
COMMONWEALTH OF PENNSYLVANIA



**A Special Investigation of
MOOSIC HOSE COMPANY #1
FIREMEN'S RELIEF ASSOCIATION,
LACKAWANNA COUNTY**

January 2008

JACK WAGNER, AUDITOR GENERAL
PENNSYLVANIA DEPARTMENT OF THE AUDITOR GENERAL

January 24, 2008

The Honorable John Segilia
Mayor
MOOSIC BOROUGH
715 Main Street
Moosic, Pennsylvania 18507

Dear Mayor Segilia:

The Department of the Auditor General's ("Department") Office of Special Investigations ("OSI") has conducted a special investigation in cooperation with the Department's Bureau of Volunteer Firefighters' Relief Association Audits and Lackawanna County's Office of the District Attorney concerning certain questionable expenditures of funds of the Moosic Hose Company #1 Firemen's Relief Association ("Moosic FRA") during the period of January 1, 2003 through July 21, 2006.

On July 21, 2006, the Department's Bureau of Volunteer Firefighters' Relief Association Audits ("Bureau") conducted an audit of the Moosic FRA for the period of January 1, 2003 through July 21, 2006. Because the audit found potential misappropriation of assets, the Bureau referred the matter to OSI on July 28, 2006.

Based on what OSI found during its investigation, OSI made a criminal referral to Lackawanna County's Office of the District Attorney, and has been cooperating with the office's investigation and prosecution of Moosic FRA's former President, Frank McBride. On March 12, 2007, Mr. McBride was charged with 16 counts of theft by unlawful taking (2 felony counts and 14 misdemeanor counts) between August 2005 and June 2006 in the total amount of \$16,807.64. On April 9, 2007, he was charged with two additional misdemeanor theft charges, bringing the total amount to \$19,792.64.

On October 26, 2007, Mr. McBride pleaded guilty to one count of Theft by Unlawful Taking, a felony of the third degree, pursuant to a partial plea agreement whereby any sentence imposed by the court would include an order to make full restitution, and all remaining charges were to be dismissed. Sentencing was deferred pending the completion of a pre-sentence investigation by the Lackawanna County Adult Probation Office. We are releasing this investigation report in advance of the Bureau's release of the audit report due to the scheduled sentencing of Mr. McBride for January 29, 2008.

As discussed in this report, our investigation found that Mr. McBride misappropriated a total of \$20,248.48 from the Moosic FRA and the Moosic Fire Company's ambulance account between June 27, 2005 and June 6, 2006. These funds include state aid that had been provided to Moosic FRA pursuant to the Foreign Fire Insurance Tax Distribution Law. We also found that the Vice President of Moosic FRA, George M. Pilger, received an unauthorized \$2,000 loan from the Moosic FRA in 2005 for which there is no record of repayment.

As you know, the Moosic FRA was dissolved by a vote of its members on November 10, 2006. Its members became members of the Greenwood Hose Company #1 Firemen's Relief Association and its assets were transferred to that association.

We commend District Attorney Andrew J. Jarbola and his staff for their cooperation in this investigation and their decision to prosecute Mr. McBride. We will continue to work with the district attorney and assist any way we can.

This report is a public document and its distribution is not limited. Additional copies may be obtained through the Department's website, www.auditorgen.state.pa.us.

Sincerely,

/S/

JACK WAGNER
Auditor General

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EXECUTIVE SUMMARY

FINDINGS	RECOMMENDATIONS
<p><u>FINDING I:</u> The President of Moosic Hose Company #1 Firemen’s Relief Association (“Moosic FRA”) misappropriated a total of \$20,248.48 from the association and the fire company’s ambulance account between June 27, 2005 and June 6, 2006</p>	<p>We recommend that the President be required to make full restitution in the amount of \$20,838.24 plus interest, as follows:</p> <ul style="list-style-type: none"> • \$18,541.63 to the Greenwood Hose Company #1 Firemen’s Relief Association (“Greenwood FRA”), successor to the Moosic FRA; • \$1,706.85 to the Emergency Services Moosic, the successor to the Moosic Hose Company #1 (“Moosic Fire Company”) Ambulance service; and • \$589.76 to Fidelity Deposit and Discount Bank. <p>Moosic Borough and/or the Greenwood Hose Company #1 should conduct a full audit of the Moosic Fire Company’s financial records, including the ambulance account, for the tenures of the President, Vice President, and Treasurer of the fire company.</p> <p>Moosic Borough and/or the Greenwood Hose Company #1 should perform a complete inventory of the Moosic Fire Company property to provide for the full accounting and the proper transfer of ownership or liquidation of the Moosic Fire Company assets.</p> <p>Greenwood FRA should ensure that it has adequate controls to avoid a similar theft of VFRA funds and that it is complying with the requirements of Act 84 regarding the taking and preserving of minutes of all meetings and the maintenance of a permanent record of its financial affairs.</p>
<p><u>FINDING II:</u> The Vice President of Moosic FRA received an unauthorized \$2,000 loan from the association in 2005 for which there is no record of repayment.</p>	<p>We recommend that the Vice President be required to make full repayment of the \$2,000 loan, with interest, received from funds of the Moosic FRA to its successor, the Greenwood FRA. We also recommend that the Greenwood FRA ensure that it has adequate controls regarding the approval and recording of expenditures in order to avoid similar unauthorized loans in the future.</p>

BACKGROUND AND INTRODUCTION

Volunteer firefighters' relief associations ("VFRAs") in Pennsylvania receive an annual distribution of state funds pursuant to the Foreign Fire Insurance Tax Distribution Law.¹ The Department of the Auditor General ("Department") conducts regular audits and investigations of these associations pursuant to the Volunteer Firefighters' Relief Association Act ("Act 84")² and the Fiscal Code.³ According to Act 84, "[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."⁴

Moosic Hose Company #1 Firemen's Relief Association ("Moosic FRA") was a VFRA associated with Moosic Hose Company #1 ("Moosic Fire Company"), a fire company operating in the Borough of Moosic, Lackawanna County, Pennsylvania.⁵ All members of the Moosic FRA were also members of the Moosic Fire Company. During the times pertinent to this investigation, the officers of the Moosic FRA were Frank McBride ("McBride"), President; George M. Pilger ("Pilger"), Vice President; and Sharon McBride (wife of Frank McBride), Treasurer. The President and the Treasurer served in those positions from August 23, 2005 until they were impeached and removed from office on June 28, 2006. The Vice President served in that position until the dissolution of the Moosic FRA on November 10, 2006.

On July 21, 2006, the Department's Bureau of Volunteer Firefighters' Relief Association Audits ("Bureau") conducted an audit of the Moosic FRA for the period of January 1, 2003 through July 21, 2006.⁶ Because the audit revealed potential

¹ Act of Dec. 18, 1984, P.L. 1005, No. 205, § 701, 53 P.S. § 895.701 *et seq.* Each year, the Department of the Auditor General distributes state aid to municipalities for the further distribution to VFRAs in their jurisdictions, according to a formula based on population and property values.

² Act of June 11, 1968, P.L. 149, No. 84, as amended, 53 P.S. § 8501 *et seq.* (Volunteer Firefighters' Relief Association Act).

