



MOUNTAIN TOP FIREMEN'S RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

MOUNTAIN TOP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CENTRE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2008



CONTENTS

| | |
|--|---|
| Background..... | 1 |
| Letter From the Auditor General | 3 |
| Status of Prior Finding..... | 5 |
| Finding and Recommendation: | |
| Finding – Inappropriate Registration of Assets | 6 |
| Accompanying Expenditure Information | 7 |
| 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 Mountain Top 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 Mountain Top 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> | <u>2008</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Rush Township | Centre | \$20,052 | \$20,572 | \$20,843 | \$21,478 |

BACKGROUND (Continued)

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

Mountain Top Fire Company

Mr. Robbie Corrigan, President
MOUNTAIN TOP VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Centre County

We have conducted a compliance audit of the Mountain Top 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 Mountain Top 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 Mountain Top Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2008, 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, 2005 to December 31, 2008, found, in all significant respects, the Mountain Top 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 Mountain Top Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2008, had a cash balance of \$29,729 and an investment balance with a fair value of \$20,448.

Finding – Inappropriate Registration of Assets

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

January 14, 2009

JACK WAGNER
Auditor General

MOUNTAIN TOP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The Mountain Top Volunteer Firefighters' Relief Association has complied with the following prior audit finding and recommendation:

- Inappropriate Payments on Lease-Purchase Agreement

By executing a formal written agreement between fire company and fire relief association stating that the equipment will be owned by the relief association upon fulfillment of the lease-purchase agreement.

MOUNTAIN TOP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Inappropriate Registration of Assets

Condition: As of December 31, 2008, the relief association held three certificates of deposit and an interest bearing checking account, with a total market value of \$50,177, which were inappropriately registered under the affiliated fire service organization's federal tax identification number rather than the relief association's identification number. These four accounts represented all of the relief association's monetary assets as of December 31, 2008.

Criteria: Sound business practice dictates that the relief association correctly register and maintain ownership of all monetary assets as a means of safeguarding its assets from unauthorized use or disposition. All monetary assets owned by the relief association should be properly registered under its assigned federal tax identification number.

Cause: The relief association failed to establish adequate internal control procedures to ensure that all monetary assets were registered with the relief association's federal tax identification number. The relief association received its own federal tax identification number in September 2002, but failed to inform its financial institution to register the accounts under its number.

Effect: As a result of the relief association's certificates of deposit and checking account being inappropriately registered under another entity's federal tax identification number, these relief association assets were not properly safeguarded.

Recommendation: We recommend the relief association secure ownership rights to all monetary assets. This requirement can be accomplished by ensuring that all monetary assets are registered under the relief association's federal tax identification number. The relief association should immediately notify its financial institution and have these accounts properly registered under the relief association's federal tax identification number. 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.

MOUNTAIN TOP 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 | \$ 13,432 |
| Death benefits | 100 |
| Relief benefits | 290 |
| Tokens of sympathy and goodwill | 136 |
| Total Benefit Services | \$ 13,958 |
| | |
| Fire Services: | |
| Equipment purchased | \$ 36,556 |
| Equipment maintenance | 8,722 |
| Training expenses | 2,789 |
| Total Fire Services | \$ 48,067 |
| | |
| Administrative Services: | |
| Miscellaneous administrative expenses | \$ 19 |
| Total Administrative Services | \$ 19 |
| | |
| Other Expenditures: | |
| Principal payments on lease-financing | \$ 8,630 |
| Interest payments on lease-financing | 2,913 |
| Total Other Expenditures | \$ 11,543 |



MOUNTAIN TOP VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Mountain Top Volunteer Firefighters' Relief Association Officers:

Mr. Robbie Corrigan, President

Ms. Hecla Killion, Secretary

Ms. Tina M. Corrigan, Treasurer

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

Ms. Joan T. Cowher, Secretary
Rush 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.