



SUMMARY REPORT:

**NEW LANCASTER VALLEY
VOLUNTEER FIREFIGHTERS' RELIEF
ASSOCIATION**

April 2004

INTRODUCTION AND BACKGROUND

Volunteer Firefighters' Relief Associations (VFRAs) in Pennsylvania receive state funds pursuant to the Volunteer Firefighters' Relief Association Act, as amended (Act 84).¹ The Department of the Auditor General (the Department) conducts regular audits and investigations of VFRAs pursuant to Act 84 and the Pennsylvania Fiscal Code.² The New Lancaster Valley Volunteer Firefighters' Relief Association (the "Association") is a VFRA located in Armagh Township, Mifflin County, PA. Members of the Association are also members of the New Lancaster Valley Volunteer Fire Company (the "Fire Company"). The treasurer of the Association was also the chief of the Fire Company during the period of the events described in this report.

In 2003, the Department's Bureau of Firefighters' Relief Association Audits (the Bureau) conducted an audit of the Association for the period January 1, 2000, to December 31, 2002. During the audit, the Bureau informed the Office of Special Investigations (OSI) of questionable transactions involving the Association's funds and possible falsification of the Association's records. According to the Bureau, as a result of the audit, it has cited the Association with a finding stating that the Association had questionable disbursements totaling \$10,815. The Bureau has requested that the funds be repaid to the Association. OSI conducted an investigation which included reviews of records of the Bureau, the Association and the Fire Company. OSI also interviewed current and former officials of the Association and the Fire Company, including the Association's treasurer, as well as others involved in the questioned transactions. OSI's findings relate to a portion, but not all, of the questionable disbursements listed in the Bureau's finding and are consistent with that finding.

On April 14, 2004, OSI was informed that the Association elected new officers (president, secretary and treasurer) on April 13, 2004.

¹ 53 P.S. § 8501, *et seq.*

² 53 P.S. § 8507 and 72 P.S. § 403.

SUMMARY OF FINDINGS

The Association treasurer caused \$4,536 to be withdrawn from an Association account and used false invoices as documentation for the expenditure of the funds. The funds were not used for the purposes stated on the invoices, the equipment supposedly purchased with the funds does not appear to be in the possession of the Association and the treasurer personally received a portion of the funds.

The Association treasurer sold equipment belonging to the Association for \$1,600 without authorization and cannot account for the money received for the sale of the equipment.

The treasurer and the former secretary of the Association falsified minutes of monthly meetings.

RECOMMENDATIONS

1. The Association should remove the treasurer from all duties and responsibilities relating to its financial management, obtain an accounting for all funds and equipment referred to in this finding and require the treasurer to reimburse the Association for all missing and/or unaccounted for funds and property. (Finding Nos. 1 and 2.)
2. Armagh Township, the Fire Company itself and/or the Mifflin County District Attorney's Office should conduct a full audit and investigation of the Fire Company's financial records for the period in which those transactions occurred. (Finding Nos. 1 and 2.)
3. The Association should correct or remove all false minutes and other records and ensure that proper guidance and training are provided to its secretary and other officers concerning the record keeping requirements of Act 84. (Finding No. 3.)

Finding No. 1 – The Association treasurer caused \$4,536 to be withdrawn from an Association account and the use of false invoices as documentation for the expenditure of the funds. The funds were not used for the purposes stated on the invoices, the equipment supposedly purchased with the funds is not in the possession of the Association and the treasurer himself received a portion of the funds.

The treasurer told OSI that on several occasions he asked friends and family members to cash checks drawn on an Association account and made payable to them to purchase supplies and/or equipment to be used for repairs and improvements to the Fire Company’s firehouse. The treasurer stated that he made out Association checks to individuals and subsequently created false invoices for the purchase of the items which, in fact, were not purchased by the Association. Table No. 1 lists the individual checks and supporting invoice description. Each transaction is then described in detail.