³ Act of April 9, 1929, P.L. 343, No. 176, as amended, 72 P.S. § 401 *et seq.* (The Fiscal Code).

⁴ 53 P.S. § 8502.

⁵ On July 17, 2006, Moosic Hose Company #1 entered into a Plan of Merger with Greenwood Hose Company #1, a fire company also operating in the Borough of Moosic. On July 21, 2006, the Moosic FRA's checking and savings accounts were closed out at Old Forge Bank, and its remaining assets were transferred to the Greenwood Hose Company #1 Firemen's Relief Association. On November 10, 2006, the remaining officers and members of the Moosic FRA called a special meeting and voted to dissolve. However, at a meeting on March 22, 2007, the Greenwood Hose Company #1 Board of Directors decided to end the plans to merge. Even though the merger of the two fire companies did not take place, because the Moosic FRA's assets had already been transferred, the members of the defunct Moosic FRA became members of the Greenwood Hose Company #1 Firemen's Relief Association.

⁶ After receiving notice of the audit, the officers of the Moosic Fire Company called a special meeting on June 28, 2006. The minutes of the meeting indicate that the members voted to impeach McBride (who was also president of the Fire Company) and his wife (who was the Treasurer of the Fire Company) for dereliction of

misappropriation of assets, the Bureau referred the matter to the Department's Office of Special Investigations ("OSI") on July 28, 2006.

The Bureau provided the following information to OSI:

- There was the possibility of fraud by Frank McBride, the Moosic FRA's President, who became involved with the Moosic FRA sometime in 2005.
- McBride and his company, Emergency Response Training Center ("ERTC"), billed the Moosic FRA for training and equipment.
- Sharon McBride, the wife of Frank McBride and herself the Moosic FRA's Treasurer, and George M. Pilger, the Moosic FRA's Vice President, signed the checks.
- There was little or no training provided to members of the Moosic Fire Company.
- On September 10, 2005, without authorization from the Moosic Fire Company, McBride opened a checking account in the name "Moosic Hose Company #1 Ambulance."
- Two checks totaling \$5,100 were issued from the Moosic FRA checking account to the unauthorized checking account.
- Bank records indicate that McBride was the only person with signatory authority on the unauthorized account.
- McBride and Pilger granted themselves "hardship loans"⁷ of \$2,500 and \$2,000, respectively, without repayment to the Moosic FRA.
- The Moosic FRA paid numerous bills using statements and quotes instead of actual invoices.
- The audit found indications of deficient internal controls, including inadequate board minutes, inadequate signatory authority for the disbursement of funds, related party transactions, inadequate record keeping, failure to maintain an equipment roster, unauthorized and undocumented expenditures, unsecured and undocumented loans, loans to members, and no current membership roster.

OSI's investigation, which was initiated on August 2, 2006, included the following:

- Reviewing the Moosic FRA's bank records acquired by the Bureau.
- Reviewing the Moosic FRA's board minutes and its membership and equipment rosters.
- Reviewing the records of the Moosic Fire Company Ambulance service bank account.
- Interviewing vendors from whom items were purchased by the Moosic FRA.
- Reviewing vendor records.
- Interviewing current and former officers of the Moosic FRA and the Moosic Fire Company, including the McBride and Pilger.

duties and unauthorized removal of Fire Company property. They were both relieved of their duties at the Fire Company.

⁷ This was the term used on the memorandum line of the checks issued to McBride and Pilger.

OSI completed its fieldwork on June 12, 2007.

On January 22, 2007, based on what OSI found during its investigation, OSI made a criminal referral to Lackawanna County's Office of the District Attorney, and has been cooperating with the district attorney, Andrew J. Jarbola, and the chief of detectives, Joseph Jordan, concerning Moosic FRA's former President, Frank McBride. On March 12, 2007, McBride was charged with 16 counts of theft by unlawful taking (2 felony counts and 14 misdemeanor counts) between August 2005 and June of 2006 in the total amount of \$16,807.64. On April 9, 2007, the complaint was amended to include two additional misdemeanor theft charges, bringing the total amount to \$19,792.64. Neither George Pilger nor Sharon McBride was prosecuted.

On October 26, 2007, McBride pleaded guilty to one count of Theft by Unlawful Taking, a felony of the third degree, pursuant to a partial plea agreement whereby any sentence imposed by the court would include an order to make full restitution, and all remaining charges were to be dismissed. Sentencing was deferred pending the completion of a pre-sentence investigation by the Lackawanna County Adult Probation Office. We are releasing this investigation report in advance of the Bureau's release of the audit report due to the scheduled sentencing of McBride for January 29, 2008.

FINDINGS AND RECOMMENDATIONS

FINDING I: The President of Moosic Hose Company #1 Firemen's Relief Association misappropriated a total of \$20,248.48 from the association and the fire company's ambulance account between June 27, 2005 and June 6, 2006.

On August 2, 2006, OSI met with the Bureau regarding irregularities uncovered during the Bureau's audit of the Moosic FRA's checking, savings, and certificate of deposit accounts at Old Forge Bank for the period of January 1, 2003 through July 21, 2006. The Bureau was concerned that fraud was being committed by Frank McBride, the Moosic FRA's President, and other newly elected officers of the Moosic FRA. The Bureau provided to OSI the earliest known correspondence showing McBride acting in the official capacity as President of the Moosic FRA, which was an undated letter McBride sent to Old Forge Bank requesting bank officials, as of August 2005, to remove the existing names on the Moosic FRA signature cards and to add the following names:

- George M. Pilger, Vice President
- Sharon McBride, Treasurer
- William Moore, Fire Captain

The letter contained the signature "Frank McBride" under title "President, Relief Association." Attached to this letter was an additional Moosic FRA letter informing bank officials that there had been a meeting of the Moosic FRA on August 23, 2005, at which a quorum was present and the aforementioned Moosic FRA officers were elected.

Additionally, the Moosic FRA's undated Board Minutes show that there was a board meeting held sometime between May 18, 2004 and September 5, 2005, which was attended by eight members who elected the following new officers:

- Frank McBride, President
- George M. Pilger, Vice President
- Annette Wickizer, Secretary
- Sharon McBride, Treasurer

Moosic FRA Checking Account

In September 2005, after the newly elected officers assumed control of the Moosic FRA, Treasurer Sharon McBride made three deposits totaling \$41,071.06 into the Moosic FRA's checking account at Old Forge Bank. OSI's investigation determined that these deposits were the source of funds used for the personal enrichment of President Frank

McBride. Table 1 summarizes these deposits, almost half of which consisted of state aid provided to Moosic FRA pursuant to the Foreign Fire Insurance Tax Distribution Law.

Table 1
Deposits to Moosic FRA's Checking Account

DEPOSIT #	BANK STATEMENT DATE	AMOUNT OF DEPOSIT	SOURCE
1	9/13/05	\$10,000.00	Moosic FRA's Savings Account
2	9/13/05	\$11,244.15	Moosic FRA's Certificate of Deposit Account
3	9/30/05	\$19,826.91	Commonwealth of Pennsylvania, Allocation of State Aid for 2004
TOTAL		\$41,071.06	

OSI reviewed the minutes of the Moosic FRA's board meetings for the period of September 2005 through March 2006 and determined the following:

- The officers of the Moosic FRA did not have authorization from the Moosic FRA membership to disburse Moosic FRA funds.
- The Moosic FRA did not have permanent records of its financial affairs regarding these deposits and did not approve or record these deposits in their board minutes.

