

SUMMARY REPORT

**ADAH VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION**

March 2003

INTRODUCTION AND BACKGROUND

The Department of the Auditor General (the Department) conducts audits of volunteer firemens' relief associations pursuant to its authority under the Fiscal Code and the Volunteer Firefighters' Relief Act.¹ The Department's Bureau of Liquor/Volunteer Firefighters Relief Association Audits (the Bureau) conducted an audit of the Adah Volunteer Firefighters' Relief Association (the Adah VFRA), Fayette County, for the period January 1, 1998, to December 31, 2001. During the course of the audit, auditors discovered questionable activities, consisting of undocumented expenditures of Adah VFRA funds and related party transactions, which the Bureau referred to the Department's Office of Special Investigations (OSI). The audit report was released on July 31, 2002. Finding No. 1 of the audit report stated that the VFRA had \$3,921 in undocumented expenditures during the audit period. The report noted that Finding No. 1 could be a basis for a total withholding of state funds in the future unless the finding was corrected.

OSI conducted an investigation which included reviews of records of the VFRA, the Adah Volunteer Fire Department (Adah VFD) and vendors, as well as bank records, and interviews of the Adah VFD chief, the Adah VFRA treasurer and vendor representatives. The results of the investigation are summarized below.

¹ 72 P.S. § 403 and 53 P.S. § 8501 et seq.

SUMMARY

FINDING – The chief of the Adah VFD received approximately \$3,360 from the Adah VFRA for the purchase of fire equipment. There is no evidence that the equipment was ever received by the VFRA. After the Department’s audit and during an investigation, the money was repaid to the VFRA. However, equipment purchased through the Adah VFD fire chief with an additional \$3,000 of Adah VFRA funds and approximately \$2,043 from Adah VFD funds paid to the Adah VFD chief for equipment cannot be accounted for.

Adah VFRA is affiliated with the Adah VFD. The treasurer/secretary of the Adah VFRA during the audit period was the wife of the chief of the Adah VFD. At the same time, the president of the VFRA was the treasurer’s brother. The Adah VFD chief is engaged in the business of buying and selling fire equipment. Adah VFRA made payments to the Adah VFD chief for purchases of fire equipment. The relationships were the subject of Finding No. 2 of the audit report. Between November 1998 and December 2001, eight checks drawn on an account of Adah VFRA were paid to the Adah VFD chief, totaling \$3,360. The payments comprised most of the total amount of Adah VFRA funds involved in Finding No. 1 of the audit report. According to Adah VFRA records, the checks were for purchases of gear and equipment. Information concerning the payments obtained from the Adah VFRA records is shown below in Table No. 1.

Table No. 1 – Adah VFRA check payments to the Adah VFD chief

<u>Date</u>	<u>Check No.</u>	<u>Amount</u>	<u>Description of Purchase</u>
November 13, 1998	233	\$500.00	Fire hose and nozzle
December 24, 1998	237	\$200.00	Fire hose
December 10, 1999	247	\$300.00	Bar light
December 29, 1999	249	\$250.00	Fire hose
November 23, 2001	259	\$700.00	1 set of bunker gear
December 1, 2001	261	\$400.00	2 helmets; 1 pair of gloves; 1 pair of suspenders
December 21, 2001	262	\$825.00	1 set of bunker gear
December 21, 2001	263	\$185.00	Helmet
TOTAL		\$3,360.00	

All of the checks were signed by the VFRA treasurer as the payor and were made payable to the Adah VFD chief. The last four (Nos. 259, 261, 262 and 263) were deposited to the Adah VFD chief’s personal account. Invoices for the purchases were obtained by the Bureau’s auditor during the audit. Seven of the invoices contain the name “21st Century Fire Equipment” and the address and telephone number of the Adah VFD chief. The other invoice contains his name. According to the Bureau’s auditors, the Adah VFRA has some equipment on hand that is of the same type as listed in Table No. 1. However, there is no documentation or other evidence that the equipment described in Table No. 1 was received by the Adah VFRA.

The person who was treasurer of the Adah VFRA during the period under review told OSI that her husband, the Adah VFD chief, sold fire equipment for “21st Century Fire Equipment” to the VFRA; VFRA checks were issued to the Adah VFD chief who deposited them into his personal bank account and then issued checks to “21st Century Fire Equipment” minus his commission. The equipment was then shipped to the residence of the Adah VFD chief and his wife, the Adah VFRA treasurer.

In an interview, the Adah VFD chief stated that he started the 21st Century Fire Company in 2001 and, through it, sold fire equipment to the Adah VFRA and other relief associations and fire companies. He said that he was a sales representative for a Florida company called “Chieftain Safety Supply,” and that he has purchased items for Adah VFD through that company.

OSI contacted Chieftain Safety Manufacturing Company (CSM), Miami Lakes, FL, the firm referred to by the Adah VFD chief. According to a CSM official, the Adah VFD chief is not a sales representative or employee of CSM, but is a CSM distributor in western Pennsylvania. The official also stated that CSM does not sell fire hoses.

