



Pennsylvania Department of the

**AUDITOR GENERAL**

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## News for Immediate Release

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### **Auditor General DePasquale to Withhold State Funding After Finding Major Problems at Allegheny County VFRA**

***Calls for District Attorney to investigate nearly \$250,000 in undocumented expenses at Castle Shannon Volunteer Firemen's Relief Association***

**HARRISBURG** – Auditor General Eugene DePasquale said today he will withhold future state funding to the Castle Shannon Volunteer Firemen's Relief Association and has asked the Allegheny County District Attorney's Office to investigate potential improper spending and mishandling of taxpayer dollars.

DePasquale said he took the drastic measures after auditors discovered \$249,873 in undocumented expenses, including \$129,100 in checks made out to cash without any explanation; nearly \$59,524 in improper bonuses; and \$2,841 in payments to amusement parks. Auditors also found that financial account authorization forms were not kept up to date and records were so bad that it was nearly impossible to determine which funds belonged to the VFRA or the affiliated fire company.

"My team uncovered problem after problem during this audit," DePasquale said. "I have serious concerns over the handling of tax dollars. I have asked the district attorney's office in Allegheny County to investigate this matter to determine if further action is warranted."

During the audit, which covered 2013 to 2016, auditors found nearly \$1 million in 31 previously undisclosed accounts where VFRA and affiliated fire company funds may have been improperly commingled. The accounts were titled to the VFRA while being registered under the affiliated fire company's federal tax identification number. The VFRA and fire company are supposed to be two legally separate entities.

The audit also found that \$167,072 in life insurance services was awarded to a vendor that employs an officer in the VFRA, but there was no record that VFRA membership was informed of the transactions or voted on the transactions, or if the officer in question abstained in the vote.

"Until I am satisfied that Castle Shannon VFRA demonstrates its financial matters are under control, I will not release additional state funding," DePasquale said. "I must be reassured that tax money will be managed properly."

In all, the audit had seven findings and raised numerous concerns, including:

- \$129,100 in checks were written out to cash without explanation;
- 105 checks worth \$59,524 were issued to individual members as "bonuses," which is not permitted under VFRA guidelines (Act 118, 2010);
- Two checks totaling \$2,841 were made out to amusement parks, which is not an allowable expense;
- 291 checks were made payable and endorsed solely by the VFRA treasurer without documented explanations or records of the purpose. All checks require a minimum of two signatures by two VFRA officers. The expense should be authorized by a vote of the membership and recorded in the minutes;

- Tax returns for the VFRA and the affiliated fire company were prepared on a commingled basis in 2013, 2014 and 2015. Tax records for 2016 were not available due to the filing of an extension; and
- The VFRA's Pennsylvania sales tax exemption number expired in 2009, despite two prior audit recommendations for it to be renewed with the Department of Revenue. Because of the lapse, the VFRA may be required to pay Pennsylvania sales tax on its purchases.

"The record-keeping and handling of tax dollars by the Castle Shannon VFRA was sloppy," DePasquale said. "The lack of proper procedures and oversight was negligent and irresponsible. The VFRA should immediately secure ownership rights to all monetary assets belonging to the VFRA and ensure that all accounts belonging to the fire company are retitled to the fire company.

"The VFRA and the affiliated fire company are now on the hook for \$249,873 in undocumented expenses. They will have some explaining to do to the people in Castle Shannon and Baldwin Township," DePasquale said.

In 2016, the Castle Shannon VFRA received \$43,985 in state aid funds from Castle Shannon Borough and \$11,203 from Baldwin Township. During the three-year audit period, the VFRA received \$220,778 in state aid which comes from a 2 percent state tax on fire insurance premiums purchased by Pennsylvania residents from out-of-state casualty insurance companies.

The audit is also being referred to the Pennsylvania Office of Attorney General to review possible ethics violations regarding the handling of insurance services.

The VFRA management has agreed to make changes, including:

- establishing separate accounts between the VFRA and the affiliated fire company, and
- adopting internal controls, such as maintaining detailed minutes of meetings.

Subsequent to the audit, the VFRA leadership also indicated that the affiliated fire company is considering reimbursing the VFRA the \$249,873 for the undocumented expenses.

In the past, DePasquale has referred troublesome VFRA audits to law enforcement, including:

- In July 2017, DePasquale asked the Lackawanna County District Attorney's Office to investigate \$30,000 in undocumented and unauthorized expenses at the [Jefferson Township Ambulance Relief Association](#). As a result, last week the DA filed a 189-count criminal complaint against a husband and wife for theft and forgery at the VFRA.
- In December 2015, DePasquale asked the Delaware County District Attorney to investigate \$88,610 in undocumented and unauthorized expenses his auditors found at the [Colwyn Borough Fire Company Relief Association](#). As a result, two VFRA officers were charged with multiple theft-related crimes.

The Castle Shannon Volunteer Firemen's Relief Association audit report is available online at: [www.PaAuditor.gov](http://www.PaAuditor.gov).

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