



**VANDLING VOLUNTEER FIREMEN'S RELIEF
ASSOCIATION**

LACKAWANNA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007 TO JANUARY 4, 2010

AUGUST 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Nancy A. Perri, Secretary
VANDLING BOROUGH

Mr. Paul Lukis, Chief of Police
Forest City Borough Police Department

RE: VANDLING VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION, LACKAWANNA COUNTY

We attempted to conduct a compliance audit of the Vandling Volunteer Firefighters' Relief Association pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, 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, 2007 to January 4, 2010.

We attempted to conduct this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objectives. We believe that such evidence, when obtained, provides a reasonable basis for our audit results and conclusions based on our audit objectives.

The objectives of the audit were to be:

1. To determine if the volunteer firefighters' relief association took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was to be limited to the areas related to the objectives identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Vandling Volunteer Firefighters' 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. In conducting our audit, we were to obtain an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context of the audit objectives, and assess whether those significant controls were properly designed and implemented. Our audit procedures were to also include tests of documentary evidence supporting the Vandling Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Vandling Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of January 4, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objectives. Additionally, we were to perform procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objectives.

We were able to determine, as detailed in the Background section of this report, that for the 2007 and 2008 calendar years, the Vandling Volunteer Firefighters' Relief Association received and deposited state aid distribution checks, totaling \$8,344, into a relief association checking account and that for the 2009 and 2010 calendar years, the Vandling Volunteer Firefighters' Relief Association did not receive state aid. As reported in our prior audit report, as of December 31, 2006, the relief association had a cash balance of \$4,207. In addition, we were able to determine that the relief association's expenditures, during the years 2007 through January 4, 2010, totaled \$30,030. Finally, we were able to reconcile to the relief association's January 4, 2010 cash balance of \$0 as detailed in the Cash Balance Reconciliation section of this report.

However, because we were unable to locate any officers charged with governance (Management) of the relief association, as detailed in the Background section of this report, we were unable to perform our compliance audit mandated by Act 118. We were precluded from determining whether the volunteer firefighters relief association took appropriate corrective action to address the findings contained in our prior audit report as noted in the Status of Prior Findings section of this report, and whether expenditures totaling \$30,030 made during January 1, 2007 through January 4, 2010 were approved by the relief association membership or made in compliance with Act 118. Furthermore, we were precluded from obtaining an understanding of the Vandling Volunteer Firefighters' Relief Association's internal controls as they relate to applicable state laws, contracts, bylaws and administrative procedures and assessing whether those significant controls were properly designed and implemented to assess fraud risk. We were also precluded from performing procedures that would have provided reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts significant within the context of the audit objectives.

We found no evidence that the Vandling Volunteer Firefighters' Relief Association was officially closed out and dissolved. As detailed in the Background Section of this report, due to various problems within the affiliated hose company, in 2009 Vandling Borough ceased allocating state aid to the Vandling Volunteer Firefighters' Relief Association.

As a result of our findings, we recommend that Vandling Borough continue to withhold state aid allocations from the Vandling Volunteer Firefighters' Relief Association.

The contents of this report were not discussed with the management of the Vandling Volunteer Firefighters' Relief Association, since we were unable to locate any relief association officials charged with governance of the relief association. However, copies of this report will be mailed to Vandling Borough, the municipality that provided state aid to the relief association in 2007 and 2008, and the Forest City Borough Police Department who conducted an investigation of the relief association and the affiliated fire department.



EUGENE A. DEPASQUALE
Auditor General

May 16, 2012



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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, 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 Vandling Volunteer Firemen's Relief Association, herein referred to as Vandling Volunteer Firefighters' Relief Association, is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts business. To fulfill its primary purpose, Act 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 the volunteer firefighters' relief association to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Vandling Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2007</u>	<u>2008</u>	<u>Total</u>	<u>2009-2010</u>
Vandling Borough	Lackawanna	\$4,128	\$4,216	\$8,344	*

*In 2009, Vandling Borough officials, aware of deficiencies within the affiliated Vandling Hose Company No.1 ceased allocating state aid to Vandling Volunteer Firefighters' Relief Association and began allocating state aid to Browndale and Forest City Volunteer Firefighters' Relief Associations who provided fire service coverage to Vandling Borough. No state aid has been disbursed to the Vandling Volunteer Firefighters' Relief Association since 2008.

Volunteer firefighters' relief associations and the affiliated fire service organization are separate legal entities. The Vandling Volunteer Firefighters' Relief Association is affiliated with the following fire service organization:

Vandling Hose Company No. 1

When our auditors attempted to start this audit in January 2011, they were unable to locate anyone charged with governance of the relief association. Furthermore, auditors found the affiliated hose company building abandoned.

We learned that due to a lack of communication between the Vandling Borough and the affiliated hose company, and other administrative discrepancies, the hose company ceased operations in December 2009. Furthermore, with the assistance of our Office of Special Investigations, we determined the following via a review of the relief association's bank statements and cancelled checks as provided by the Community Bank and Trust Company (bank):

- A former relief association officer used relief association funds to make nine payments totaling \$8,700 to his former common-law wife, who was not a member of the relief association; and
- In response to our inquiry regarding a certificate of deposit that was included in the relief association's investment balance at December 31, 2006, we were informed by officials of the bank that a former relief association officer cashed the certificate of deposit valued at \$3,586 and deposited the proceeds into a hose company account.

BACKGROUND (Continued)

We forwarded this information to the Forest City Borough Police Department who opened an investigation of the relief association and the affiliated fire service organization which resulted in a criminal complaint being filed on November 9, 2011 against a former relief association treasurer for multiple instances of theft and misapplication of entrusted property. On February 13, 2012, the former officer entered a plea of nolo contendere to misapplication of entrusted property. On May 16, 2012, the former treasurer was sentenced to 90 days confinement in the county jail, 90 days home confinement, two years probation, and ordered to pay restitution, fines and costs to the Commonwealth.



VANDLING VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

The following findings were included in our prior audit report covering the period January 1, 2004 to December 31, 2006:

- Unauthorized Expenditures – The relief association wrote four checks totaling \$11,845 to pay for unauthorized insurance premiums for the hose company.
- Undocumented Expenditures – The relief association wrote two checks totaling \$413, the purpose of which could not be determined because the relief association failed to maintain any invoices or other supporting documentation related to the expenditures.
- Failure to Maintain Minutes of Meetings – The relief association failed to maintain minutes of relief association meetings.

However, as detailed in our audit report letter, because we were unable to locate any officers charged with governance (management) of the relief association, we were precluded from determining whether the relief association took appropriate corrective action to address these prior audit findings.

VANDLING VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
 CASH BALANCE RECONCILIATION
 FROM DECEMBER 31, 2006 TO JANUARY 4, 2010

December 31, 2006 Cash Balance	\$	4,207
2007 State Aid Deposited in 2007		4,128
2008 State Aid Deposited in 2008		4,216
Other Deposits from January 1, 2007 to December 31, 2009		17,479
Total Receipts	\$	30,030
Disbursements January 1, 2007 to December 31, 2009	\$	(29,741)
December 31, 2009 Cash Balance		289
Transfer of Cash to Fire Company Account January 4, 2010		(289)
January 4, 2010 Cash Balance	\$	0

VANDLING VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

Forest City Borough Police Department
Attention: Paul Lukus, Chief of Police
One North Main Street
Forest City, PA 18421

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Nancy A. Perri, Secretary
Vandling Borough

This report is a matter of public record and is available online at www.auditorgen.state.pa.us. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: news@auditorgen.state.pa.us.