Act 84 requires that a VFRA "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."⁸ The Moosic FRA's Bylaws (revised as of October 2, 2002) specifically state:

The Treasurer shall keep account of all money belonging to the VFRA and he or she shall not expend monies or enter investments transactions without authorization. The Treasurer shall keep a journal and ledger, which details all financial transactions of the VFRA and shall maintain all documentation supporting the receipts and disbursements made by the VFRA.⁹

* * *

Section 1: Funds of this VFRA shall not be expended for any purpose other than those authorized by the provisions of Act 84 and the VFRA bylaws. All expenditures must be approved by a majority vote at a VFRA meeting and duly recorded in the minutes.

Section 2: All expenditures must be made through a VFRA account and recorded, in detail, in the VFRA journal and ledger. Supporting documentation

⁸ 53 P.S. § 8505(a).

⁹ Moosic FRA's Bylaws (revised as of October 2, 2002), Article IV, "Officers."

such as invoices, canceled checks, etc., shall be maintained to verify all disbursements.¹⁰

On September 14, 2006, OSI also reviewed the Moosic FRA's checking account statements for the period of November 6, 2003 through June 5, 2006, and determined that the Moosic FRA disbursed a total of \$18,386.41 in unauthorized and undocumented expenses during the final 12 months of the period. Of that total, \$12,986.41 was disbursed to McBride and his company. Of the remaining \$5,400, McBride deposited \$5,100 into the unauthorized Moosic Fire Company Ambulance account. The remaining \$300 was disbursed to acquire a portable radio that OSI could not identify or account for in the Moosic FRA's equipment inventory. Table 2 summarizes these expenditures.

Table 2
Unauthorized/Undocumented Expenditures
from the Moosic FRA Checking Account

ITEM #	ISSUE DATE	CHECK #	CHECK AMOUNT	CHECK PAYEE	PURPOSE/DESCRIPTION OF EXPENDITURES
1*	6/27/05	703	\$540.00	Frank McBride	First Responder course instruction. Training services that McBride did not provide to the Moosic FRA or to the Moosic Fire Company.
2*	9/10/05	709	\$2,116.00	Frank T. McBride DBA ERTC	Hazmat course instruction. Training services that McBride did not provide to the Moosic FRA or to the Moosic Fire Company.
3	9/26/05	713	\$1,100.00	Moosic Ambulance /Fire Dept. Account	Payment of bills. McBride deposited this check into an unauthorized Moosic Fire Company Ambulance account.
4*	10/5/05	719	\$1,500.00	Frank McBride	Loan for which there was no formal agreement or repayment to the Moosic FRA.
5	10/21/05	722	\$4,000.00	Moosic Hose Company #1 Ambulance	Payment of bills. McBride deposited this check into an unauthorized Moosic Fire Company Ambulance account.
6*	11/29/05	733	\$815.00	Frank McBride	Emergency Medical Technician ("EMT") course instruction. Training services that McBride did not provide to the Moosic FRA or to the Moosic Fire Company.
7*	12/13/05	735	\$512.00	Francis McBride ERTC	Sale of GP 300 Radio to the Moosic FRA. Equipment McBride sold to the Moosic FRA without proper documentation.

¹⁰ Moosic FRA's Bylaws (revised as of October 2, 2002), Article VIII, "Disbursements."

8*	12/21/05	737	\$800.00	Frank McBride ERTC	Insurance coverage. The Moosic FRA issued this check directly to McBride and not to the insurance company. McBride endorsed the check and cashed it at a licensed check cashier.
9*	1/4/06	738	\$287.50	Francis McBride ERTC	Reimbursement for the purchase of training videos and compact disks. Equipment McBride sold to the Moosic FRA without proper documentation.
10*	1/12/06	739	\$1,187.20	Frank McBride- ERTC	Reimbursement for classes in 2005. Training services that McBride did not provide to the Moosic FRA or to the Moosic Fire Company.
11*	1/24/06	740	\$700.00	Frank McBride DBA ERTC	Reimbursement for the sale of a laptop computer to the Moosic FRA for the ladder truck. Equipment McBride sold to the Moosic FRA without proper documentation.
12*	2/13/06	742	\$600.00	Frank McBride DBA ERTC	Reimbursement for the purchase and sale of an Automated External Defibrillator ("AED") trainer to the Moosic FRA. Equipment McBride sold to the Moosic FRA without proper documentation.
13*	4/19/06	745	\$516.57	Frank McBride DBA ERTC	Reimbursement for 20 students for First Aid, AED, and Cardiopulmonary Resuscitation ("CPR") course instruction. Training services that McBride did not provide to the Moosic FRA or to the Moosic Fire Company.
14*	5/15/06	750	\$475.00	Frank McBride, V/P DBA ERTC	Reimbursement for the sale of one matrix ballistic vest to the Moosic FRA for the ladder truck. Equipment McBride sold to the Moosic FRA without proper documentation.
15*	5/22/06	748	\$1,000.00	Frank McBride	Loan for which there was no formal agreement or repayment to the Moosic FRA.
16*	6/8/06	751	\$1,527.20	Frank McBride/ DBA ERTC	No information on memo line. Checks issued to McBride without proper support documentation as prepayment for training courses not held.
17*	6/14/06	752	\$120.00	Frank McBride/ DBA ERTC	No information on memo line. Checks issued to McBride without proper support documentation as prepayment for training courses not held.

18*	10/11/05	721	\$289.94	Starr Uniform	Moosic FRA President purchased a bulletproof vest for himself and had the bookkeeper bill the Moosic FRA without submitting the proper support documentation.
19	10/18/05	728	\$300.00	Avoca Borough Police Officer	Moosic FRA purchased a portable radio
TOTAL			\$18,386.41		

* Questionable expenditures paid to McBride or ERTC from the Moosic FRA checking account in the amount of \$12,986.41.

Disbursements to McBride from the Moosic FRA Checking Account

The following discussion summarizes the amounts and the methods by which McBride misappropriated \$12,986.41 from the Moosic FRA Checking Account. However, items 3, 5, and 19 from Table 2 were not included in this amount. Items 3 and 5 were payable to the Moosic Fire Company Ambulance but were deposited by McBride into an unauthorized checking account opened by McBride. Details of this account will be addressed later in this finding. With respect to item 19, no evidence was discovered to prove that McBride personally benefitted from this transaction. Available records show that the Moosic FRA paid \$300 to an Avoca Borough Police Officer to purchase a portable radio. However, OSI found no supporting documentation for this transaction, and the portable radio could not be located in the Moosic FRA's equipment inventory.

