



**“CONYNGHAM NO. 1 VOLUNTEER FIREMEN’S RELIEF ASSOCIATION OF
CONYNGHAM, PA”**

HEREIN REFERRED TO AS:

CONYNGHAM VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATION

LUZERNE COUNTY

AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003 TO JULY 26, 2006



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BACKGROUND

This audit report is a public record, which must be available for examination by all interested citizens and volunteer firefighters' relief association (VFRA) members.

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.

This department conducts its audits of volunteer firefighters' relief associations in accordance with generally accepted auditing standards. Representations contained in the accompanying financial statements are the responsibility of the relief association's management. This department's responsibility for those statements is confined solely to an expression of our opinion as to the fairness of management's representation of the financial statements taken as a whole.

Act 84 requires that the relief association be governed in accordance with bylaws, which establish the association's operating procedures. Act 84 provides that the primary purpose of a relief association is to afford financial protection to volunteer firefighters against misfortunes suffered during fire service participation. To fulfill this purpose, Act 84 authorizes specific types of expenditures and outlines appropriate 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.



Independent Auditor's Report

Mr. Brian Rusnock, President
CONYNGHAM VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Luzerne County

We have audited the accompanying Statement of Monetary Assets Arising From Cash Transactions as of July 26, 2006, and the related Statement of Cash Receipts, Disbursements, and Changes in Cash of the Conyngham Volunteer Firefighters' Relief Association for the period January 1, 2003 to July 26, 2006. These financial statements are the responsibility of the relief association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Independent Auditor's Report (Continued)

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the monetary assets arising from cash transactions of the Conyngham Volunteer Firefighters' Relief Association as of July 26, 2006, and the cash receipts, disbursements, and changes in cash for the period January 1, 2003 to July 26, 2006, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2006, on our consideration of the Conyngham Volunteer Firefighters' Relief Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

July 26, 2006

JACK WAGNER
Auditor General

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF MONETARY ASSETS ARISING FROM CASH TRANSACTIONS
JULY 26, 2006

ASSETS:

Cash	\$ -
Investments	<u>-</u>
 Total Monetary Assets (note 4)	 <u>\$ -</u>

Notes to financial statements are an integral part of this report.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
FOR THE PERIOD JANUARY 1, 2003 TO JULY 26, 2006

RECEIPTS:

Support:		
State aid (note 3)	\$	34,965
Other Receipts:		
Interest income		672
Reimbursements		2,297
		<hr/>
Total Receipts		<hr/> 37,934 <hr/>

DISBURSEMENTS:

Fire Services:		
Equipment purchased		37,057
Equipment maintenance		7,980
Training expenses		925
Benefit Services:		
Insurance premiums		5,823
Administrative Services:		
Office equipment and supplies		2,329
Other Disbursements:		
Transfer of assets to Butler Township Volunteer Firefighters' Relief Association (note 4)		16,984
		<hr/>
Total Disbursements		<hr/> 71,098 <hr/>
Net Increase or (Decrease) In Cash	(33,164)
Cash Balance, January 1, 2003		<hr/> 33,164 <hr/>
Cash Balance, July 26, 2006	\$	<hr/> <hr/> - <hr/> <hr/>

Notes to financial statements are an integral part of this report.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Pursuant to the Act of June 11, 1968, (P.L. 149, No. 84), as amended, the Conyngham Volunteer Firefighters' Relief Association was a charitable organization that was formed to afford financial protection to volunteer firefighters and to encourage individuals within the community to participate in volunteer fire service.

Act 84 governed the overall operation of the volunteer firefighters' relief association. The relief association's bylaws regulated the specific procedures by which the association assets were managed.

The Conyngham Volunteer Firefighters' Relief Association was affiliated with the Conyngham Fire Company No. 1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The relief association's records were maintained on a cash basis, and the statement of cash receipts and disbursements reflected only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses, and depreciation, which would otherwise be recognized under accounting principles generally accepted in the United States of America (GAAP) and which may be material in amount, were not recognized in the accompanying financial statements.
- B. Fixed assets were recognized as expenditures at the time of purchase, rather than being capitalized and depreciated over their estimated useful lives.
- C. The relief association did not adopt Statement of Financial Accounting Standard (SFAS) No. 117 since they do not follow GAAP.
- D. The nature of the relief association's monetary assets were considered to be unrestricted.

3. STATE AID

Chapter 7 of the Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 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 relief association of the fire department or departments, which is or are recognized as providing service to the municipality.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

3. STATE AID - (Continued)

During the years 2003, 2004, and 2005, the Conyngham Volunteer Firefighters' Relief Association received state aid from Conyngham Borough in Luzerne County.

4. RELIEF ASSOCIATION MERGER

In 2006, the Conyngham Volunteer Fire Company merged with the Butler Township Volunteer Fire Company. As a result of the merger, the Conyngham Volunteer Firefighters' Relief Association disbanded. As of July 26, 2006, all monetary assets, in the amount of \$16,984, were transferred to the account of the Butler Township Volunteer Firefighters' Relief Association; and the Conyngham Volunteer Firefighters' Relief Association ceased operations.

5. RELATED PARTY SITUATIONS

A related party situation existed because the volunteer firefighters' relief association was affiliated with the fire service organization disclosed in Note 1. The relief association is a distinct separate legal entity that was established primarily for the purpose of affording financial protection to the volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service.

Another related party situation existed because certain officers of the relief association held offices in the fire service organization.

