

# COMPLIANCE AUDIT

---

## Shickshinny Volunteer Fire Company Fireman's Relief Association Luzerne County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

---

February 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Randy Davis, President  
Shickshinny Volunteer Fire Company  
Fireman's Relief Association  
Luzerne County

We have conducted a compliance audit of the Shickshinny Volunteer Fire Company Fireman's Relief Association (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, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2015 to December 31, 2016.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the relief association complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

Our audit was limited to the areas related to the objectives identified above and was not required to be and was not conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2016:

- The relief association took appropriate corrective action to address one of the two findings contained in our prior audit report. The relief association however, failed to take appropriate corrective action to address the other finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report, the relief association did not, in all significant respects, comply with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

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

Finding No 2 – Unauthorized Expenditures

Finding No. 3 – Unsecured Loans And Failure To Comply With Terms Of  
Loan Agreements

Finding No. 4 – Inappropriate Disbursement Of Relief Association Funds

Finding No. 5 – Excessive Rental Fees Paid To Affiliated Fire Company

Finding No. 6 – Inadequate Financial Record-Keeping System

Finding No. 7 – Inadequate Minutes Of Meetings

Finding No. 8 – Failure To Maintain A Complete And Accurate  
Membership Roster

Finding No. 9 – Inadequate Surety (Fidelity) Bond Coverage

The nine findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period, one of which is a repeated condition that was identified during the prior audit period. We are seriously concerned by the number of findings noted and strongly encourage timely implementation of the recommendations contained in this audit report.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and accordingly, express no form of assurance on it.

We recommend the results of this audit be reviewed by the Luzerne County, Pennsylvania District Attorney's Office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary.

The contents of this report were discussed with the management of the relief association and, where appropriate, their responses have been included in the report.

January 31, 2018



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Findings .....	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures .....	4
Finding No. 2 – Unauthorized Expenditures.....	5
Finding No. 3 – Unsecured Loans And Failure To Comply With Terms Of Loan Agreements .....	7
Finding No. 4 – Inappropriate Disbursement Of Relief Association Funds .....	8
Finding No. 5 – Excessive Rental Fees Paid To Affiliated Fire Company.....	10
Finding No. 6 – Inadequate Financial Record-Keeping System.....	11
Finding No. 7 – Inadequate Minutes Of Meetings.....	12
Finding No. 8 – Failure To Maintain A Complete And Accurate Membership Roster .....	13
Finding No. 9 – Inadequate Surety (Fidelity) Bond Coverage .....	14
Potential Withhold of State Aid.....	16
Supplementary Financial Information .....	17
Report Distribution List .....	19

## 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, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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 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 118 governs the overall operation of volunteer firefighters' relief associations. Relief association bylaws define the specific operational procedures by which relief associations conduct business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of relief associations 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 that is or are recognized as providing the service to the municipality.

**BACKGROUND – (Continued)**

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2015</u>	<u>2016</u>
Shickshinny Borough	Luzerne	\$3,667	\$3,677
Union Township	Luzerne	\$3,083	\$3,071

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

Shickshinny Volunteer Fire Company

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with one of the two prior audit findings and recommendations, as follows:

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

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

Condition: As disclosed in our prior audit report, the relief association was unable to provide adequate supporting documentation for the following expenditures made during the prior audit period:

Date	Check No.	Payee Description	Amount
03/19/13	1105	Individual	\$ 100
09/16/13	1111	Equipment vendor	<u>214</u>
Total			<u>\$ 314</u>

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

Date	Check No.	Payee Description	Amount
01/21/15	1131	Luzerne County Fire Police Association	48
02/13/16	1139	Luzerne County Fire Police Association	<u>18</u>
Total			<u>\$ 66</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving 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 far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Cause: Even though notified of this condition during our prior audit, relief association officials again 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 if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, to ensure the propriety of the expenditures or that the relief association be reimbursed \$380 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all future 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.