The Adah VFD chief stated that he used the \$3,360 he received from the Adah VFRA listed in Table No. 1 to purchase the equipment and gear described in the VFRA’s records. In his interview with OSI, the Adah VFD chief said that he purchased fire hoses and other supplies not sold by CSM from Kaza Fire Equipment Company (Kaza), Ebensburg, PA and the National Fire Hose Corporation (NFHC), Erie, PA. According to representatives of both firms, there were no records of transactions with the Adah VFD chief, the Adah VFD or the Adah VFRA in calendar years 1999-2002 that included the types of items listed in Table No. 1. Another firm, First Alarm Fire Equipment Company (FAFEC), reported that it had sold equipment to the Adah VFD chief on six separate occasions between January 2000 and February 2001. The description of the items, the amounts and the time periods do not correspond to those listed in Table No. 1.

Thus, it cannot be substantiated that the items supposedly bought for the Adah VFRA by the VFD chief are in the Adah VFRA inventory and it cannot be confirmed that those items were among those purchased by the Adah VFD chief from the sources from which he claimed to have obtained the items Adah VFRA paid for.

We found another questionable Adah VFRA check issued after the audit period. According to a CSM official, the Adah VFD chief arranged to purchase eight sets of CSM bunker gear (coats and pants) for the Adah VFD for a total of \$5,300. The equipment was sent to the Adah VFD chief’s personal residence in early 2002. In February 2002, an Adah VFRA check for \$3,000 was paid to CSM. The check was No. 267, containing the signature of the then-VFRA treasurer. According to a CSM official, the above check for \$3,000 was received in March 2002; CSM is still owed \$2,300 for the equipment.

The VFRA has no records of the purchase other than Check No. 267. According to the current VFRA treasurer and an inspection by OSI on February 28, 2003, six sets of CSM bunker gear (jackets and pants) are in the VFRA’s inventory; another set is in the possession of an Adah

firefighter and a set, which is unaccounted for in the inventory, may be in the possession of the former VFRA treasurer. The VFRA has no records to verify that gear in its inventory and in the possession of its members is the gear that was purchased with Check No. 267.

Volunteer fire department funds are not considered state funds and, therefore, are not subject to audit by the Department. However, during the investigation, we also found undocumented and unexplained payments of funds to the Adah VFD chief from an account of the Adah VFD:

From October 1999 to approximately October 2002, 83 checks totaling \$13,395 written on an Adah VFD account were paid either to “cash,” the VFRA treasurer or the VFD chief. Based on writing on the checks themselves and information from a vendor, most of the payments appear to have been for purchase of food, beverages and other supplies for parties and social events. However, in September 2002, a check for \$2,043 was issued from an Adah VFD account to the Adah VFD chief. The check was deposited into the chief’s personal account. Two days later, a check for \$1,821 was issued from the chief’s personal account to CSM. Most of the funds in the check were a payment for gear purchased by the Adah VFD chief for another fire department, Farmington Fire Department (FFD), Farmington, PA. FFD previously paid the Adah VFD chief \$1,800 for the equipment via a check dated June 10, 2002.

In December 2002, the Secretary of the German Township Board of Supervisors informed the Department that the Adah VFRA had elected new officers and that the Adah VFD had agreed to reimburse the Adah VFRA for the undocumented expenses included in the audit report. On December 31, 2002, an officer of the Adah VFRA informed the Bureau that the VFRA had received a reimbursement payment of \$3,921 from the Adah VFD chief. A check drawn on an account in the name of the Adah VFD chief and his wife was deposited in the Adah VFRA account on December 31, 2002.

CONCLUSIONS AND RECOMMENDATIONS

Adah VFRA purchased equipment from the spouse of the VFRA treasurer who was also the chief of the volunteer fire department with which the VFRA was affiliated. It cannot be confirmed that the VFRA received the equipment it paid for. The Adah VFD chief made a reimbursement payment to the VFRA after the Department's audit of the VFRA was completed and after this investigation was underway. Despite the reimbursement payment, questions still remain concerning equipment paid for by the VFRA that has not been accounted for and payments from the Adah VFD account to the Adah VFD chief.

The Adah VFRA and its new officers have taken action to correct the abuses and questionable activities reported in the audit. Questions remain concerning the disposition of funds and equipment by the Adah VFD chief. The Adah VFD provides fire protection services for German Township and has received substantial funds from the Adah VFRA. For those reasons, it is recommended that:

1. German Township conduct a review of the financial management, purchases, accounts and inventory of the Adah VFD and take appropriate action to ensure accountability and proper handling of VFD funds, particularly funds obtained from the VFRA.
2. Adah VFRA review and closely monitor all payments by the VFRA to the Adah VFD.
3. Adah VFRA stop making purchases of equipment from or through the Adah VFD chief.

REPORT DISTRIBUTION LIST

This report was initially distributed to the officers of the Adah VFRA and to the following:

Daniel Shimshock
Secretary/Treasurer
German Township Board of Supervisors

The Honorable Nancy D. Vernon
Fayette Count District Attorney

Auditor General Web Site Address:

www.auditorgen.state.pa.us

This report is a matter of public record. Copies of this report are available on the Department of the Auditor General's website and from the Department's Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.