McBride produced invoices from his company, ERTC, to support the disbursements described in items 2, 6, 12, 13, and 14 of Table 2. However, he billed the Moosic FRA in advance for items 2, 6, and 13, but never provided any services. For items 12 and 14, OSI could not find original invoices in the Moosic FRA's records or locate these items in the Moosic FRA's equipment inventory. For items 7 and 9, McBride submitted a letter in lieu of an actual invoice to facilitate payment from the Moosic FRA.

For items 1, 2, 6, 10, and 13, McBride received \$5,174.77 from the Moosic FRA for training allegedly provided by him or his company, ERTC. On September 22, 2006, OSI interviewed Fire Chief William Moore who, in response to questions, provided the following information:

- McBride, through his company ERTC, billed the Moosic FRA in April 2006 for a First Aid/CPR class that he alleged was administered to 20 active Moosic Fire Company members.
- As of April 2006, the Moosic Fire Company did not have 20 active members.

On January 8, 2007, OSI interviewed the Moosic Fire Company's Former Treasurer ("Former Treasurer")¹¹ and reviewed these questionable training expenses with her. In response to questions, she provided the following information:

- Neither McBride nor his company, ERTC, provided any course instruction relative to these questionable training expenses.
- Neither the Moosic FRA nor the Moosic Fire Company sponsored any course instruction by McBride or ERTC.

On October 20, 2006, OSI interviewed the Executive Vice President of Emergency Medical Services of Northeastern Pennsylvania ("EMS") in order to determine whether McBride had registered training courses through EMS or the Pennsylvania Department of Health. In response to questions, the Executive Vice President of EMS provided the following information:

- He reviewed the EMS training course applications filed with the Pennsylvania Department of Health covering the current period.
- The training courses in question were not registered under ERTC or any other affiliation to McBride including Moosic Borough.
- He could not verify that McBride held training courses on his own without registering his training courses through EMS and the Pennsylvania Department of Health.
- The Pennsylvania Department of Health did not authorize ERTC to teach state certification courses offered for educational credit.
- McBride was listed as a course instructor for a street survival course held at the Borough of Hughestown, Pennsylvania, in April 2006. (This course was not the one identified in the review conducted by OSI.)
- McBride was listed as a course instructor for an advanced life support assistant training course held at Old Forge Ambulance and Rescue Association, Old Forge, Pennsylvania, in November 2004. (This course was held prior to the review period.)

On November 1, 2006, OSI interviewed the Executive Program Director of the American Safety & Health Institute ("ASHI"), Holiday, Florida, in order to determine whether McBride had registered training courses through ASHI. In response to questions, the Executive Program Director of ASHI provided the following information:

- McBride applied for approval as the Director of an ASHI-authorized training center under the name of ERTC on July 1, 2005, and was authorized as a "Basic Plus First Responder" instructor.
- No other names are associated with McBride's training center.
- ASHI does not register individual training courses.

¹¹ The Former Treasurer held two positions with the Moosic Fire Company. She was the Former Treasurer of the Fire Company and Former Secretary of Moosic FRA.

- The training center is required to retain program rosters for at least three years after the date the program was conducted.
- The training center is required to keep records pertaining to instructors, programs, and program evaluations.

On July 5, 2007, OSI received correspondence from ASHI's Director of International & Regulatory Affairs, providing the following information about McBride's Instructor Certification:

- She received several telephone complaints concerning McBride issuing certification cards with invalid dates.
- ASHI suspended McBride's authorization as an instructor and ERTC as a training center in 2005.
- ASHI continues to receive complaints from customers and from regulatory bodies that McBride is issuing ASHI's certification cards with invalid dates.
- McBride is no longer authorized to conduct ASHI courses or issue ASHI certifications.
- Certification cards listed with McBride's name or ERTC listed as the training center will be identified as fraudulent by ASHI.
- McBride must stop issuing certification cards, or ASHI will be forced to pursue legal action against him.

For items 7, 9, 11, 12, and 14 in Table 2, McBride received \$2,574.50 from the Moosic FRA for equipment that he sold to the Moosic FRA. On January 8, 2007, OSI reviewed the Moosic FRA's equipment inventory provided by the Former Treasurer, and was unable to verify that the equipment was actually purchased by McBride or actually received by the Moosic FRA. For items 7, 9, 12, and 14, McBride submitted letters and fictitious invoices from his company ERTC for payment.

For items 4 and 15 in Table 2, McBride received \$2,500 in personal loans from the Moosic FRA. OSI determined that the Moosic FRA membership did not authorize these payments. Furthermore, these loan payments were not documented by the Moosic FRA, and no record of repayment is noted in the Moosic FRA's board meeting minutes.

On December 18, 2006, the Bureau provided to OSI a copy of *DCED* [Department of Community and Economic Development] *Opinions as of 9-7-05* ("DCED Opinions"),¹² which lists expenditures allowed to be made with VFRA funds under provisions of Act 84 and approved by DCED. OSI reviewed this document and determined that a loan to an individual for personal reasons is not an authorized expenditure.

For items 16 and 17 in Table 2, McBride received \$1,647.20 from the Moosic FRA with no information noted on the memo lines of these two checks. The Bureau found no supporting documentation for these disbursements.

¹² *DCED Opinions as of 9-7-05*, p. 12.

On March 6, 2007, Moosic FRA Vice President George M. Pilger was interviewed by OSI and Chief of Detectives Joseph Jordan in the presence of Assistant District Attorney Paul J. Peterson concerning these two expenditures. In response to questions, Pilger provided the following information:

- McBride received Moosic FRA check #751 and #752 as prepayment for future training courses.
- To the best of his knowledge, McBride did not hold these training courses.

For item 8 in Table 2, McBride received \$800 from the officers of the Moosic FRA for insurance coverage. The Moosic FRA issued check #737 directly to McBride, not to the insurance company. McBride endorsed check #737 and cashed this check at a licensed check cashier. The Bureau found no documentation to support this disbursement.

For item 18 in Table 2, McBride submitted Starr Uniform receipt #74155, dated September 1, 2005, in lieu of an actual invoice to facilitate payment from the Moosic FRA. On October 26, 2006, OSI interviewed the bookkeeper of Starr Uniform, who, in response to questions, provided the following information:

- On August 18, 2005, McBride originally purchased the special vest (later identified as a bulletproof vest) for himself (not the Moosic FRA) for \$250.
- On September 1, 2005, McBride asked her to credit his personal account and re-bill the Moosic Fire Company for the purchase of the special vest.
- On September 13, 2005, she credited McBride's personal account for \$250.
- On September 13, 2005, she re-invoiced the Moosic Fire Company for \$250.

A review by OSI on September 30, 2006, determined that the original receipt provided by Starr Uniform (#74155 for \$250) and the receipt provided by McBride (#74155 for \$289.94) differ in the purchase price for the special vest. On the receipt provided by McBride, the purchase price appeared to be altered. In addition, OSI could not locate this purchase of equipment in Moosic FRA's equipment inventory.

Opening of Unauthorized Checking Account in the Name of "Moosic Hose Company #1 Ambulance"

On September 10, 2005, without authorization from the Moosic Fire Company or the Moosic FRA, McBride opened a checking account in the name of "Moosic Hose Company #1 Ambulance" at the Fidelity Deposit and Discount Bank of Moosic ("FDD Bank"). FDD Bank records show that McBride opened the account using the Moosic Fire Company's federal Tax Identification Number and that McBride was the only person with signatory authority.

