

# COMPLIANCE AUDIT

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## Jenkins Township Volunteer Firemen's Relief Association

Luzerne County, Pennsylvania

For the Period

January 1, 2018 to December 31, 2020

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April 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Al Savakinis, President  
Jenkins Township Volunteer Firemen's  
Relief Association  
Luzerne County

We have conducted a compliance audit of the Jenkins Township Volunteer 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, 2018 to December 31, 2020.

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.

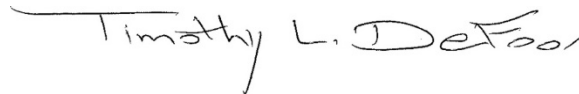
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, 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 January 1, 2018 to December 31, 2020, 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 findings listed below and discussed later in this report.

Finding No. 1 – Unauthorized Expenditures

Finding No. 2 – Inadequate Minutes Of Meetings

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.

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

April 7, 2021

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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>2018</u>	<u>2019</u>	<u>2020</u>
Jenkins Township	Luzerne	\$19,815	\$26,120*	\$26,716*

\* Although Jenkins Township prepared and returned a Certification Form AG 385 for 2019 and 2020, the date the township distributed the 2019 and 2020 state aid to the relief association could not be determined because the township failed to submit a Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this department as required by the instructions accompanying Form 706-B and the 2019 and 2020 state aid allocation received by the township disclosing this information.

Jenkins Township is still required to submit a 2019 and 2020 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B to this Department as soon as possible.

Based on the relief association's records, its total cash as of December 31, 2020 was \$92,222, as illustrated below:

Cash	<u>\$ 92,222</u>
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## BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2020 were \$90,038, 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>1</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	\$ 9,540
Death benefits	500
Total Benefit Services	<u>\$ 10,040</u>
Fire Services:	
Equipment purchased	\$ 51,845
Equipment maintenance	17,765
Total Fire Services	<u>\$ 69,610</u>
Administrative Services:	
Other administrative expenses	\$ 4,642
Bond premiums	1,336
Total Administrative Services	<u>\$ 5,978</u>
Other Expenditures:	
Unauthorized expenditures	<u>\$ 4,410</u>
Total Expenditures	<u><u>\$ 90,038</u></u>

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:

Jenkins Township Volunteer Fire Department

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<sup>1</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

JENKINS TOWNSHIP VOLUNTEER FIREMEN’S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Unauthorized Expenditures**

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

Date	Check No.	Description	Amount
01/15/2018	946	Gear for paid firefighter	\$ 2,723
05/18/2018	960	Helmet for paid firefighter	230
10/22/2019	1004	Boots for paid firefighter	177
12/03/2020	1030	Fire company key card door access system	1,280
			\$ 4,410

In addition, subsequent to the audit period, the relief association made a \$100 unauthorized expenditure with Check No. 1037 for key cards for door access at the fire company on January 13, 2021.

**Criteria:** Section 7416(f) of Act 118 states:

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

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with gear for paid firefighters, a key card door access system, and key cards for the door access system do not qualify as authorized volunteer firefighters’ relief association expenditures; consequently, these disbursements are not authorized under Act 118.

**Cause:** Relief association officials did not agree that the aforementioned expenditures were not authorized by Act 118 as described in the Management Response section below.

**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 \$4,510 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.



JENKINS TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and stated, in part:

These three items were disallowed because [the two firefighters] are also employed by the township as paid firefighters.

From page 7 of Management Guidelines

*The act further states that a person does not lose status as a volunteer firefighter solely because he or she may also be a paid firefighter, so long as the person is acting within the scope of his or her responsibilities as a member of a volunteer fire company at the pertinent time and not within the scope of his or her responsibilities as a paid firefighter.*

The two firefighters in question responded to hundreds of calls on a volunteer basis during the audit period. They keep their Twp issue gear at the station. Their Relief issued gear is kept at home or in their vehicle and used only for volunteer purposes. Because they are aware of the lack of volunteers, they support each other often on fires and accidents. They are our best trained and most experienced firefighters which only makes things safer for our strictly volunteer firefighters.

Unauthorized expenditures:

C-K alarms

This expense was for door locks and pass cards for volunteers. We have hundreds of thousands of dollars in equipment stored in our garage. We are allowed to insure it against damage but we are not allowed to lock it in the garage and protect against theft when no one is in the building. We are allowed to install exhaust systems to protect the volunteers but we cannot install locks with dedicated passes for volunteers which can protect them from increased instances of domestic terrorism. What about protection from potential Covid positive people entering without authorization?

Auditor's Conclusion: Act 118 of 2010 authorizes state aid expenditures for purposes of providing safeguards for life, health and safety for volunteer firefighters to ensure their availability to participate in the fire service as stated above in the Criteria. The three expenditures made for career paid firefighters were determined to be unauthorized and not in compliance with the aforementioned purpose based on audit documentation obtained and reviewed during the audit.

JENKINS TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Our conclusion was made after our evaluation of documentation examined during the conduct of the audit, which did not substantiate that the expenditures were made to solely benefit volunteer firefighters as Act 118 requires, but rather, it supported that expenditures were made for career paid firefighters. Further, page 7 of the Management Guidelines also indicates the following:

Therefore, if a paid firefighter performs the same duties for which they are paid in their capacity as a volunteer firefighter, the individual is considered a paid employee and not a volunteer firefighter, thus losing their status as a volunteer firefighter under Act 118. Prudent business practice requires that on an ongoing basis relief associations monitor their status for compliance as a qualifying volunteer firefighters' relief association under Act 118. As a general rule under Act 118, those providing fire service must be volunteers to qualify to receive benefits under the act. Relief officials are responsible for maintaining documentation to demonstrate that its members meet the voluntary status qualifications. Prudent business practice also requires that relief association officials consult their solicitor and evaluate their state of compliance with Act 118.

Therefore, the finding remains as stated. We continue to recommend that the relief association be reimbursed \$4,510 for the unauthorized expenditures. In addition, as it relates to the purchase of key cards for general door access for firefighters, such purposes do not meet the requirements of Act 118 based on the use of the system/key card at the fire company building. Compliance will be subject to verification through our next audit.

**Finding No. 2 – Inadequate Minutes Of Meetings**

Condition: The relief association failed to maintain detailed minutes of meetings as required by Act 118 and the relief association's bylaws. Specifically, the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period.

Criteria: 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.

JENKINS TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

In addition, the relief association's bylaws at Article IV, Section 4 states:

The Secretary shall keep a true record of every meeting in the minutes. The minutes shall note authorization by the membership of all Association financial transactions and all other pertinent business discussed at meetings.

Cause: Relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by Act 118 and the relief association's bylaws.

Effect: Without detailed minutes of meetings that address all financial-related transactions, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings, evidencing the discussion and approval of all financial-related business conducted by the relief association. 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 indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

JENKINS TOWNSHIP VOLUNTEER FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Jenkins Township Volunteer Firemen's Relief Association Governing Body:

**Mr. Al Savakinas**  
President

**Mr. Joseph Santey**  
Vice President

**Mr. Bryan Tonte**  
Secretary

**Mr. John Donahue**  
Treasurer

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

**Ms. Barbara Fairchild**  
Manager  
Jenkins Township

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).