

# COMPLIANCE AUDIT

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## West Hazleton Firemen's Relief Association

Luzerne County, Pennsylvania  
For the Period  
January 1, 2017 to December 31, 2018

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December 2019



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. James J. Kaschak, Jr., President  
West Hazleton Firemen's  
Relief Association  
Luzerne County

We have conducted a compliance audit of the West Hazleton Firemen's Relief Association (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, 2017 to December 31, 2018.

The objectives of the audit were:

1. To determine if the relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. 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 objectives 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 objectives. 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 copies of bank statements that indicated that, as of December 31, 2018, the relief association had a cash balance of \$56,237, we were not able to verify this cash balance.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2018:

- The relief association took appropriate corrective action to address three of the four findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the one remaining finding contained in our prior audit report, as listed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, 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. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Unauthorized Debit Card Withdrawals Due To Potential Misappropriation Of Assets

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures

Finding No. 3 – Unauthorized Expenditures

We are providing a copy of this audit report to the Luzerne County, Pennsylvania District Attorney's Office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary.

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.



EUGENE A. DEPASQUALE  
Auditor General

November 8, 2019

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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, 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>2017</u>	<u>2018</u>
West Hazleton Borough	Luzerne	\$20,536	\$18,537

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:

West Hazleton Fire Company No. 1

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
STATUS OF PRIOR FINDINGS

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COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Erroneous Transfer Of Funds

By receiving reimbursement from the affiliated fire company.

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

- Failure To Maintain A Complete And Accurate Equipment Roster

By maintaining a cumulative inventory roster of all relief association owned equipment.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the four prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Undocumented Expenditures

Although the relief association received reimbursement of \$945 from the affiliated fire company for a portion of the undocumented expenditures that were reported in the prior audit, those prior audit undocumented expenditures are now considered potential misappropriation of assets. Specifically, in 2016 and 2017, the former relief association secretary/fire chief used the relief association debit card to pay for his family's turnpike toll charges, according to records obtained and reviewed by our auditors. After the unauthorized charges were identified, the former officer reimbursed the fire company which in turn reimbursed the relief association for those unauthorized expenditures on October 26, 2017.

In addition, the relief association failed to provide adequate documentation to support all remaining expenditures in the prior audit and/or be reimbursed the remaining \$2,584, and the relief association failed to provide adequate documentation to support all expenditures in the current audit period as further disclosed in Finding No. 2 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The association management should strive to implement the recommendation and corrective action noted in this audit report.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Unauthorized Debit Card Withdrawals Due to Potential Misappropriation Of Assets**

Condition: According to information provided by relief association personnel and records reviewed by our auditors, the former relief association secretary/fire chief used the relief association's debit card to pay monthly charges for cellular numbers associated with his and his family's personal cellular plan. These withdrawals are considered unauthorized and represent potential misappropriation of assets because the funds appear to have been used for personal gain rather than for relief association purposes. The unauthorized withdrawals listed below were made during the prior audit period.

Date	Payment Method	Description	Amount
07/22/2016	Debit card	Cellular Wireless provider – Prior audit period	\$ 300
09/15/2016	Debit card	Cellular Wireless provider – Prior audit period	500
09/19/2016	Debit card	Cellular Wireless provider – Prior audit period	209
11/03/2016	Debit card	Cellular Wireless provider – Prior audit period	476
11/14/2016	Debit card	Cellular Wireless provider – Prior audit period	500
12/30/2016	Debit card	Cellular Wireless provider – Prior audit period	619
Total			<u>\$ 2,604</u>

Furthermore, during the current audit period, the same officer (former relief association secretary/fire chief) used the relief association's debit card to pay monthly charges for cellular numbers associated with his and his family's cellular plan. The unauthorized withdrawals constituting potential misappropriation of assets made during the current audit period are detailed below:

Date	Payment Method	Description	Amount
01/24/2017	Debit card	Cellular Wireless provider – former fire chief	\$ 241
07/31/2017	Debit card	Cellular Wireless provider – former fire chief	440
09/21/2017	Debit card	Cellular Wireless provider – former fire chief	400
10/16/2017	Debit card	Cellular Wireless provider – former fire chief	840
12/06/2017	Debit card	Cellular Wireless provider – former fire chief	400
01/11/2018	Debit card	Cellular Wireless provider – former fire chief	250
01/25/2018	ACH	Cellular Wireless provider – former fire chief	455
Total			<u>\$ 3,026</u>



WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Criteria: Act 118 at 53 P.S. § 8507(a) states, in part:

The Department of the Auditor General shall have the power, and its duty shall be, to audit the accounts and records of every volunteer firefighters' relief association receiving any 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 amended, as far as be necessary to satisfy the department that the money received was expended or is being expended for no purpose other than that authorized by this act.

Also, Section 7415(a) of Act 118 states, in part, that the relief association:

. . . must provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

In addition, Article VI, Section A, of the relief association's bylaws states:

Funds of this Association shall not be expended for any other purpose than those authorized by Act 84 and the Association by-law all expenditures must be approved by a majority vote at an Association meeting and duly recorded in the minutes.

Prudent business practice also dictates that management must establish an adequate internal control system to ensure that its operations are functioning in a manner that achieves the entity's mission while safeguarding its assets.

Cause: Relief association officials failed to establish an adequate internal control system to ensure the propriety of all expenditures and that relief association monetary assets were adequately protected.

Effect: As a result of the inadequate internal control system, a total of \$5,630 of relief association monies were used for unauthorized purposes, and therefore 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 officials seek reimbursement of \$5,630 for the unauthorized use of assets. We also recommend that the relief association officials develop and implement written internal control procedures to prevent any future misappropriation of assets. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$705 for two of the unauthorized expenditures on May 13, 2019.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$705 was received; however, we recommend that the relief association be reimbursed \$4,925 for the remaining 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.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: As stated in the Status of Prior Findings section of this report, although the relief association received reimbursement from the affiliated fire company for a portion of the undocumented expenditures that were reported in the prior audit, the relief association failed to provide adequate documentation to support all remaining expenditures reported during the prior audit and/or be reimbursed the remaining \$2,584 of undocumented expenditures. Additionally, the relief association failed to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
02/16/2017	Debit card	Administrative expense	\$ 212
02/16/2017	Debit card	Mobile payment service	1,200
02/22/2017	Debit card	Mobile payment service	27
02/28/2017	Debit card	Equipment vendor	545
04/24/2017	Debit card	Administrative expense	16
07/12/2017	Debit card	Cellular wireless provider	176
07/12/2017	Debit card	Cellular wireless provider	120
09/14/2017	Debit card	Administrative expense	13
10/16/2017	Debit card	Administrative expense	13
11/14/2017	Debit card	Administrative expense	13
11/15/2017	1163	Training expense	25
11/21/2017	1165	Equipment vendor – Laptop	630
12/14/2017	Debit card	Administrative expense	13
12/20/2017	1166	Training expense	400
01/11/2018	ACH	Cellular wireless provider	15
01/16/2018	Debit card	Administrative expense	13
02/11/2018	1171	Administrative expense	10
02/14/2018	Debit card	Administrative expense	14
Total			<u>\$ 3,455</u>

A similar condition was noted in our prior audit report.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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 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: Even though notified of this condition during our prior audit, relief association officials again neglected to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices, 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 the misappropriation of funds.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$6,039 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 at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$4,659 for the undocumented expenditures on May 6, 2019 and May 13, 2019, and the relief association provided this department with adequate supporting documentation to ensure the propriety of the two expenditures totaling \$1,030 on October 24, 2019.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$4,659 was received and the supporting documentation verifying the propriety of the two expenditures totaling \$1,030; however, we recommend that the relief association officials provide this department with adequate supporting documentation for the remaining expenditures or that the relief association be reimbursed \$350 for the remaining undocumented expenditures. Compliance for maintaining appropriate documentation for expenditures made during the next audit period will be subject to verification through our next audit.