Auditor’s Conclusion: We are concerned by the relief association’s failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

**Finding No. 2 – Unauthorized Expenditures**

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
01/12/15	1129	Fire company vehicle insurance	\$ 804
08/02/16	1142	Fire company property/vehicle insurance	1,615
10/28/16	1143	Fire company property/vehicle insurance	1,615
Total			<u>\$ 4,034</u>

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1 and 2) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (2) To purchase contracts of insurance which, at a minimum, shall afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and may also provide, in the order named: (i) for payments to the surviving spouse or other dependents of a member in the event of member's death; (ii) for protection of active firefighters against disease; (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service; (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost in the course of participation in the fire service; and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

Costs associated with payment for automotive (full coverage) insurance and fire company property insurance do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association be reimbursed \$4,034 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future 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.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 3 – Unsecured Loans And Failure To Comply With Terms Of Loan Agreements**

Condition: As cited as a verbal observation in our prior audit, on April 25, 2014 and August 7, 2014, the relief association made unsecured loans to the affiliated fire company in the amounts of \$4,000 and \$2,500, respectively. Additionally, the relief association did not receive the monthly loan payments due for either of the loans.

Criteria: Act 118 at 35 Pa.C.S. § 7416(c)(3) requires that loans be:

... (i) secured by assets of the company having capital value equal to at least 150% of the amount of the obligation at the time it is made; (ii) subject to provisions which amortize the loan at a rate ensuring that the depreciated value of the assets pledged shall continue to be at least 150% of the balance due.

Cause: Relief association officials indicated that they were unaware that the loan to the affiliated fire company must be secured to ensure compliance with Act 118 provisions. Additionally, relief association officials 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: Failure to obtain adequate security for the loan places the investment at greater risk. In addition, due to the relief association not receiving the scheduled loan payments, funds were unavailable for general operating expenses or for investment purposes. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Recommendation: We recommend that the relief association officials and the affiliated fire company ensure that adequate security is obtained for the relief association's future investments as required by Act 118 at 35 Pa.C.S. § 7416(c)(3). We also recommend that the relief association officials immediately liquidate the loans by collecting \$6,500 (plus interest) representing delinquent payments through December 31, 2016. We further recommend that relief association officials ensure future payments are received in accordance with the loan agreement. 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.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 4 – Inappropriate Disbursement Of Relief Association Funds**

Condition: During the current audit period and subsequent to the period under review, the relief association disbursed \$8,500 and \$1,000, respectively, on behalf of the affiliated fire company to assist with the fire company's general operations. The documentation provided stated that the disbursements were for either loans, insurance or rent; however, there was no repayment of these advances through the date of this report. Furthermore, based on information reported by relief association officials, checks were written to Cash or to an individual from the relief association's affiliated fire company's bank account.

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of its affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
  
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

In addition, Act 118 at 35 Pa.C.S. § 7418(a) states, in part:

The Office 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 the Act of June 28, 1895 (P.L. 408), as amended, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter.

The primary purpose of the items stated above was for the benefit of the affiliated fire company, not the relief association; consequently, these disbursements are not authorized under Act 118.

Cause: The relief association officials failed to establish adequate internal control procedures to ensure that relief association disbursements were made in accordance with Act 118, and that the relief association assets were adequately protected. In addition, detailed minutes of meetings that document evidence that relief association business was presented before the membership for approval does not exist in some instances. Furthermore, adequate financial documentation such as journals, ledgers, and documentation to support the validity of various expenditures was not available for examination at the time of the audit.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes or to pay for expenditures authorized by Act 118. In addition, because of the lack of adequate relief association internal controls and because checks may have been written to Cash or to individuals from the affiliated fire company's bank account, relief association officials could not be assured that relief association funds were properly disbursed to the fire company or that the disbursed funds were properly protected. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$9,500 for the inappropriate disbursements and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) to aid them in determining the propriety of future expenditures. In addition, relief association officials should establish adequate internal control procedures to ensure that relief association disbursements are made in accordance with Act 118, and that the relief association assets are adequately protected. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

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.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the relief association.

**Finding No. 5 – Excessive Rental Fees Paid To Affiliated Fire Company**

Condition: Subsequent to the audit period under review, on January 3, 2017, the relief association improperly expended \$3,000 for excessive rental fees to the affiliated fire company. While the relief association is permitted to pay rental fees to the affiliated fire company, the engine bays rented by the relief association housed apparatus that were owned by the affiliated fire company and not by the relief association. Additionally, the amount in rental fees paid is not a prudent expenditure and is considered excessive. In total, the amount paid in rental fees exceeds 46% of annual state aid received by the relief association.

Criteria: Act 118 at 35 Pa. C.S. § 7416(f)(1) states:

The funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of its affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

While the relief association is permitted to pay for rental fees, the amount of rent should be reasonable and relate to relief association owned equipment.

Cause: Although the relief association officials were aware that paying rental fees was an authorized expenditure, the rental payment made was excessive and was not used for relief association own equipment.

