

# COMPLIANCE AUDIT

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## Dorranceton Firemen's Relief Association of Kingston, Luzerne County, Pennsylvania

For the Period  
January 1, 2018 to December 31, 2019

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June 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Thomas J. Zukosky, President  
Dorranceton Firemen's Relief Association of  
Kingston, Luzerne County, Pennsylvania

We have conducted a compliance audit of the Dorranceton Firemen's Relief Association of Kingston, Luzerne County, Pennsylvania (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, 2018 to December 31, 2019.

The objective of the audit was 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 objective 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 objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, 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, for the period January 1, 2018 to December 31, 2019. Therefore, the relief association may be subject to the potential withholding of its future state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Undocumented Expenditures

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.

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

May 21, 2020



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Background.....	1
Findings and Recommendations:	
Finding No. 1 – Unauthorized Expenditures.....	3
Finding No. 2 – Undocumented Expenditures .....	5
Potential Withhold of State Aid.....	7
Supplementary Financial Information .....	8
Report Distribution List .....	10

## 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>
Kingston Borough	Luzerne	\$25,780	\$29,891

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:

Columbia Volunteer Fire Department

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
 LUZERNE COUNTY, PENNSYLVANIA  
 FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – 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
02/14/2018	5264	Insurance premium for paid firefighters*	\$ 1,242
03/20/2018	5265	Training for paid firefighters	3,750
05/15/2018	5268	Training for paid firefighter	786
05/15/2018	5269	Training for paid firefighter	1,308
06/19/2018	5273	Training for paid firefighters	5,000
07/10/2018	5274	Insurance premium for paid firefighters*	4,321
11/20/2018	5279	Training for paid firefighter	171
11/25/2018	5280	Training for paid firefighter	255
02/15/2019	5289	Insurance premium for paid firefighters*	1,242
04/18/2019	5294	Training for paid firefighter	168
06/28/2019	5296	Training for paid firefighter	280
08/03/2019	5298	Insurance premium for paid firefighters*	4,600
08/14/2019	5300	Training for paid firefighter	438
11/13/2019	5304	Training for paid firefighter	267
12/11/2019	5306	Equipment for paid firefighter	2,659
Total			<u>\$ 26,487</u>

\*The basis for determining the amount of the unauthorized expenditure portion for insurance in the table above was calculated by using the 2018 and 2019 AG 385 Forms (32% for actual fire protection under Paid Protection is considered unauthorized) provided by municipal officials.

**Criteria:** Section 7416(f) of Act 118 states:

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

- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Costs associated with the purchase of insurance premiums, equipment and training for paid firefighters 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.

Recommendation: We recommend that the relief association be reimbursed \$26,487 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 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 did not agree with the finding as presented at the audit exit conference and stated that the individuals and career firefighters are also volunteers in the municipality of Kingston and surrounding areas.

Auditor's Conclusion: Act 118 of 2010 authorizes state aid expenditures for purposes of providing safeguards for life, health and safety for volunteer firefighters to ensure their availability to participate in the fire service as stated above in the Criteria. The expenditures in the finding were determined to be unauthorized and not in compliance with the aforementioned purpose based on audit documentation obtained and reviewed during the audit. Our conclusion was made after our evaluation of documentation examined during the conduct of the audit, which did not substantiate that the expenditures were made to solely benefit volunteer firefighters as Act 118 requires, but rather, it supported that expenditures were made for career paid firefighters. Therefore, the finding remains as stated. We continue to recommend that the relief association be reimbursed \$26,487 for the unauthorized expenditures. 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.



DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
 LUZERNE COUNTY, PENNSYLVANIA  
 FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period and subsequent to the audit period:

Date	Check No.	Payee Description	Amount
02/14/2018	5262	Training package for firefighters	\$ 1,333
01/09/2019	5287	Training package for firefighters	1,333
03/02/2020	5314	Training package for firefighters	1,333
Total			<u>\$ 3,999</u>

If it is determined that any paid firefighters have received training through the training packages, the paid firefighter portion will be considered unauthorized and will need to be reimbursed to the relief association.

Criteria: Section 7418(a) of Act 118 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 invoices, training certificates and rosters, and/or itemized receipts, 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.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, training certificates and rosters, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. 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.

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices, training certificates and rosters, and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$3,999 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 and indicated they will take action to comply with the recommendation.

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

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
LUZERNE COUNTY, PENNSYLVANIA  
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is 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.

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
LUZERNE COUNTY, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2019

Cash	\$ 67,740
Fair Value of Investments	<u>67,974</u>
Total Cash and Investments	<u>\$ 135,714</u>

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
 LUZERNE COUNTY, PENNSYLVANIA  
 SUPPLEMENTARY FINANCIAL INFORMATION  
 SUMMARY OF EXPENDITURES  
 FOR THE PERIOD JANUARY 1, 2018 TO DECEMBER 31, 2019

Expenditures:

Benefit Services:	
Insurance premiums	\$ 24,234
Fire Services:	
Equipment purchased	\$ 47,578
Equipment maintenance	1,577
Training	40
Total Fire Services	\$ 49,195
Administrative Services:	
Officer compensation	\$ 3,500
Other administrative expenses	632
Bond premiums	624
Total Administrative Services	\$ 4,756
Total Investments Purchased	\$ 5,000
Other Expenditures:	
Unauthorized expenditures	\$ 26,487
Undocumented expenditures*	2,666
Total Other Expenditures	\$ 29,153
Total Expenditures	\$ 112,338

\* Subsequent to the period under review, the relief association paid for an undocumented training expenditure of \$1,333 on March 2, 2020 (See Finding No. 2).

DORRANCETON FIREMEN'S RELIEF ASSOCIATION OF KINGSTON,  
LUZERNE COUNTY, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Dorranceton Firemen's Relief Association of Kingston, Luzerne County, Pennsylvania  
Governing Body:

**Mr. Thomas J. Zukosky**  
President

**Mr. David S. Padavan**  
Vice President

**Mr. Richard J. Ryman**  
Secretary

**Mr. Ralph R. Seltzer**  
Treasurer

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

**Ms. Julie Norton**  
Secretary  
Kingston Borough

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).