conducted a compliance audit of the Clintonville 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, 2005 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 Clintonville 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 Clintonville Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2008, 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, 2005 to December 31, 2008, found, in all significant respects, the Clintonville 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 Clintonville Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$11,312 and an investment balance with a fair value of \$10,593.

Finding No. 1 – Untimely Deposit of State Aid

Finding No. 2 – Failure to Maintain Minutes of Meetings

Finding No. 3 – Inadequate Financial Record-Keeping System

Finding No. 4 – Inadequate Investment Records

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

February 6, 2009

JACK WAGNER
Auditor General

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

Failure to Maintain a Complete and Accurate Equipment Roster

The Clintonville Volunteer Firefighters' Relief Association has partially complied with the prior audit recommendation by maintaining a roster of equipment owned. During the current audit, we determined that the majority of the equipment purchased by the relief association during the audit period was recorded. However, there was no indication that an annual inventory of the equipment was conducted to account for the relief association's fixed assets. The relief association should strive to maintain a complete and accurate roster of all relief association owned equipment and ensure they perform and sufficiently document an annual inventory.

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Untimely Deposit of State Aid

Condition: The volunteer firefighters' relief association did not timely deposit the following 2008 state aid allocations it received:

<u>Year</u>	<u>Municipality</u>	<u>Amount</u>	<u>Date Municipality Distributed Aid</u>	<u>Deposit Date</u>
2008	Barkeyville Borough	\$ 2,046	10/07/08	02/02/09
2008	Clinton Township	4,672	09/25/08	01/26/09
2008	Clintonville Borough	2,442	02/03/09	02/06/09

Criteria: The foreign fire insurance tax allocations were distributed to the municipal treasurers, who forwarded this state aid to the volunteer firefighters' relief association within the 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 allocations, the relief association should ensure the funds are deposited in a timely manner.

Cause: The relief association failed to establish internal control procedures that require all income received be recorded and deposited in a timely manner. At the time of the audit, we interviewed a relief association official and municipal officials but were not able to determine specifically why the state aid checks were not timely deposited nor verify that the checks prepared by the municipalities had ever been received by the relief association. However, at the time of the audit, we were informed by the respective municipal officials of Barkeyville Borough and Clinton Township that each municipality had issued another check for the state aid because the original allocation check prepared by the municipality was never cashed/deposited by the relief association. Clintonville Borough municipal officials indicated the check dated February 3, 2009, was the only check issued by the municipality.

Effect: As a result of the untimely deposits, funds were not available to pay general operating expenses or for investment purposes. In addition, an untimely deposit of receipts can lead to a greater risk that funds could be lost or misappropriated.

Recommendation: We recommend the relief association officials adopt internal control procedures to ensure the timely deposit of all income received. Such procedures should include communication with the municipalities when funds are not timely received. A copy of this report is being furnished to each of the municipalities noted above so they are aware of the circumstances regarding the untimely deposit of state aid. 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.

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain Minutes of Meetings

Condition: The relief association did not maintain minutes of meetings, as required by Act 84. Specifically, the relief association did not maintain meeting minutes from January 2005 to December 2007.

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.

Cause: Relief association officials were aware that maintaining minutes of meetings was required by Act 84. According to relief association officials, the computer containing the relief association's minutes crashed. The relief association did not have backup or hard copies of these minutes.

Effect: The failure to maintain minutes of meetings prevented the verification as to whether relief association business was presented before the membership for approval.

However, the relief association did provide minutes of meetings for meetings that occurred in December 2007 through the date of this report.

Recommendation: We recommend relief association officials maintain a permanent record of all relief association meetings as required by Act 84. The minutes should include an adequate record of all financial-related business conducted by the relief association. 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.

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Financial Record-Keeping System

Condition: 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 following are the deficiencies detected during the current audit:

- A journal was not maintained to record the receipts and disbursements of the relief association from March 3, 2006 to August 6, 2007. When a journal was maintained, it contained posting errors.
- Ledgers were not utilized to record the transactions of the relief association accounts for the entire audit period.
- Annual 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: Relief association officials were unaware of their various record-keeping responsibilities.

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

Recommendation: We recommend the relief association establish and maintain a financial record-keeping system, which meets the minimum record-keeping requirements of this department. 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.

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Inadequate Investment Records

Condition: Relief association officials did not maintain adequate records of investments purchased and sold, as well as the source of investment income. Specifically, all investment transactions were not recorded in the relief association's journal, nor were they identified in the minutes of the relief association's meetings. The relief association did not maintain bank records for the certificates of deposit owned by the relief association, nor did they prepare a roster of the investment transactions that occurred during the audit period.

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.

Additionally, sound accounting procedures for investment purchases and sales should include the recording of the following:

- Date of purchase or sale of the security.
- Identification number of the security.
- Rate of interest.
- Date of receipt of interest income.
- Date of maturity.

Cause: Relief association officials failed to establish adequate accounting procedures to record the transactions of each investment.

Effect: The failure to maintain an adequate record-keeping system for investment transactions prevents officials from effectively monitoring the relief association's financial position.

Recommendation: We recommend the relief association take the necessary steps to record all investments purchased and sold, and identify the source and amount of investment income, so that all investment transactions are sufficiently documented. 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.

CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
ACCOMPANYING EXPENDITURE INFORMATION
FOR THE PERIOD JANUARY 1, 2005 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	\$ 11,750
Relief benefits	712
Tokens of sympathy and goodwill	32
Total Benefit Services	<u>\$ 12,494</u>

Fire Services:

Equipment purchased	\$ 42,913
Equipment maintenance	16,751
Training expenses	4,112
Total Fire Services	<u>\$ 63,776</u>

Administrative Services:

Miscellaneous administrative expenses	\$ 225
Total Administrative Services	<u>\$ 225</u>

Total Investments Purchased	<u>\$ 46,580</u>
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CLINTONVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Clintonville Volunteer Firefighters' Relief Association Officers:

Mr. Michael Uber, President

Ms. Bobbie Jo Tidds, Secretary

Mr. Earl Moore, Treasurer

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

Ms. Deborah Anspach, Secretary
Barkeyville Borough

Ms. Diane Bartholomew, Secretary
Clinton Township

Ms. Wanda Gladd, Secretary
Clintonville Borough

Ms. Barbara L. Sopher, Secretary
Irwin Township

Ms. Wilda R. Chutz, Secretary
Scrubgrass Township

Ms. Sarah J. Smith, Secretary
Victory 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.auditogen.state.pa.us.