The relief association membership was aware of these situations and all transactions were approved by the relief association membership.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Mr. Brian Rusnock, President
CONYNGHAM VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Luzerne County

We have audited the financial statements (cash basis) of the Conyngham Volunteer Firefighters' Relief Association as of July 26, 2006, and for the period January 1, 2003 to July 26, 2006, and have issued our report thereon dated July 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Conyngham Volunteer Firefighters' Relief Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the association's internal control over financial reporting.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards (Continued)**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Finding No. 2 – Inadequate Record-Keeping and Internal Controls

Finding No. 3 – Failure to Maintain Officer's Bond Coverage

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding Nos. 1, 2, and 3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Conyngham Volunteer Firefighters' Relief Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the following findings:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Finding No. 2 – Inadequate Record-Keeping and Internal Controls

Finding No. 3 – Failure to Maintain Officer’s Bond Coverage

We are concerned in light of the relief association’s failure to correct a previously reported audit finding. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

This report is intended solely for the information and use of the relief association's members and management, and the officials of the municipalities that grant the foreign fire insurance tax monies to the volunteer firefighters' relief association. It is not intended to be and should not be used by anyone other than these specified parties.

July 26, 2006

JACK WAGNER
Auditor General

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation –
Undocumented Expenditures

Condition: As cited in the prior audit report, the relief association was unable to provide adequate supporting documentation for the following expenditures:

Date	Check No.	Amount
08/22/00	1032	\$ 260
01/08/01	1036	120
Total Prior Undocumented Expenditures		\$ 380

In addition, during the current audit period, the relief association was unable to provide adequate supporting documentation for the following expenditures:

Date	Check No.	Amount
10/12/03	1047	\$ 254
03/19/05	1061	925
07/23/05	1067	1,881
Total Current Undocumented Expenditures		\$ 3,060
Total of all undocumented expenditures		\$ 3,440

Criteria: Act 84 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No 205), known as the "Municipal Pension Plan Funding Standard and Recovery Act," as amended, as far as may be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Without adequate supporting documentation, such as invoices, this department is unable to determine if the relief association funds were expended for purposes authorized by Act 84. Furthermore, good business practices would require that supporting documentation be maintained to verify the propriety of all financial transactions.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Cause: While notified of this condition in the prior audit report, relief association officials neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine the expenditures were made in accordance with Act 84 at 53 P.S. § 8506(e).

Recommendation: No recommendation is deemed necessary due to the merger of the Conyngham Volunteer Firefighters' Relief Association into the Butler Township Volunteer Firefighters' Relief Association. We are providing officials of the Butler Township Volunteer Firefighters' Relief Association with a copy of this report so they are aware of the conditions that existed at the Conyngham Volunteer Firefighters' Relief Association during the course of this audit. It is our hope that Butler Township officials will take the necessary steps to ensure that this issue is rectified. We will review the status of this finding during our next regularly scheduled audit of the Butler Township Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Inadequate Record-Keeping and Internal Controls

Condition: The relief association failed to establish adequate internal controls and to maintain pertinent financial records. The following material internal control weaknesses and record-keeping deficiencies existed during the period under review:

- Detailed minutes of meetings were not maintained.
- The signature of only one officer was used to disburse funds from the relief association's checking account.
- Membership meetings were conducted infrequently.
- Periodic physical inventories were not performed on relief association owned equipment.
- Original invoices to support various relief association expenditures were not available for review.
- Documentation to support various receipts was not available for examination.

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, Act 84 at 53 P.S. § 8505(c) states, in part:

The bylaws shall require the signatures of a 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, prudent business practice dictates that:

- Detailed meeting minutes be maintained to accurately document relief association business.
- The signatures of at least two officers be required to disburse funds.
- Meetings be conducted routinely to approve relief association business.
- A periodic inventory of all relief association owned equipment be performed.
- Original invoices to support all relief association expenditures be maintained and made available for review.
- Supporting documentation of all relief association business be maintained.

Cause: Due to the inactivity and subsequent dissolution of the organization, relief association officials neglected to maintain the required financial records and an effective internal control system.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The failure to establish and maintain adequate internal controls and financial records prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls and financial records placed the relief association funds at greater risk for misappropriation.

Recommendation: No recommendation is deemed necessary due to the merger of the Conyngham Volunteer Firefighters' Relief Association into the Butler Township Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure to Maintain Officer's Bond Coverage

Condition: The relief association failed to maintain bond coverage on the disbursing officer, as required by Act 84.

Criteria: Act 84 at 53 P.S. § 8505(c) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary, or otherwise, shall be bonded by corporate surety for the faithful performance of his duties. The amount of such bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on such bond shall be a proper charge against the funds of the association.

Cause: Relief association officials were unaware of the Act 84 provisions regarding the maintenance of officer's bond coverage.

Effect: As a result of the disbursing officer of the relief association not being bonded, the relief association's cash assets are not adequately safeguarded.

Recommendation: No recommendation is deemed necessary due to the merger of the Conyngham Volunteer Firefighters' Relief Association into the Butler Township Volunteer Firefighters' Relief Association.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

CONYNGHAM VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Conyngham Volunteer Firefighters' Relief Association Officers:

Mr. Brian Rusnock, President

Mr. William Shane Pettit, Secretary/Treasurer

Butler Township Volunteer Firefighters' Relief Association Officers:

Mr. Matthew Balliet, President

Mr. David Stirling, Secretary

Mr. Thomas Shultz, Treasurer

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

Ms. Maureen Schramm, Secretary
Conyngham 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.