

COMPLIANCE AUDIT

Dr Henry M. Laing Volunteer
Fireman's Association
Luzerne County, Pennsylvania
For the Period
January 1, 2019 to December 31, 2021

September 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Mark Van Etten, President
Dr Henry M. Laing Volunteer
Fireman's Association
Luzerne County

We have conducted a compliance audit of the Dr Henry M. Laing Volunteer Fireman's Association (relief association) for the period January 1, 2019 to December 31, 2021. The audit was conducted pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania; Section 403 of The Fiscal Code, 72 P.S. § 403; and the Volunteer Firefighters' Relief Association Act ("VFRA Act"), see 35 Pa.C.S. § 7418.

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, nor was it required to be, conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

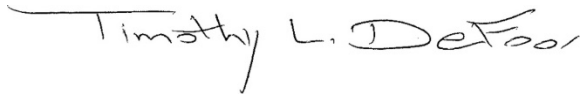
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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.

We were not able to obtain an independent confirmation of the cash balance directly from the financial institution. Therefore, while the relief association provided bank statements that indicated that, as of December 31, 2021, the relief association had a cash balance of \$339,329, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019 to December 31, 2021, the relief association, in all significant respects, 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, except as noted in the finding listed below and discussed later in this report.

Finding – Inadequate Relief Association Bylaws and Inadequate Signatory
Authority For The Disbursement Of Funds

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor
Auditor General
August 11, 2022

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding – Inadequate Relief Association Bylaws And Inadequate Signatory Authority For The Disbursement Of Funds.....	4
Report Distribution List	6

BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (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.

The VFRA Act 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, the VFRA Act authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by the VFRA Act, 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.

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Dallas Borough	Luzerne	\$16,234	\$16,317	\$14,549
Dallas Township	Luzerne	\$25,788	\$25,953	\$23,246
Lake Township	Luzerne	\$ 2,319	\$ 2,331	\$ 2,092
Lehman Township	Luzerne	\$ 7,151	\$ 7,158	\$ 6,323

Based on the relief association’s records, its total cash and investments as of December 31, 2021 were \$406,343, as illustrated below:

Cash	\$ 339,329
Book Value of Other Investments	<u>67,014</u>
Total Cash and Investments	<u>\$ 406,343</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019 to December 31, 2021 were \$94,539, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance 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.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:

Insurance premiums	\$	33,546
Relief benefits		<u>13,032</u>
Total Benefit Services	\$	<u>46,578</u>

Fire Services:

Equipment purchased	\$	42,227
Equipment maintenance		3,959
Training expenses		<u>1,475</u>
Total Fire Services	\$	<u>47,661</u>

Administrative Services:

Bond premiums	\$	<u>300</u>
---------------	----	------------

Total Expenditures	\$	<u><u>94,539</u></u>
--------------------	----	----------------------

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:

Back Mountain Regional Fire & EMS

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

DR HENRY M. LAING VOLUNTEER FIREMAN'S ASSOCIATION
FINDING AND RECOMMENDATION

**Finding – Inadequate Relief Association Bylaws And Inadequate Signatory Authority For
The Disbursement Of Funds**

Condition: The existing bylaws of the relief association do not clearly address one of the provisions required by Section 7415(c) of the VFRA Act. Specifically, the existing bylaws of the relief association do not contain the requirement that one of the two signatures required to be included on all negotiable instruments be that of the disbursing officer.

In addition, during the current audit engagement, we identified two checks out of five randomly selected checks drawn on the relief association's checking account that did not contain the proper signatory authority. The two checks contained the signatures of two relief association officers; however, neither of the two signatures were that of the disbursing officer as required by the VFRA Act.

Criteria: Section 7415(c) of the VFRA Act states that the relief association's bylaws shall:

- (1) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

The relief association's bylaws at Article VIII, Section 1 states:

The signatures of at least two officers shall be required for the issuance of relief association checks, withdrawal from the association savings account, redemption of any relief association investment, or on any other negotiable instrument issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of appropriate relief association officials are included on all negotiable instruments.

Cause: Relief association officials indicated that they were unaware of the mandatory bylaw provisions established by the VFRA Act. In addition, the relief association officials indicated that the current procedures in place for signing checks were also adequate.

DR HENRY M. LAING VOLUNTEER FIREMAN'S ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: As a result of the relief association officers issuing checks without the signature of the disbursing officer, assets were placed at greater risk without the disbursing officer having the opportunity to verify the propriety of the expenditures.

Recommendation: We recommend that the relief association officials review and update the bylaws governing their organization so that the bylaws meet the requirements set forth in the VFRA Act and properly authorize the operating procedures of the relief association. We also recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the Treasurer or designated disbursing officer, are included on all relief association negotiable instruments as defined by the VFRA Act. 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 existing bylaws and procedures for disbursing funds are adequate.

Auditor's Conclusion: The relief association did not comply with Section 7415(c) of the VFRA Act. For that reason, we disagree with the relief association management's statement regarding the adequacy of the existing bylaws and procedures for disbursing funds. Compliance will be subject to verification through our next audit.

DR HENRY M. LAING VOLUNTEER FIREMAN'S ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Charles J. McGarvey, Sr.
State Fire Commissioner

Dr Henry M. Laing Volunteer Fireman's Association Governing Body:

Mr. Mark Van Etten
President

Mr. Timothy Carroll, Sr.
Vice President

Mr. Leonard Roginski
Secretary

Mr. Timothy Carroll, II
Treasurer

DR HENRY M. LAING VOLUNTEER FIREMAN'S ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Tracey M. Carr
Secretary
Dallas Borough

Mr. Gary Kirk
Secretary
Dallas Township

Ms. J. Carlene Price
Secretary
Lake Township

Ms. Laura Elderkin
Secretary
Lehman Township

This report is a matter of public record and is available online at 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.