On August 31, 2005, at the request of the outside ambulance biller, a cashier's check payable to the order of the Moosic Hose Company #1 Ambulance Payroll in the amount of \$1,706.85 was drawn by Old Forge Bank to close out the payroll account of the Moosic Ambulance service. On September 12, 2005, McBride deposited this check into the unauthorized account he had just opened at FDD Bank. On June 16, 2006, the Former

Treasurer and Fire Chief reported to Chief of Detectives Joseph Jordan that the check that closed out the account at Old Forge Bank was stolen.

For items 3 and 5 in Table 2, OSI determined that McBride caused the Moosic FRA to issue two unauthorized checks from the Moosic FRA's checking account totaling \$5,100 on September 26 and October 21, 2005, respectively, to the Moosic Ambulance for payment of bills. Thereafter, McBride acquired these two checks and deposited them into the unauthorized account at FDD Bank on September 28 and October 24, 2005.

On August 6, 2006, OSI reviewed the Moosic FRA Board Minutes for the period of September 2005 through March 2006 and determined that the two expenditures totaling \$5,100 were not approved by majority vote at a Moosic FRA meeting, recorded in the minutes, or recorded in the Moosic FRA's accounting journal and ledgers, as is required by the Moosic FRA's Bylaws.

On September 27, 2006, OSI reviewed statements for the unauthorized account opened by McBride at FDD Bank covering the period of September 10, 2005 through April 4, 2006, and determined that four unauthorized and undocumented deposits were made during this period totaling \$7,431.85, as set forth in Table 3.

Table 3
Deposits to the Unauthorized Moosic Hose Company #1 Ambulance Account at FDD Bank

ITEM #	BANK STATEMENT DATE	AMOUNT	SOURCE
1	9/12/05	\$1,706.85	Moosic Hose Company #1 Ambulance Payroll Account at Old Forge Bank
2	9/28/05	\$1,100.00	Moosic FRA's Checking Account
3	10/24/05	\$4,000.00	Moosic FRA's Checking Account
4	12/6/05	\$625.00	One deposit includes ten individual checks issued to "cash" or to the Moosic Fire Company
TOTAL		\$7,431.85	

Also on September 27, 2006, OSI also reviewed all expenditures for the unauthorized account at FDD Bank covering the same period, September 10, 2005 through April 4, 2006. OSI determined that McBride had disbursed ten checks from this account totaling \$8,021.61 in questionable expenses. All ten checks contained McBride's signature. Of that total, McBride and/or his company received \$5,377.07 for services, supplies, and equipment purchased for his company. Of the remaining \$2,644.54, McBride paid Kranson Clothes \$690 for clothing and a tactical vest. McBride also paid \$69.54 for soda and refreshments. The balance of \$1,885 was paid to Dr. Andrew Brown for McBride's personal dental work. These expenditures are summarized in Table 4.

Table 4
Expenditures from Unauthorized Moosic Hose Company #1 Ambulance
Account at FDD Bank

ITEM #	CHECK #	CHECK DATE	AMOUNT	PAYEE	PURPOSE/ DESCRIPTION OF EXPENDITURES
1	*N/A	9/11/05	\$21.57	Birney Beverage	Soda.
2	*N/A	9/12/05	\$183.00	Kranson Clothes	Open account arrears.
3***	1001	9/22/05	\$700.00	Frank McBride ERTC	Training mannequins, CPR, for ERTC. McBride endorsed the check and cashed it at a licensed check cashier.
4***	1002	9/26/05	\$800.00	Cash	Supplies, cleaning, office, printer, paper for ERTC.
5	1003	10/11/05	\$507.00	Kranson Clothes	Tactical Equipment.
6	**1005	10/24/05	\$47.97	Grande Pizza	Refreshments for training course.
7***	1006	10/24/05	\$908.75	Francis T. McBride ERTC	40-hour street survival training course. No supporting documentation showing that McBride ever offered this course to the Moosic FRA or Moosic Fire Company. McBride endorsed the check and cashed it at Price Chopper Store 169PC.
8***	**1008	11/1/05	\$2,118.75	ERTC Frank McBride V.P	Rescue Randy Manikin purchased for ERTC.
9***	1009	11/10/05	\$849.57	Francis McBride	Payroll. McBride endorsed the check and cashed it at Price Chopper Store 169PC.
10***	**1044	12/15/05	\$1,885.00	Dr. Andrew Brown	Dental work for McBride.
TOTALS			\$8,021.61		

* N/A: Information not available (unnumbered checks).

** Checks out of sequential order (checks 1004, 1007, and 1010 through 1034 apparently not issued).

*** Questionable expenditures paid to McBride or ERTC from the Moosic Hose Company #1 Ambulance Account at FDD Bank in the total amount of \$7,262.07.

A further review noted that bank statement dated December 30, 2005 indicated a negative balance of \$589.76 as a result of an overdraft on December 21, 2005. The bank statement dated April 4, 2006, reflects a "charge off"¹³ by FDD Bank for \$589.76. On April 3, 2006, FDD Bank closed this account.

Items 3, 4, 7, 8, 9, and 10 listed in Table 4, totaling \$7,262.07, are the amounts McBride misappropriated from the Moosic Hose Company #1 Ambulance Account at FDD

¹³ The bank used this term on the bank statement to indicate that it had absorbed the amount of the overdraft.

Bank. Items 1, 2, 5 and 6, totaling \$759.54, were not included in this amount because insufficient evidence was found that McBride personally benefitted from these transactions.

On August 15, 2006, OSI interviewed the Former Treasurer, who, in response to questions, provided the following information:

- McBride deposited a stolen Moosic Fire Company Ambulance payroll check into an unauthorized account he opened at FDD Bank.
- A check dated August 31, 2005, was drawn on the Moosic Fire Company Ambulance Payroll Account at Old Forge Bank in the amount for \$1,706.85.
- The check was placed into the Fire Chief's mailbox located inside the Moosic Fire Company building.
- The Fire Chief discovered that the check was missing a few days later.
- McBride deposited the check into an unauthorized account he opened at FDD Bank on September 12, 2005.
- McBride later admitted taking the check in September 2005, from the Fire Chief's mailbox and depositing the check into a new account he opened at FDD Bank.
- Old Forge Bank issued the questioned check to the Moosic Fire Company Ambulance Payroll to close out their existing payroll account.
- McBride was the only authorized signatory on this newly opened account.
- McBride did not have the authority from the Moosic Fire Company or the Moosic FRA to open this new account at FDD Bank.
- McBride also allegedly stole an additional check from the Former Treasurer's briefcase at the Moosic Fire Company in April 2006.
- The Moosic Fire Company applied for a state grant from the 2004-2005 Volunteer Fire Company and Volunteer Ambulance Service Grant Program through the Office of the State Fire Commissioner.
- The Commonwealth issued the original check in April 2006 for \$5,304.50 to the Moosic Fire Company through the Office of the State Fire Commissioner as a result of the Moosic Fire Company's 2004 Grant Application.
- She notified the Office of the State Fire Commissioner in April 2006 that the check was missing.
- On May 17, 2006, the Commonwealth issued the replacement check payable to the Moosic Fire Company Ambulance through the Office of the State Fire Commissioner.
- On June 5, 2006, Moosic FRA Treasurer Sharon McBride (who was also the Moosic Fire Company Treasurer at the time) wrongfully deposited the replacement check into the Moosic FRA's checking account rather than the Moosic Fire Company's account.

