

COMPLIANCE AUDIT

Tilbury Volunteer Fire Company Relief Association

Luzerne County, Pennsylvania

For the Period

January 1, 2019, to May 5, 2023

September 2023



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. Peter Kruscavage, President
Tilbury Volunteer Fire Company
Relief Association
Luzerne County

We have conducted a compliance audit of the former Tilbury Volunteer Fire Company Relief Association (relief association) for the period January 1, 2019, to May 5, 2023. 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 objectives of the audit were:

1. To determine if the former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former 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 objectives 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 objectives. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain copies of canceled or imaged checks from the former relief association. While the former relief association provided copies of bank statements, the former relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two former relief association officers authorized and signed the checks as required by the VFRA Act.

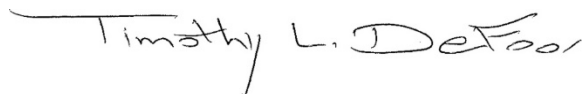
Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2019, to May 5, 2023:

- The former relief association took appropriate corrective action to address the findings contained in our prior audit report.
- The former 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 Maintain Surety (Fidelity) Bond Coverage

In addition, as of May 5, 2023, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to The Hunlock Creek Volunteer Fireman's Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
September 14, 2023

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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 former relief association was 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 did not receive an allocation of state aid from Plymouth Township during the current audit period. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality. In addition, as of May 5, 2023, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association's records, its total cash as of May 5, 2023, was zero as illustrated below:

Cash	<u><u>\$ -</u></u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to May 5, 2023, were \$34,794, 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	\$ 1,403
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Fire Services:

Equipment purchased	\$ 15,980
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Equipment maintenance	222
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Training expenses	400
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Total Fire Services	<u>\$ 16,602</u>
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Administrative Services:

Bond premiums	\$ 279
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Other administrative expenses	842
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Total Administrative Services	<u>\$ 1,121</u>
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Other Expenditures:

Payments on loan	\$ 2,000
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Transfer of monetary assets *	13,668
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Total Other Expenditures	<u>\$ 15,668</u>
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Total Expenditures	<u><u>\$ 34,794</u></u>
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* Transfer of Monetary Assets/Dissolution of Relief Association.

As of May 5, 2023, the former relief association completed the process of dissolution. Consequently, all remaining monetary assets and equipment were transferred to The Hunlock Creek Volunteer Fireman’s Relief Association. Due to the dissolution of the former relief association, we are providing officials of The Hunlock Creek Volunteer Fireman’s Relief Association copies of this report.

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

BACKGROUND – (Continued)

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Plymouth Township Fire and Rescue

TILBURY VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has complied with the prior audit findings and recommendations, as follows:

- Inadequate Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

- Undocumented And/Or Unauthorized Disbursement Of Relief Association Funds

By receiving reimbursement for the inappropriate disbursement of relief association funds.

We commend the former relief association management for its efforts in complying with the findings and recommendations contained in the prior audit report. Since the former relief association dissolved its organization and consequently transferred its monetary assets to The Hunlock Creek Volunteer Fireman's Relief Association, The Hunlock Creek Volunteer Fireman's Relief Association's management should strive to remain in compliance with all applicable state laws, contracts, bylaws, and administrative procedures.

TILBURY VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The former relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The former relief association’s Surety (Fidelity) bond coverage expired on May 3, 2022. The former relief association was without bond coverage to the date of the close out on May 5, 2023. As of May 5, 2023, the former relief association’s cash assets were zero.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: The former relief association officials indicated that due to the relief association closing they did not see the necessity to renew the bond.

Effect: As a result of the authorized disbursing officer of the former relief association not being bonded, the former relief association’s cash assets were not adequately safeguarded before the transfer of funds.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of The Hunlock Creek Volunteer Fireman’s Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that The Hunlock Creek Volunteer Fireman’s Relief Association officials ensure that Surety (Fidelity) bond coverage on the relief association’s authorized disbursing officer in an amount greater than the relief association’s maximum cash balance, as required by the VFRA Act, is in effect at all times. For further guidance, please refer to the Auditor General’s publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS’ RELIEF ASSOCIATIONS.

Management’s Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor’s Conclusion: Due to the dissolution of the former relief association, no further action is required at this time.

TILBURY VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Tilbury Volunteer Fire Company Relief Association Governing Body:

Mr. Peter Kruscavage
President

Mr. Jordan Kruscavage
Vice President

Mr. John Traher
Secretary/Treasurer

The Hunlock Creek Volunteer Fireman's Relief Association Governing Body:

Mr. Chris Howell
President

Ms. Janet Pavlica
Vice President

Mr. Dwight Brace
Secretary

Mr. Joseph Foley
Treasurer

TILBURY VOLUNTEER FIRE COMPANY RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Mr. Steven Grzymski
Secretary
Plymouth 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.