



SNOW SHOE FIREMEN'S RELIEF ASSOCIATION OF SNOW SHOE, PA

HEREIN REFERRED TO AS:

SNOW SHOE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CENTRE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2005 TO DECEMBER 31, 2007



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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 Snow Shoe 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 Snow Shoe Volunteer Firefighters' Relief Association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Snow Shoe Borough	Centre	\$ 3,980	\$ 4,024	\$ 4,036
Snow Shoe Township	Centre	\$10,586	\$10,719	\$10,974

BACKGROUND (Continued)

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

Snow Shoe Fire Company

Mr. James B. Cramer, President
SNOW SHOE VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Centre County

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

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 Snow Shoe 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 Snow Shoe Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2007, with the custodian 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 Snow Shoe 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 Snow Shoe Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2007, had a cash balance of \$2,134 and an investment balance with a fair value of \$20,697.

Finding No. 1 – Untimely Deposit of State Aid

Finding No. 2 – Duplicate Payment

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

May 9, 2008

JACK WAGNER
Auditor General

SNOW SHOE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Untimely Deposit of State Aid

Condition: During the current audit, we detected that the relief association did not timely deposit its 2006 and 2007 state aid allocations. Specifically, the relief association did not timely deposit the 2006 state aid allocation from Snow Shoe Borough and the 2007 state aid allocation from Snow Shoe Township. The detail of the distribution and deposit of these state aid allocations is as follows:

<u>Municipality</u>	<u>Year</u>	<u>Amount</u>	<u>Date Distributed</u>	<u>Date Deposited</u>
Snow Shoe Borough	2006	\$ 4,024	*	6/04/08
Snow Shoe Township	2007	8,824	10/05/07	2/12/08

* The Snow Shoe Borough's foreign fire insurance tax allocation was distributed by the Commonwealth to the municipality on September 20, 2006. The municipality did not submit a 706-B receipt form for the 2006 allocation to acknowledge receipt of the state aid and the details of how the municipality distributed the 2006 allocation. After bringing this matter to the relief association's and municipality's attention during the current audit, the municipality requested a replacement check for the unaccounted for 2006 state aid. The replacement state aid check was issued by the Commonwealth on May 29, 2008, and the funds were deposited into the relief association's account on June 4, 2008.

Criteria: The foreign fire insurance tax allocations were distributed to the municipal treasurers, who are to forward the 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 allocations, the relief association should ensure the funds are deposited in a timely manner.

Prudent business practice dictates that if the relief association or municipality does not timely receive these funds, it should contact the appropriate government agency and request that the funds be timely forwarded.

Cause: The relief association neglected to establish internal control procedures to ensure that all income be received, recorded, and deposited in a timely manner.

In regard to the 2006 state aid allocation from Snow Show Borough, the municipal secretary did not have any record of receiving the state aid check from the Commonwealth of Pennsylvania and was not aware of the missing funds until brought to the secretary's attention during our audit.

SNOW SHOE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

The 2007 state aid allocation from Snow Shoe Township was timely distributed by the municipality to the relief association. However, according to the relief association's treasurer, it was not timely deposited into a relief association account because the check had been misplaced. A replacement check was issued by the municipality to the relief association on February 12, 2008.

Effect: As a result of the untimely deposits, the relief association was unable to use the funds for general operating expenses or for investment purposes. In addition, the failure to timely deposit 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 involve communication with the municipality when funds are not timely received. A copy of this report is being furnished to the municipal officials of Snow Shoe Borough and Snow Shoe Township so they are aware of the circumstances regarding these untimely deposits. 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.

SNOW SHOE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Duplicate Payment

Condition: On December 9, 2006, the relief association expended \$2,615 for lighting. On February 17, 2007, the relief association erroneously made a duplicate payment for the same lighting. As such, the second payment is considered an unauthorized disbursement because no goods or services were received for the payment.

Criteria: Adequate accounting and internal control procedures should be implemented to prevent duplicate payment of invoices.

Cause: The volunteer firefighters' relief association failed to establish internal control procedures which would require that all invoices or other billing documents be canceled or otherwise effectively marked to prevent duplicate payments.

Effect: As a result of this erroneous payment, the relief association was unable to use these funds for other general operating expenses or for investment purposes.

However, subsequent to the audit exit conference, on May 23, 2008, after bringing this matter to the relief association's attention, the relief association received full reimbursement from the vendor for the duplicate payment.

Recommendation: We recommend the relief association establish accounting and internal control procedures to monitor future relief association 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.

SNOW SHOE 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	\$ 7,808
Total Benefit Services	<u>\$ 7,808</u>
Fire Services:	
Equipment purchased	\$ 182,009
Equipment maintenance	4,551
Training expenses	650
Fire prevention materials	1,513
Total Fire Services	<u>\$ 188,723</u>
Administrative Services:	
Miscellaneous administrative expenses	\$ 339
Total Administrative Services	<u>\$ 339</u>

SNOW SHOE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Snow Shoe Volunteer Firefighters' Relief Association Officers:

Mr. James B. Cramer, President

Mr. Adam L. Fye, Secretary

Ms. Kathy L. Muirhead, Treasurer

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

Ms. Maureen A. Roberts, Secretary
Snow Shoe Borough

Mr. Francis A. Bosak, Secretary
Snow Shoe 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.