Bank records obtained from Old Forge Bank confirm that the Moosic FRA Treasurer deposited the replacement check dated May 17, 2006, for \$5,304.50 into the Moosic FRA's checking account.

On October 10, 2006, OSI received the following information from the Volunteer Loan Assistance Program Administrator at the Office of the State Fire Commissioner:

- The Moosic Fire Company applied for a grant from the 2004-2005 Volunteer Fire Company and Volunteer Ambulance Service Grant Program.
- The Office of the State Fire Commissioner awarded a grant for \$5,304.50 to the Moosic Fire Company Ambulance.
- On April 13, 2006, the Commonwealth issued a check in that amount to the Moosic Fire Company Ambulance.
- The Moosic Fire Company Ambulance later reported the Commonwealth check as lost.
- On May 17, 2006, a replacement check in the same amount was issued to the Moosic Fire Company Ambulance.

On September 22, 2006, OSI interviewed Fire Chief William Moore regarding the Moosic Fire Company Ambulance payroll account at the FDD Bank. In response to questions, he provided the following information:

- In August or September 2005, McBride is believed to have taken a Moosic Fire Company Ambulance payroll check in the amount of \$1,706.85 from the Fire Chief's mailbox located at the Moosic Fire Company.
- Old Forge Bank administered their Moosic Fire Company Ambulance payroll account.
- On August 31, 2005, Old Forge Bank issued a check in the amount of \$1,706.85 to close out the existing payroll account.
- On September 12, 2005, McBride acquired the check and opened an unauthorized account named "Moosic Hose Company #1 Ambulance" at FDD Bank.
- McBride later admitted to the Former Treasurer that he had stolen the \$1,706.85 check in September 2005.

On January 22, 2007, OSI met with Lackawanna County Assistant District Attorney Paul J. Peterson and Chief of Detectives Joseph Jordan to review the results of the investigation and refer the matter for prosecution. OSI copied all existing files and materials relative to this investigation and provided these records to Chief of Detectives Jordan.

On March 6, 2007, Moosic FRA Vice President George M Pilger was interviewed by OSI and Chief of Detectives Joseph Jordan in the presence of Assistant District Attorney Paul J. Peterson. Prior to the interview, the Chief of Detectives Jordan advised Pilger of his constitutional rights and Pilger signed a form acknowledging that he understood and waived his rights. OSI reviewed with Pilger a schedule of suspicious deposits into and checks issued from the Moosic FRA's checking account at Old Forge Bank. After reviewing the schedule, Pilger provided the following information relative to each check listed on the schedule:

- Check #703, dated 6/27/05, for \$540: The Moosic FRA issued this check to McBride for a first responder course, but the course was never held, and McBride was not a state-certified instructor.
- Check #709, dated 9/10/05, for \$2,116: The Moosic FRA issued this check to McBride for a hazardous materials course for 20 members, but the course was not given to 20 members, as the Moosic Fire Company only had eight to ten members at the time.

- Check #713, dated 9/26/05, for \$1,100: The Moosic FRA issued this check as a loan to the Moosic Ambulance/Fire Department Account. Prior to signing this check, Pilger requested a loan agreement from McBride and his wife, but never received one. He also stated that he was not aware that McBride had opened an unauthorized Moosic Fire Company account.
- Check #719, dated 10/5/05, for \$1,500: The Moosic FRA issued this check for a “hardship loan” to McBride. Pilger stated that he had pre-signed this check and was not aware that it was used to give McBride a “hardship loan.”
- Check #721, dated 10/11/05, for \$289.94: The Moosic FRA issued this check to Starr Uniform for a bulletproof vest. Pilger stated that he never saw the bulletproof vest, and it was an unauthorized purchase.
- Check #722, dated 10/21/05, for \$4,000: The Moosic FRA issued this check to the Moosic Hose Company #1 Ambulance. See third bullet above.
- Check #733, dated 11/29/05, for \$815: The Moosic FRA issued this check to McBride for an emergency medical technician (“EMT”) course of instruction. Pilger stated that the Moosic FRA President did not hold an EMT course of instruction with members of the Moosic Fire Company.
- Check #735, dated 12/13/05, for \$512: The Moosic FRA issued this check to McBride for the purchase of a GP 300 Portable Radio. Pilger stated that Old Forge Borough had reported this radio as stolen.
- Check #737, dated 12/21/05, for \$800: The Moosic FRA issued this check to McBride for insurance coverage. Pilger stated that this check was “bogus,” because the Moosic FRA issued insurance payments directly to its insurance carrier located in Factoryville, Pennsylvania, and not to McBride or ERTC.
- Check #738, dated 1/4/06, for \$287.50: The Moosic FRA issued this check to McBride for training videos and compact disks. Pilger stated he had no knowledge of the purchase of training videos or compact disks.
- Check #739, dated 1/12/06, for \$1,187.20: The Moosic FRA issued this check to McBride for reimbursement for training classes held in 2005. Pilger stated that McBride did hold a cardiopulmonary resuscitation (“CPR”) class in June of 2005, and that the Moosic FRA issued check #702 on June 27, 2005, for \$150 to ERTC for this class. McBride later informed him that check #702 was lost, and that he needed a replacement check. OSI noted check #702 cleared the bank on May 5, 2006, almost one year after it was issued.
- Check #740, dated 1/24/06, for \$700: The Moosic FRA issued this check to McBride for the purchase of a laptop computer for the ladder truck. Pilger stated he never saw this laptop computer and that the Moosic FRA did not use a laptop computer for the ladder truck.
- Check #742, dated 2/13/06, for \$600: The Moosic FRA issued this check to McBride for the purchase of an AED (automated external defibrillator) Trainer. Pilger stated the Moosic FRA already had an AED Trainer, and there would be no reason to purchase another.
- Check #745, dated 4/19/06, for \$516.57: The Moosic FRA issued this check to McBride for a CPR/first aid course of instruction for 20 students. Pilger stated that McBride did hold a CPR/first aid course of instruction, but not for 20 students. He recalled five students attending.

- Check #750, dated 5/15/06, for \$475: The Moosic FRA issued this check to McBride for purchase of a Matrix Ballistic Vest for the ladder truck. Pilger stated that he never saw the Matrix Ballistic Vest for the ladder truck.
- Check #748, dated 5/22/06, for \$1,000: The Moosic FRA issued this check to McBride for a personal loan. Pilger stated that he was not aware of any “hardship loans” to McBride.
- Check #751, dated 6/8/06, for \$1,527.20: The Moosic FRA issued this check to McBride as prepayment for training courses. Pilger stated that this training course was never held, to the best of his knowledge.
- Check #752, dated 6/14/06, for \$120: The Moosic FRA issued this check to McBride as prepayment for training courses. Pilger stated that, to the best of his knowledge, this training course was never held.

