

# COMPLIANCE AUDIT

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## Throop Hose Co. No. 1 Firefighter Relief Association

Lackawanna County, Pennsylvania  
For the Period  
September 17, 2021, to December 31, 2022

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March 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Jerry Barone, Sr., President  
Throop Hose Co. No. 1 Firefighter  
Relief Association  
Lackawanna County

We have conducted a compliance audit of the Throop Hose Co. No. 1 Firefighter Relief Association (relief association) for the period September 17, 2021, to December 31, 2022. 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 association 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, for the period September 17, 2021, to December 31, 2022, 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 – Unauthorized Expenditures

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 28, 2024

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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<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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.

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

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

<sup>3</sup> 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 municipality:

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>
Throop Borough	Lackawanna	\$1,862	\$2,284

Based on the relief association’s records, its total cash as of December 31, 2022, was \$7,283, as illustrated below:

Cash	<u><u>\$ 7,283</u></u>
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Based on the relief association’s records, its total expenditures for the period September 17, 2021, to December 31, 2022, were \$13,799, 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.<sup>4</sup> **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	<u>\$ 12,754</u>
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Administrative Services:

Bond premiums	\$ 200
Other administrative expenses	<u>845</u>
Total Administrative Services	<u>\$ 1,045</u>

Total Expenditures	<u><u>\$ 13,799</u></u>
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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:

Throop Hose Co. No.1

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

THROOP HOSE CO. NO. 1 FIREFIGHTER RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – Unauthorized Expenditures**

**Condition:** The relief association expended funds for the following items related to fundraising subsequent to the audit period for which the Office of the State Fire Commissioner determined that the expenditures were not authorized by the VFRA Act.

Date	Check No.	Description	Amount
04/11/2023	108	Lottery tickets	\$ 109
04/23/2023	109	Small games of chance license	125
07/03/2023	112	Lottery winner	75
07/03/2023	113	Lottery winner	50
07/04/2023	114	Lottery winner	1,000
07/05/2023	115	Lottery winner	50
07/08/2023	116	Lottery winner	75
07/10/2023	117	Lottery winner	50
07/11/2023	118	Lottery winner	50
07/13/2023	119	Lottery winner	50
07/14/2023	120	Lottery winner	50
07/16/2023	121	Lottery winner	100
07/17/2023	122	Lottery winner	50
07/18/2023	123	Lottery winner	50
07/19/2023	124	Lottery winner	50
07/21/2023	125	Lottery winner	50
07/22/2023	126	Lottery winner	75
07/23/2023	127	Lottery winner	100
07/24/2023	128	Lottery winner	50
07/28/2023	129	Lottery winner	50
07/29/2023	130	Lottery winner	75
07/30/2023	131	Lottery winner	100
07/31/2023	132	Lottery winner	50
Total			<u>\$ 2,484</u>

**Criteria:** Section 7416(f) of the VFRA Act states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

THROOP HOSE CO. NO. 1 FIREFIGHTER RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Section 7418(a)(b) of the VFRA Act was amended by Act 91 of 2020 granting the Office of the State Fire Commissioner (OSFC) the authority to make a determination of whether an expenditure of state aid is appropriate under the VFRA Act. In a June 9, 2023, correspondence, the OSFC provided the following determination, which stated, in part:

Fundraising expenses are not authorized expenditures pursuant to 35 Pa.C.S. § 7416 (sic). OSFC will update the VFRA database, available at <https://osfc.sfa.pa.gov/fra/>, to include the following entry:

Fundraising Expenses: Fundraising expenses, including purchasing prizes, are not authorized expenditures.

Cause: Relief association officials stated that when determining whether or not to conduct a fundraiser they checked the state fire commissioner's website to see if the expense was allowable. The website stated expenses surrounding fundraisers were allowable and the relief association moved forward with the purchase of tickets and a license.

Effect: Although the relief association may benefit financially from fundraising activities, purchasing gambling supplies and prizes are not authorized expenditures by the VFRA Act. As a result of the unauthorized use of funds, the money was not available for investment purposes or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$2,484 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act 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.



THROOP HOSE CO. NO. 1 FIREFIGHTER RELIEF ASSOCIATION  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Management’s Response: Relief association management did not agree with the finding as presented at the audit exit conference. However, as a result of our audit, subsequent to the period under review, the affiliated fire company reimbursed the relief association \$2,484 for the unauthorized expenditures on January 11, 2024. Additionally, the relief association management stated that “the State Fire Commissioners website listed this as an allowable expense and further at the time of the audit, four months later, it is still listed as an allowable expense on their website.”

Auditor’s Conclusion: We reviewed documentation verifying that the reimbursement of \$2,484 was received. Regarding the allowability of the expenditures, it is our position that the information in the criteria section above indicates that the expenditures are not authorized expenditures for relief associations. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

THROOP HOSE CO. NO. 1 FIREFIGHTER RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Throop Hose Co. No. 1 Firefighter Relief Association Governing Body:

**Mr. Jerry Barone, Sr.**  
President

**Ms. Jean Marie Jarosh**  
Vice President

**Ms. Lynette Crown**  
Secretary

**Mr. David Comstock**  
Treasurer

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

**Ms. Renee O'Malley**  
Secretary  
Throop 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).