**Finding No. 3 – Unauthorized Expenditures**

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/24/2017	ACH	Cell phone service for treasurer for other than fire service	\$ 182
02/02/2017	Debit card	Fire company office desk	859
04/04/2017	Debit card	Cell phone service for treasurer for other than fire service	265
08/12/2017	1153	Electrical supply for fire company ladder truck	288
09/28/2017	ACH	Bank payment-fire chief's emergency vehicle	2,243
10/18/2017	1158	Grant writer fee for radio	400
12/06/2017	Debit card	Cell phone service for treasurer for other than fire service	186
12/13/2017	Debit card	Candy for distribution during Santa parade	2,144
01/04/2018	ACH	Bank payment-fire chief's emergency vehicle	2,243
01/11/2018	Debit card	Cell phone service for treasurer for other than fire service	62
01/15/2018	1169	Parts for fire company ladder truck	456
Total			<u>\$ 9,328</u>

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Criteria: Section 7416(f) of Act 118 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.
  
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
  
- (15) To purchase fire hoses and nozzles.

The expenses noted above do not qualify as authorized volunteer firefighters' relief association expenditures and cellular phones are only allowed for fire service use in emergency vehicles; 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.

Recommendation: We recommend that the relief association be reimbursed \$9,328 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 agreed with the finding as presented at the audit exit conference and, as a result of our audit, the affiliated fire company reimbursed the relief association \$7,951 for the unauthorized expenditures on May 6, 2019 and May 13, 2019.

Auditor's Conclusion: We reviewed documentation verifying that the reimbursement of \$7,951 was received; however, we recommend that the relief association be reimbursed \$1,377 for the remaining unauthorized expenditures. Compliance for expenditures made during the next audit period will be subject to verification through our next audit.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
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.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH BALANCE  
AS OF DECEMBER 31, 2018

Cash	<u>\$ 56,237</u>
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WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2017 TO DECEMBER 31, 2018

Expenditures:

Benefit Services:

Insurance premiums	<u>\$ 9,595</u>
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Fire Services:

Equipment purchased	\$ 8,423
Equipment maintenance	3,096
Training expenses	3,450
Fire prevention materials	<u>1,328</u>

Total Fire Services	<u>\$ 16,297</u>
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Administrative Services:

Other administrative expenses	\$ 1,546
Bond premiums	<u>250</u>

Total Administrative Services	<u>\$ 1,796</u>
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Other Expenditures:

Unauthorized expenditures due to potential misappropriation of assets**	\$ 3,551
Undocumented expenditures *	3,807
Unauthorized expenditures	<u>9,328</u>

Total Other Expenditures	<u>\$ 16,686</u>
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Total Expenditures	<u><u>\$ 44,374</u></u>
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\* The undocumented expenditures include two 2017 expenditures reported in the prior audit report in the amount of \$352 (\$289 + \$63 which are included in the \$2,584 prior audit amount).

\*\* The unauthorized expenditures due to potential misappropriation of assets includes five 2017 expenditures in the total amount of \$525 for EZ Pass toll charges reported in the prior audit report.

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Ms. Stefanie J. Salavantis**  
Luzerne County District Attorney

West Hazleton Firemen's Relief Association Governing Body:

**Mr. James J. Kaschak, Jr.**  
President

**Mr. Brandon Cressman**  
Vice President

**Ms. Anastacia Krone**  
Secretary

**Mr. Anthony Columbo**  
Treasurer

**Mr. Andrew Jones**  
Trustee

**Mr. Kyle Kaschak**  
Trustee

**Mr. Jessie Frye**  
Trustee

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

**Ms. Jane Mikulca**  
Secretary  
West Hazleton Borough

WEST HAZLETON FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

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).