

COMPLIANCE AUDIT

The Larksville Firemen's Relief
Association of the
Commonwealth of Pennsylvania
Luzerne County
For the Period
January 1, 2018 to December 31, 2020

March 2022



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Raymond Gimble, President
The Larksville Firemen's Relief Association
of the Commonwealth of Pennsylvania
Luzerne County

We have conducted a compliance audit of The Larksville Firemen's Relief Association of the Commonwealth of Pennsylvania (relief association) for the period January 1, 2018 to December 31, 2020. 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 and a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2020, the relief association had a cash balance of \$47,888 and an investment balance with a fair value of \$381,399, we were not able to verify the cash balance and a portion of the investment 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, 2018 to December 31, 2020, 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 – Failure To Deposit Proceeds From Trailer Sold

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 long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
February 7, 2022

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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>2018</u>	<u>2019</u>	<u>2020</u>
Larksville Borough	Luzerne	\$13,191	\$14,289	\$14,290
Plymouth Township	Luzerne	*	\$ 2,197	\$ 2,207

* During the current audit period, the relief association did not receive an allocation of state aid from Plymouth Township in 2018. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

Based on the relief association’s records, its total cash and investments as of December 31, 2020 were \$429,287, as illustrated below:

Cash	\$ 47,888
Fair Value of Investments	<u>381,399</u>
Total Cash and Investments	<u>\$ 429,287</u>

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$57,611, 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:

Fire Services:	
Equipment purchased	<u>\$ 6,230</u>
Administrative Services:	
Other administrative expenses	\$ 145
Bond premiums	<u>1,236</u>
Total Administrative Services	<u>\$ 1,381</u>
Total Investments Purchased	<u>\$ 50,000</u>
Total Expenditures	<u><u>\$ 57,611</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:

Larksville Volunteer Fire Company No. 1

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

THE LARKSVILLE FIREMEN'S RELIEF ASSOCIATION OF THE COMMONWEALTH OF
PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – Failure To Deposit Proceeds From Trailer Sold

Condition: According to our records for the audit period January 1, 2010 to December 31, 2012, on March 12, 2012, the relief association and the affiliated fire company purchased a 2013 Haulmark Trailer for \$12,222. The relief association paid \$2,822 and the affiliated fire company paid the remaining amount from a grant. Although there was no executed agreement between the two entities, the title to the trailer was in the name of the relief association. The application for the emergency vehicle license plate was also in the name of the relief association.

On April 13, 2018, the proceeds from the sale of the 2013 Haulmark Trailer owned by the relief association, in the amount of \$2,000, were erroneously deposited into a fire company account. However, the relief association officials claimed that the trailer was purchased and owned by the fire company and it was erroneously titled in the name of the relief association and never changed.

Criteria: Prudent business practice dictates that the relief association should closely monitor that all proceeds from equipment sold are received and timely deposited into a relief association account.

Cause: The relief association officials stated that an error was made by a previous Larksville Volunteer Fire Company President when the 2013 Haulmark Trailer was purchased; they do not know why he had the trailer and license plate registered to the relief association, and the owner's card was clearly registered to the Volunteer Fire Company.

Effect: The failure to deposit all relief association proceeds from equipment sold in a timely manner can lead to a greater risk that funds could be lost or misappropriated. As a result of the proceeds from equipment sold being deposited into a fire company account, the relief association was unable to use the funds to purchase replacement equipment, for general operating expenses, or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$2,000 for the erroneous deposit. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all proceeds from equipment sold are timely deposited into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE LARKSVILLE FIREMEN'S RELIEF ASSOCIATION OF THE COMMONWEALTH OF
PENNSYLVANIA
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management disagreed with the finding as presented at the audit exit conference and stated that they believe that prior relief association management erroneously had the trailer titled in the relief association's name. They also provided a copy of a check stub, bank statement, owner's registration card, and meeting minutes from the fire company showing the trailer being purchased and owned by the fire company.

Auditor's Conclusion: After review of the documentation provided, the owner's registration card was in the name of the affiliated fire company's name; however, the check stub and bank statement did not have the name of the vendor and the amount did not coincide with the cost of the trailer. Therefore, we recommend since the owner's registration card was in the name of the affiliated fire company's name and the title is in the name of the relief association, the relief association should be reimbursed its prorated share ($\$2,822/\$12,222 = 23\%$) of the proceeds from the sale of the trailer in the amount of \$460. Compliance will be subject to verification through our next audit.

THE LARKSVILLE FIREMEN'S RELIEF ASSOCIATION OF THE COMMONWEALTH OF
PENNSYLVANIA
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

The Larksville Firemen's Relief Association of the Commonwealth of Pennsylvania Governing
Body:

Mr. Raymond Gimble
President

Mr. Andrew Kachmar
Secretary

Mr. Joseph Miller
Treasurer

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

Ms. Irene Valatka
Secretary
Larksville Borough

Mr. Steven Grzymiski
Secretary
Plymouth Township

THE LARKSVILLE FIREMEN'S RELIEF ASSOCIATION OF THE COMMONWEALTH OF
PENNSYLVANIA
REPORT DISTRIBUTION LIST

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