Table No. 1 - Association Checks and Related Invoice Descriptions

CHECK NUMBER	DATE	DESCRIPTION ON INVOICE	AMOUNT
266	01/17/00	Radio and Pager	\$ 1,000
290	12/21/01	Air Pac	1,200
295	04/12/02	Ball Valves	411
301	11/18/02	Force Nozzles	1,100
302	12/18/02	Chainsaw, Porta Power and Wiring on Truck	825
	TOTAL		\$ 4,536

Radio and Pager

The radio and pager were listed in the Association’s records as having been purchased from the treasurer’s brother-in-law. The treasurer told OSI that the equipment never existed. He said that he told his brother-in-law that the firehouse needed electrical and other repairs; his brother-in-law agreed to have a check made out to him for \$1,000. The treasurer said he told his brother-in-law that he would justify the transaction by fabricating an invoice showing that the Association purchased the radio and pager. According to the treasurer, his brother-in-law's wife (the treasurer’s sister) endorsed and cashed the check; the treasurer’s sister used the funds to purchase items and brought them to the firehouse; the treasurer returned some unused items to where they were purchased, received about \$200 for them and kept the \$200 for his own use.

The treasurer did not recall where he had returned the unused items or how he spent the \$200. He did not have any invoices relating to the purchases.

The treasurer’s sister told OSI that she signed her husband’s name to the check, cashed it,

delivered the items to the firehouse and gave the invoices/receipts to the treasurer. She told OSI she had no knowledge of the treasurer returning any items. She also told OSI that, although she could not recall specific instances, she created numerous false invoices for the treasurer.

The treasurer's sister and her husband (the treasurer's brother-in-law) confirmed that the treasurer came to them and asked for help in connection with the transaction. Both said that they knew that the treasurer prepared a false invoice to conceal the true nature of the transaction. Both stated that they received nothing for their participation in the incident.

Air Pac

An air pac is a self-contained breathing apparatus used in fire fighting. The treasurer stated that he created a false invoice for the purchase of an air pac from a friend for \$1,200. He stated that the air pac did exist; however, it was actually purchased by the Fire Company years earlier. He stated that he created the false invoice to obtain funds to make repairs to one of the fire engines. The treasurer stated he told his friend how he would document the transaction; the friend agreed to it, cashed the check and purchased the items. The treasurer could not identify where items obtained as part of the repairs were purchased and did not have any documentation to support his claim that repairs were made to the fire engine. He stated that he did not keep any of the funds from this transaction.

Ball Valves

A ball valve is a mechanism that attaches to a fire truck and allows the user to change the direction and volume of water being pumped to or from the fire truck. A co-worker of the treasurer at his place of employment told OSI that the ball valves were retrieved out of the trash at work; he cleaned the ball valves and subsequently sold them to the Association; the treasurer approached him with a handwritten invoice and a check for \$411; he endorsed and cashed the check; kept \$200; and gave the rest to the treasurer. He stated that the treasurer told him that the remaining \$211 was going to be used for work at the firehouse.

The treasurer denied that he received any of the money in connection with the transaction.

The Association has ball valves on hand, but they cannot be identified as the ones involved in this transaction.

Force Nozzles

A force nozzle is a device attached to the end of a water hose which allows the user to change the direction and volume of water being pumped out of the hose. The treasurer told OSI that the sale of force nozzles to the Association by a co-worker (the same individual who

participated in the transaction involving the ball valves) for \$1,100 was staged to obtain money for repairs. The treasurer said that he went to the co-worker, told him of the situation and the co-worker agreed to let the treasurer give him a check for \$1,100. The treasurer stated that the co-worker cashed the check and purchased the repair items. According to the treasurer, the Fire Company already owned the force nozzles. He stated that his co-worker was fully aware that the treasurer was going to document the transaction by creating a fictitious invoice for the sale of the force nozzles.

The co-worker stated that he did not have any knowledge of this transaction. He told OSI he never sold any force nozzles to the Association and never signed or cashed any check related to such a sale.

Chainsaw, porta power and wiring on truck

This transaction consisted of the purchase of a chainsaw for \$325, the purchase of a porta power (a porta power is a hydraulic rescue tool used to pry open vehicles in an emergency) for \$100 and the installation of wiring on a truck for \$400.

The treasurer stated that the chainsaw was sold to the Association by one of his co-workers as a legitimate transaction and that the chainsaw is still at the firehouse. The treasurer told OSI that the porta power was previously owned by the Association and the supposed purchase for which check number 302 was issued never actually took place. He offered no explanation of why he attempted to list the porta power as a purchase from the co-worker. When questioned by OSI, the treasurer's co-worker stated he never sold a chainsaw or a porta power to the Association.

