



THE RELIEF ASSOCIATION OF WINDBER FIRE COMPANY NO. 1 INC.

HEREIN REFERRED TO AS:

WINDBER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

SOMERSET 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 Windber 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 Windber 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>
Ogle Township	Somerset	\$ 3,079	\$ 3,528	\$ 3,573
Paint Township	Somerset	\$ 7,372	\$ 8,274	\$ 8,364
Windber Borough	Somerset	\$19,111	\$21,362	\$21,493

BACKGROUND (Continued)

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

Windber Volunteer Fire Company No. 1 Inc.

Mr. Henry Swincinski, President
WINDBER VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Somerset County

We have conducted a compliance audit of the Windber 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 Windber 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 Windber Volunteer Firefighters' Relief Association's investment balance and the cash balance as of December 31, 2006, 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, 2004 to December 31, 2006, found, in all significant respects, the Windber 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 Windber Volunteer Firefighters' Relief Association expended funds as presented in the accompanying information and as of December 31, 2006, had a cash balance of \$24,225 and an investment balance with a fair value of \$13,800.

Finding – Failure to Comply With Terms of Loan Agreement

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

December 12, 2007

JACK WAGNER
Auditor General

WINDBER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Failure to Comply With Terms of Loan Agreement

By collecting the delinquent loan payments due from the fire company for the period October 2002 to December 2003. However, the relief association again failed to collect monthly payments due on the loan during the current audit period, as discussed in further detail in the Finding contained in this report.

WINDBER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure to Comply With Terms of Loan Agreement

Condition: As cited in the prior audit report, on September 29, 1999, the relief association made a loan to the Windber Volunteer Fire Company No. 1 in the amount of \$20,000; however, the relief association did not receive the monthly loan payments due. Specifically, the relief association did not receive any loan payments during the current audit period and, thus, as of December 31, 2006, the fire company is in arrears \$5,960.

Criteria: The terms of the loan agreement state that payments of \$165.55 will be due on a monthly basis beginning on October 29, 1999.

Cause: The relief association failed to establish adequate internal control procedures to ensure loan payments would be collected in accordance with the payment schedule outlined in the loan agreement.

Effect: Due to the relief association not receiving the scheduled loan payments, funds were unavailable for general operating expenses or for investment purposes.

However, subsequent to the period under review, on October 16, 2007, the relief association received \$9,933 from the fire company representing delinquent payments through December 31, 2006, and prepayment through December 31, 2008.

Recommendation: We again recommend that the relief association ensure future payments are received in accordance with the loan agreement. If such action is not taken, we recommend that the loan be immediately liquidated. 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.

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

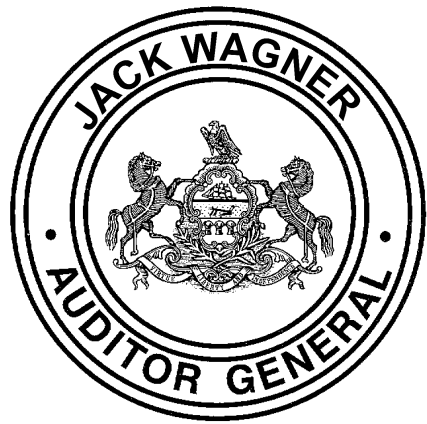
Act 84 at 53 P.S. § 8502(1) states, in part, that:

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:	
Insurance premiums	\$ 32,884
Death benefits	2,650
Relief benefits	48
Tokens of sympathy and goodwill	1,282
Total Benefit Services	<u>\$ 36,864</u>
Fire Services:	
Equipment purchased	\$ 61,187
Equipment maintenance	19,321
Training expenses	9,679
Fire prevention materials	2,522
Total Fire Services	<u>\$ 92,709</u>
Administrative Services:	
Miscellaneous administrative expenses	\$ 344
Total Administrative Services	<u>\$ 344</u>
Total Investments Purchased	<u>\$ 13,711</u>



WINDBER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Windber Volunteer Firefighters' Relief Association Officers:

Mr. Henry Swincinski, President

Ms. Deanna Koss, Secretary

Mr. Robert Sellers, Treasurer

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

Ms. Susan O'Roark, Secretary
Ogle Township

Mr. Kenneth Holsopple, Secretary
Paint Township

Ms. Robin S. Gates, Secretary
Windber Borough

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.