



**CRUCIBLE FIREMEN RELIEF FUND**

**HEREIN REFERRED TO AS:**

**CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION**

**GREENE COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2005 TO DECEMBER 31, 2007**



## CONTENTS

Background.....	1
Letter From the Auditor General .....	3
Finding and Recommendation:	
Finding – Improper Loan .....	5
Potential Withhold of State Aid.....	7
Accompanying Expenditure Information .....	8
Report Distribution List .....	9



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

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Cumberland Township	Greene	\$9,823	\$9,839	\$9,928

BACKGROUND (Continued)

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

Crucible Volunteer Fire Department

Mr. Bruce Shipley, President  
CRUCIBLE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Greene County

We have conducted a compliance audit of the Crucible 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, 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 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 Crucible 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 objective. We also tested transactions, confirmed the Crucible Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2007, with the custodians of the funds, and interviewed selected officials to the extent necessary to satisfy the audit objective.

The results of our audit for the period January 1, 2005 to December 31, 2007, found, in all significant respects, the Crucible Volunteer Firefighters' Relief Association did not receive and expend funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the following finding discussed later in this report. The results of our tests indicated the Crucible Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$8,225 and an investment balance with a fair value of \$5,000.

Finding – Improper Loan

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

January 26, 2009

JACK WAGNER  
Auditor General



CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – Improper Loan

Condition: On February 10, 2006, the relief association made an unsecured loan to the Crucible Volunteer Fire Department in the amount of \$5,000. In addition to the loan being unsecured, it was not amortized with at least a 3 percent interest rate and the loan agreement was not properly executed as it only contained the signature of one relief association officer. Also, as of the date of this report, the relief association has not received any payments on the loan obligation.

Criteria: Act 84 at 53 P.S. § 8506(c)(3) requires that loans be:

. . . secured by assets of the [fire] company having capital value equal to at least one hundred fifty percent of the amount of the obligation at the time it is made, and is subject to provisions which will amortize such loan at a rate ensuring that the depreciated value of the assets pledged shall continue to be at least equal to one hundred fifty percent of the balance remaining due.

In addition, 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.

Furthermore, the terms of the original, written loan agreement with Crucible Volunteer Fire Department stated that the total principal and interest would be due in full on or before February 10, 2008.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure the loan was secured with sufficient collateral and amortized with at least a 3 percent interest rate, and that the loan agreement was properly executed. In addition, they neglected to collect any payments on the loan obligation due from the fire department.

Effect: Failure to obtain adequate security for the loan, properly execute the agreement, and collect the funds due places the investment at greater risk. In addition, due to the relief association not receiving the loan payments and the appropriate amount of interest charges, funds were unavailable for general operating expenses or for investment purposes.

Recommendation: We recommend the relief association either immediately collect the full loan obligation due, including interest, pursuant to the original loan agreement or take action to amend the loan agreement to provide for adequate security, a 3 percent minimum rate of interest, and new payment terms. We also recommend that, if a new loan agreement is established, the relief

CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

Finding – (Continued)

association officials properly execute the agreement by requiring the signatures of two association officers and two fire department officers. 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 and indicated they will take action to comply with the recommendation.

CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported in the Finding may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient documentation is immediately provided to verify compliance with this department's recommendations. Such documentation should be submitted by the volunteer firefighters' relief association to: Department of the Auditor General, Bureau of Firefighters' Relief Association Audits, 406 Finance Building, Harrisburg, PA 17120.

CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2005 TO DECEMBER 31, 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:

Benefit Services:	
Insurance premiums	\$ 20,624
Total Benefit Services	\$ 20,624
Fire Services:	
Equipment purchased	\$ 1,100
Equipment maintenance	688
Total Fire Services	\$ 1,788
Administrative Services:	
Miscellaneous administrative expenses	\$ 6
Total Administrative Services	\$ 6
Total Investments Purchased	\$ 5,000
Other Expenditures:	
Principal payments on lease-financing	\$ 3,667
Interest payments on lease-financing	273
Total Other Expenditures	\$ 3,940

CRUCIBLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Crucible Volunteer Firefighters' Relief Association Officers:

Mr. Bruce Shipley, President

Ms. Kathy McAlanis, Secretary

Mr. Robert McAlanis, Treasurer

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

Ms. Debra Rush, Secretary  
Cumberland 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).