The treasurer stated that the \$400 payment for rewiring was paid to his co-worker for technical wiring services. The treasurer's co-worker told OSI that he was paid the \$825 via an Association check for rewiring the trucks and that he cashed the check. He stated that the treasurer then told him that there was a problem, so he returned the \$825 in cash to the treasurer and was later paid the \$825 via another check from the Fire Company. The treasurer denied that he received any cash from his co-worker in connection with the transaction.

OSI confirmed that an Association check for \$825, dated December 18, 2002, was cashed by the treasurer's co-worker and that a Fire Company check for \$825, dated December 21, 2002, was issued to the treasurer's co-worker.

Finding No. 2 - The Association treasurer sold equipment belonging to the Association for \$1,600 without authorization and cannot account for the money received for the sale of the equipment.

During our investigation the treasurer admitted to selling equipment (radios and pagers) owned by the Association for \$1,600. The treasurer cannot account for the funds he received for these sales. These sales were made without authorization of the Association's membership. Table No. 2 contains a list of the sales.

Table No. 2 - Equipment Sold Without Authorization

PURCHASER'S CHECK NUMBER³	DATE	PAYEE	DESCRIPTION	AMOUNT
625	11/17/00	Treasurer	Pager & Portable Radio	\$400
638	12/23/00	Cash	3 Portable Radios	\$900
707	05/14/01	Treasurer	3 pagers	\$300
TOTAL				\$ 1,600

Pager and portable radio

The first transaction involved the sale of a radio and pager to an organization known as Mifflin County Forest Fire Fighters (MCFFF) for \$400. No documentation was found related to the sale of the radio and pager. MCFFF check no. 625 was written to the treasurer. OSI reviewed the account statements for both the Association and the Fire Company and found no record of the deposit of funds.

The president of the MCFFF told OSI that the treasurer called him seeking to sell the radio and pager; the MCFFF president agreed and wrote a check for \$400 payable directly to the treasurer. The MCFFF president stated that the treasurer insisted on the check being written to him and told the MCFFF president that it was because he was not sure where to deposit the proceeds.

Initially, the treasurer told OSI that he deposited the \$400 into the Fire Company account. Subsequently, he said that he cashed the check and gave the money to the Fire Company treasurer. The Fire Company treasurer denied ever receiving any cash from the Association treasurer.

Three portable radios

The MCFFF president told OSI that the treasurer initiated and negotiated a sale price of \$900 for the radios. The MCFFF issued a check dated December 23, 2000, made out to cash.

³ The purchaser provided OSI with copies of three checks totaling \$1,600 made payable to the Association treasurer or to cash as shown in Table No. 2.

The MCFFF president stated that the treasurer insisted that the check be made out to cash for the same reason given in connection with the November 17, 2000, transaction.

The MCFFF president stated that the treasurer later said that he needed to buy back the radios because he had no authority to sell them. The treasurer gave the MCFFF president a \$900 check written on the Association account; the MCFFF president returned the radios to the treasurer on January 8, 2001. The check did not clear the bank because it did not have a second signature as required. On January 18, 2001, a second Association account check was issued which did clear the bank. The treasurer's apparent signature appears on both checks.

The treasurer admitted selling the radios to the MCFFF for \$900. He stated that he cashed the MCFFF check and he gave money to either the current or former treasurer of the Fire Company. The treasurer denied that he approached the MCFFF president in an attempt to buy back the portable radios. OSI found no evidence to confirm the receipt of the \$900 by the Association or the Fire Company.

Three pagers

The transaction involved the sale of three of the Association's pagers by the treasurer to the MCFFF for \$300. The MCFFF president said that the MCFFF is still in possession of one of the pagers; two were broken and subsequently discarded. There was no documentation to support the transaction. The treasurer gave no explanation concerning the disposition of the \$300. OSI confirmed that the \$300 was never deposited into either the Association or Fire Company accounts.

Conclusions and Recommendations relating to Finding Nos. 1 and 2

Based on the investigation, the amount of the Association's funds that were used by the treasurer for purchases of items that are not in possession of the Association or which cannot be documented is \$4,536 and the amount of unaccounted for funds obtained by the treasurer from the unauthorized sale of Association equipment is \$1,600, for an overall total of \$6,136 which the treasurer either obtained or cannot account for.