On March 6, 2007, Moosic FRA President Frank McBride was interviewed by OSI and Chief of Detectives Joseph Jordan in the presence of Assistant District Attorney Paul J. Peterson. Prior to the interview, Chief of Detectives Jordan advised McBride of his constitutional rights, and McBride signed a form acknowledging that he understood and waived his rights. In response to questions, McBride provided the following information:

- He has been a part-time Moosic Borough Police Officer for the past three years and is a full-time paramedic with Lackawanna Ambulance.
- Members of the Moosic Fire Company elected him, but he does not remember the date.
- When he was an officer of the Moosic FRA, there were five active members.
- He was also the Vice President of the Moosic Fire Company in 2005 and President in 2006.
- In 2005 and 2006, there were approximately seven or eight active members of the Moosic Fire Company.
- He was unfamiliar with the Department of the Auditor General’s *Management Guidelines For Volunteer Firefighters’ Relief Associations* and with Act 84.
- He was unfamiliar with the Moosic FRA’s Bylaws.
- The Moosic FRA’s Vice President, George M. Pilger, and Treasurer, Sharon McBride (wife of Frank McBride) were responsible for issuing Moosic FRA checks.
- In September 2005, the Moosic FRA’s Vice President and Treasurer decided to close out the Moosic FRA’s certificate of deposit account, withdraw \$10,000 from the Moosic FRA’s savings account, and deposit the Commonwealth of Pennsylvania’s aid allocation into the Moosic FRA’s checking account.
- They moved this money to expend it.
- There was no Moosic FRA vote, no board minutes, or meeting to authorize these withdrawals from and deposits to Moosic FRA accounts.
- The Moosic FRA’s financial records were in disarray and he took them to a Certified Public Accountant in Dunmore.
- There was no audit/review ever performed by the Certified Public Accountant.
- He purchased a portable radio in October 2005 from an Avoca Borough Police Officer and gave it to the Fire Chief.

- He did not know the current location of this radio.

On the same date, OSI showed McBride two schedules of deposits into and checks issued from the Moosic FRA's checking account at Old Forge Bank and the unauthorized checking account he opened at FDD Bank. In response to questions, McBride stated the following:

- He has all equipment he purchased with Moosic FRA funds, including all training equipment.
- His company (ERTC) pre-billed the Moosic FRA for training courses that he never held.
- He agreed that he personally prospered from the Moosic FRA and would be willing to pay the Moosic FRA back for expenditures to ERTC and disbursements to himself.
- Sometime in 2006, Pilger confronted him regarding training courses and equipment that he had billed to the Moosic FRA, and told him that he would have to reimburse the Moosic FRA for all training courses and equipment purchased from him and his company ERTC.

After several more questions, McBride asked to stop the meeting and to speak privately with Chief of Detectives Jordan. McBride returned and stated that he and his wife would retain an attorney.

On March 12, 2007, Chief of Detectives Jordan swore out a Criminal Complaint charging McBride with 16 counts of theft by unlawful taking between August 2005 and June 2006 in the total amount of \$16,807.64.¹⁴ On April 9, 2007, the complaint was amended to include two additional misdemeanor theft charges, bringing the total amount to \$19,792.64.¹⁵ Neither George Pilger nor Sharon McBride was prosecuted.

On October 26, 2007, McBride appeared before the Court of Common Pleas of Lackawanna County to enter a guilty plea to one count of Theft by Unlawful Taking, a felony of the third degree, pursuant to a partial plea agreement whereby any sentence imposed by the court would include an order to make full restitution, and all remaining charges were to be dismissed. Sentencing was deferred pending the completion of a pre-sentence investigation by the Lackawanna County Adult Probation Office, and is scheduled to occur on January 29, 2008.

¹⁴ More particularly, he was charged with two felony counts (Moosic FRA checks 709 and 722) totaling \$6,116, and 14 misdemeanor counts (Moosic FRA checks 703, 719, 721, 733, 735, 737, 738, 740, 742, 748, 751, 752, 710, and 718) totaling \$10,691.64, in violation of Section 3921 Subsection (a) of the Crimes Code, 18 Pa.C.S. § 3921(a).

¹⁵ The additional charges consisted of two first degree misdemeanors: (1) transferring \$1,100 from the Moosic FRA (check 713) to the Moosic Hose Company # 1 account, of which he was the sole signatory, with no loan agreement or repayment; and (2) writing a check (Moosic FRA check 1044) in the amount of \$1,885 for personal dental work.

Conclusions and Recommendations:

We found that Moosic FRA President Frank McBride misappropriated a total of \$20,248.48 from the Moosic FRA, and Moosic Ambulance.¹⁶ Therefore, we recommend that:

- McBride be required to make full restitution in the amount of \$20,838.24¹⁷ plus interest, as follows:
 - \$18,541.63 to the Greenwood Hose Company #1 Firemen's Relief Association ("Greenwood FRA"), successor to the Moosic FRA, representing \$18,086.41 in Commonwealth funds taken from the Moosic FRA and \$455.22 in Commonwealth and non-Commonwealth funds taken from the Moosic FRA through expenditures from the unauthorized Moosic Ambulance account;
 - \$1,706.85 to the Emergency Services Moosic,¹⁸ the successor to the Moosic Hose Company #1 Ambulance service, representing the amount of the stolen Moosic Ambulance payroll check;
 - \$589.76 to Fidelity Deposit and Discount Bank (overdraft amount from the Moosic Ambulance checking account).¹⁹
- Moosic Borough and/or the Greenwood Hose Company #1 should conduct a full audit of the Moosic Fire Company's financial records, including the ambulance account, for the period in which Frank McBride, Sharon McBride, and George M. Pilger were officers of the Moosic Fire Company.
- Moosic Borough and/or the Greenwood Hose Company #1 should perform a complete inventory of the Moosic Fire Company property to provide for the full accounting and the proper transfer of ownership or liquidation of the Moosic Fire Company assets.
- Greenwood FRA should ensure that it has adequate controls to avoid a similar theft of VFRA funds and that it is complying with the requirements of Act 84 regarding the taking and preserving of minutes of all meetings and the maintenance of a permanent record of its financial affairs.

¹⁶ The \$455.84 difference between this total amount (\$20,248.48) and the total amount of the 18 theft charges (\$19,792.64) is due to the theft charges including \$7,100 in unauthorized loans to George Pilger and the ambulance account (we did not include those amounts) and not including \$7,555.84 in expenditures made by McBride (FRA check nos. 739, 745, and 750, and Moosic Ambulance check nos. 1001, 1002, 1006, 1008, and 1009) (we included those amounts). Our calculation of a restitution amount was intended to ensure that all affected entities were made whole, and it is our understanding that our total will be used by the district attorney's office as a proposed restitution amount for McBride.

¹⁷ This amount is the sum of the questionable expenditures paid to McBride from Table 2 (\$12,986.41) and Table 4 (\$7,262.07), plus an additional \$589.76 that McBride overdrafted from the Fire Company Ambulance checking account.

¹⁸ EMS Division of the Greenwood Hose Company.