Effect: As a result of this improper expenditure, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Recommendation: We recommend that the relief association immediately cease and desist from paying excessive rental fees to the affiliated fire company and that relief association officials become familiar with Act 118 at 35 Pa. C. S. § 7416(f) to aid them in determining the propriety of future 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 6 – Inadequate Financial Record-Keeping System**

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations and to provide effective control over cash receipts, disbursements, and assets. The following are the noted deficiencies:

- A journal was not maintained to accurately record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Documentation to support various expenditures was not available for examination at the time of the audit.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief association officials indicated that they were unaware of their various record-keeping responsibilities.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations and provides effective control over cash receipts, disbursements, and assets. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 7 – Inadequate Minutes Of Meetings**

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 118. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, the relief association's bylaws at Article II, Section 1 states, in part:

Regular meetings of this association shall be on the last Friday of each month immediately following the regular meeting of the Shickshinny Volunteer Fire Company.

Furthermore, the relief association's bylaws at Article III, Section 3 states, in part:

Secretary: The Secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at the meetings.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Cause: Relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 8 – Failure To Maintain A Complete And Accurate Membership Roster**

Condition: The relief association officials did not maintain a complete and accurate roster of relief association members.

Criteria: Relief association officials should maintain a complete and accurate roster of the relief association's membership, as identified by criteria set forth in the relief association's bylaws. A comprehensive roster of all relief association members should include the following:

- Names of each member
- Members' mailing addresses
- Dates of births
- Dates of memberships
- Membership classifications

In addition, when warranted, a notation should be made on the roster identifying the date of a member's resignation or death.

Cause: Relief association officials indicated that they were unaware that they should maintain a comprehensive roster of relief association members.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 8 – (Continued)**

Effect: The failure to maintain a comprehensive membership roster could result in the payment of benefits to nonmembers, or deprive eligible relief association members from receiving authorized benefit payments.

Recommendation: We recommend that the relief association officials compile and maintain a complete and accurate roster of the relief association's membership. For additional 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.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

**Finding No. 9 – Inadequate Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain adequate Surety (Fidelity) bond coverage on the association's disbursing officer, as required by Act 118. Specifically, the Surety (Fidelity) bond policy in effect, during and subsequent to the audit period, was a name schedule policy that was covering an individual whom was not the relief association's current disbursing officer.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the 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 the bond shall be a proper charge against the funds of the association.

The relief association should maintain a Surety (Fidelity) bond that covers the current disbursing officer to ensure that there is adequate protection of relief association assets.

Cause: Relief association officials indicated that they were unaware that the bond coverage was not covering the current disbursing officer and that the relief association's assets were not adequately protected.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 9 – (Continued)**

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

Recommendation: We recommend that the relief association officials ensure that the disbursing officer is adequately covered by a faithful performance Surety (Fidelity) bond as required by Act 118. 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, as a result of our audit, provided adequate supporting documentation disclosing that the current disbursing officer is adequately covered by a faithful performance bond as of January 30, 2018.

Auditor's Conclusion: We reviewed supporting documentation provided by relief association officials verifying that as of January 30, 2018, the relief association's disbursing officer was adequately covered by a faithful performance bond. Continued compliance will be subject to verification through our next audit.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 2, 3 and 4 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 327 Finance Building, Harrisburg, PA 17120.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2016

Cash	<u>\$ 4,602</u>
------	-----------------

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:	
Insurance premiums	\$ 1,725
Fire Services:	
Training expenses	\$ 35
Administrative Services:	
Other administrative expenses	\$ 30
Bond premiums	200
Total Administrative Services	\$ 230
Other Expenditures:	
Miscellaneous*	\$ 8,500
Undocumented expenditures	66
Unauthorized expenditures	4,034
Total Other Expenditures	\$ 12,600
Total Expenditures	\$ 14,590

\* The relief association inappropriately disbursed \$8,500 to the affiliated fire company during the current audit period. These disbursements were categorized as miscellaneous expenses and the issue was disclosed in Finding No. 4 of this audit report.

SHICKSHINNY VOLUNTEER FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Stefanie J. Salavantis**  
Luzerne County District Attorney

Shickshinny Volunteer Fire Company Fireman's Relief Association Governing Body:

**Mr. Randy Davis**  
President

**Ms. Holly Morris**  
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

**Ms. Carol Keiser**  
Secretary  
Shickshinny Borough

**Ms. Lori Ragazzo**  
Secretary  
Union Township

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: [news@PaAuditor.gov](mailto:news@PaAuditor.gov).