This report will be referred to the Mifflin County District Attorney's office for review and appropriate action. It is recommended that the Association remove the treasurer from all duties and responsibilities relating to its financial management, obtain an accounting for all funds and equipment referred to in this finding and require the treasurer to reimburse the Association for all missing and/or unaccounted for funds and property.

As noted previously, the treasurer of the Association was also the chief of the Fire Company. During the investigation of the questioned transactions involving the Association's funds, an official of the Fire Company informed OSI of three questionable expenditures of Fire Company funds totaling approximately \$1,815, in 2001 and 2002. In the three cases, payments were made to the treasurer, a relative of the treasurer or a co-worker of the treasurer, for equipment and/or services that may not have been provided.

Because the Department does not have jurisdiction over activities of fire companies, we have not investigated the questioned expenditures of the Fire Company funds mentioned above. Therefore, it is recommended that Armagh Township, the Fire Company itself and/or the Mifflin County District Attorney's Office conduct a full audit and investigation of the Fire Company's financial records for the period in which those transactions occurred.

Finding No. 3 – The treasurer and the former secretary of the Association falsified minutes of monthly meetings.

Act 84 requires that a VFRA must provide for the taking and preparing of minutes of all meetings.⁴ OSI reviewed the Association’s minutes for the period under review and interviewed the former Association secretary, the individual responsible for the minutes. She said that many of the meetings reported in the minutes never took place. She said she was informed by the treasurer that written meeting minutes were required by our auditors; she and the treasurer, therefore, decided to make up minutes for meetings that never took place. According to the former secretary, the treasurer dictated to her what he believed needed to be documented in the fabricated minutes. The former secretary could not identify specifically which minutes in the Association’s records were fabricated. However, she stated that some of the minutes for 2000 and 2001, and almost all of the minutes for 2002 and 2003, were falsified.

The treasurer told OSI that some of the Association meetings for the period January 1, 2000, through December 31, 2003 never took place. He stated that he could not remember which meetings actually took place and which did not. At a later date, the treasurer admitted that, after finding out the Department needed to review minutes for the audit period, he and the former secretary fabricated most of them. The treasurer said that no formal Association meetings were held because many times there was difficulty getting a quorum of members to attend.

OSI interviewed the Association’s president. He stated that the Association rarely held formal meetings and that most meetings were conducted in an informal manner, usually after a Fire Company meeting. He stated that he never saw or reviewed minutes and would not know who prepared them.

The Association’s minutes contain references to the purchases in four of the five transactions listed in Table No. 1 and discussed in Finding No. 1 (the air pac, ball valves, force nozzles, the chainsaw, porta power kit and truck wiring). Based on the statements OSI obtained during the investigation, these purchases were never actually made.

Conclusions and Recommendation

Act 84 states that relief associations “must provide for the taking and preserving the minutes of all meetings, and the maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its financial affairs.”⁵

The failure to properly record activities at monthly meetings was in violation of Act 84. In addition, the intentional creation of false minutes and providing them to the Department’s auditors were intended to mislead the auditors in carrying out their duties.⁶

⁴ 53 P.S. § 8505(a).

⁵ 53 P.S. § 8505(a).

⁶ 18 Pa. C.S. § 4904 (Unsworn Falsification to Authorities), part of the Pennsylvania Crimes Code, prohibits making a false written statement with the intent to mislead the performance of an official function.

As noted in connection with the conclusions and recommendations concerning Finding Nos. 1 and 2, a copy of this report will be referred to the Mifflin County District Attorney's office for review. It is recommended that the Association correct or remove all false minutes and other records and ensure that proper guidance and training are provided to its secretary and other officers concerning the record keeping requirements of Act 84.

REPORT DISTRIBUTION LIST

This report was initially distributed to the officers of the New Lancaster Valley VFRA and to the following:

The Honorable Stephen S. Snook.
Mifflin County District Attorney

Brenda Aumiller
Armagh Township

This report is a matter of public record. Copies of this report are available on the Department of the Auditor General's web site, www.auditorgen.state.pa.us, and from the Department's Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120.