¹⁹ This figure accounts for the difference between the total dollars misappropriated (\$20,248.48) and the amount we are recommending for restitution (\$20,838.24) because the bank should not have had to absorb the overdraft amount.

FINDING II: The Vice President of Moosic Hose Company #1 Firemen’s Relief Association received an unauthorized \$2,000 loan from the association in 2005 for which there is no record of repayment.

On September 16, 2005 and October 5, 2005, the Moosic FRA issued two checks (#710 and 718) from the Moosic FRA checking account to Moosic FRA Vice President George M. Pilger totaling \$2,000. These checks are summarized in Table 5.

Table 5
Unauthorized/Undocumented Loans to the Moosic FRA Vice President from the Moosic FRA Checking Account

ITEM #	ISSUE DATE	CHECK #	CHECK AMOUNT	CHECK PAYEE	CHECK MEMO
1	9/16/05	710	\$700	George M. Pilger	Hardship Loan
2	10/5/05	718	\$1,300	George M. Pilger	Hardship Loan
TOTAL			\$2,000		

Act 84 provides, in pertinent part:

The funds of any volunteer firefighters’ relief association may be spent to make cash payments to families in distressed circumstances by reason of age, infirmities, or other disabilities suffered by participation in the fire service as a volunteer firefighter.²⁰

DCED Opinions²¹ sets forth the equipment allowed to be purchased with Moosic FRA funds under provisions of Act 84 and approved by DCED. OSI reviewed this document and determined that a loan to an individual for personal reasons is not an authorized expenditure of Moosic FRA funds.

On August 12, 2006, OSI obtained a copy of this loan agreement from the Bureau and determined that the Moosic FRA submitted an undated loan agreement to Moosic FRA Vice President George M. Pilger in the amount of \$2,000. Pilger signed the loan agreement and Moosic FRA President Frank McBride witnessed and signed the agreement on behalf of the Moosic FRA. The terms of this agreement stated:

- Pilger is in receipt of a loan for \$2,000 from the Moosic FRA.
- Pilger has agreed to repay the Moosic FRA for this loan at an agreed amount (\$2,000) on a month-to-month basis until he reimbursed all funds to the Moosic FRA.

On August 2, 2006, OSI reviewed the Moosic FRA Board Minutes for the period of September 2005 through March 2006 and determined that the Moosic FRA did not approve

²⁰ 53 P.S. § 8506(e)(6).

²¹ DCED Opinions as of 9-7-05, p. 12.

these expenditures by a majority vote and did not record these expenditures in detail in its journal and ledger.²² Furthermore, OSI determined that the Moosic FRA did not receive a recorded repayment from the Pilger during the current financial period.

On March 6, 2007, Pilger was interviewed by OSI and Chief of Detectives Joseph Jordan in the presence of Assistant District Attorney Paul J. Peterson. Prior to the interview, Chief of Detectives Jordan advised Pilger of his constitutional rights, and Pilger signed a form acknowledging that he understood and waived his rights. In response to questions, Pilger provided the following information:

- He was the Moosic FRA Vice President for the period of August 2005 through March 2006.
- The body, or approximately ten members, of the Moosic Fire Company elected him.
- He does not remember who voted him in as Vice President.
- He was also the Captain of the Moosic Fire Company for the period of February 2005 through March of 2006.
- He resigned from the Moosic Fire Company and the Moosic FRA in March 2006.
- He had financial problems and mentioned to Moosic FRA President Frank McBride that his wife was ill.
- He had limited health care insurance.
- McBride told him that he contacted the Department and gave approval to issue a “hardship loan.”
- He did not question McBride concerning the loan.
- On September 5 and October 5, 2005, he received from McBride \$700 and \$1,300, respectively, in “hardship loans” from Moosic FRA funds.
- He did not receive any other loans from the Moosic FRA.
- McBride made him sign a loan agreement with the Moosic FRA.
- McBride and his wife, Sharon McBride, as President and Treasurer, respectively, also signed the loan agreement on behalf of the Moosic FRA.
- He did not remember the terms of the agreement but guessed that it was for three years at 2-6% interest.
- He made two or three cash payments to the Moosic FRA of \$100 each between October and December of 2005.
- He would enclose cash in an envelope to the attention of McBride, placing the envelope into the Moosic Fire Company’s general mailbox, but he never received a receipt.
- The Fire Chief and Moosic Fire Company President had keys to the mailbox.
- Frank McBride and Sharon McBride acknowledged his payments but did not provide receipts.
- He asked the Fire Chief where he should make additional payments since the Moosic Fire Company was going through a merger.

²² Moosic FRA Bylaws, revised 10/2/02, Article VII: Disbursements, Section 1.

- He never reviewed the Department of the Auditor General's *Management Guidelines for Volunteer Firefighters' Relief Associations*, which discusses loans.

Conclusions and Recommendations:

Contrary to Act 84 and DCED's interpretation thereof, Moosic FRA Vice President George M. Pilger received a personal loan from the Moosic FRA in the amount of \$2,000, and there is no record that it has been repaid in whole or in part.

Even though the Moosic FRA disbanded on November 10, 2006, its assets were transferred to the Greenwood FRA. Furthermore, the Borough of Moosic recognizes the Greenwood Hose Company #1 as providing the Borough's fire service to their community.

Accordingly, we recommend that George M. Pilger be required to make full repayment of the \$2,000 loan (with interest) received from funds of the Moosic FRA to its successor, the Greenwood FRA. We also recommend that the Greenwood FRA ensure that it has adequate controls regarding the approval and recording of expenditures in order to avoid a similar unauthorized loan in the future.

DISTRIBUTION LIST

This report was distributed initially to the mayor, secretary, and council president of the Borough of Moosic; the officers of the Greenwood Hose Company #1 Firemen's Relief Association; and to the following:

The Honorable Edward G. Rendell
Governor

The Honorable Robin L. Wiessmann
State Treasurer

The Honorable Dennis Yablonsky
Secretary of Community and Economic Development

The Honorable Dr. Calvin B. Johnson
Secretary of Health

The Honorable Thomas W. Corbett, Jr.
Attorney General

The Honorable Michael J. Masch
Secretary of the Budget

The Honorable Edward A. Mann
State Fire Commissioner

The Honorable Gibson E. Armstrong
Chair, Senate Appropriations Committee

The Honorable Gerald J. LaValle
Acting Democratic Chair, Senate Appropriations Committee

The Honorable Dwight Evans
Chair, House Appropriations Committee

The Honorable Mario J. Civera, Jr.
Republican Chair, House Appropriations Committee

The Honorable Lisa Baker
Chair, Senate Veterans Affairs & Emergency Preparedness Committee

The Honorable Andrew E. Dinniman
Democratic Chair, Senate Veterans Affairs & Emergency Preparedness Committee

The Honorable Anthony J. Melio
Chair, House Veterans Affairs & Emergency Preparedness Committee

The Honorable Russell H. Fairchild
Republican Chair, House Veterans Affairs & Emergency Preparedness Committee

The Honorable Andrew J. Jarbola
Lackawanna County District Attorney

Anna Maria Anderson
Chief Accounting Officer
Office of the Budget

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