

# COMPLIANCE AUDIT

---

## Firemen's Relief Association of Slocum Volunteer Fire Company No. 1, Luzerne County, Pennsylvania For the Period January 1, 2019, to December 31, 2021

---

July 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. Billy Martin, President  
Firemen's Relief Association of Slocum  
Volunteer Fire Company No. 1  
Luzerne County, Pennsylvania

We have conducted a compliance audit of the Firemen's Relief Association of Slocum Volunteer Fire Company No. 1 Luzerne County, Pennsylvania (relief association) for the period January 1, 2019, to December 31, 2021. 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 relief association took appropriate corrective action to address the finding 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, 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 conclusion.

Based on our audit procedures, we conclude that, for the period January 1, 2019, to December 31, 2021:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.
- 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 – Inappropriate Payments On Lease Purchase Agreement

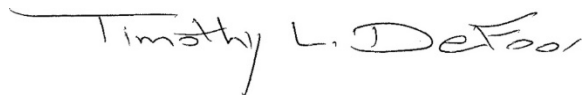
Finding No. 2 – Inadequate Financial Record-Keeping System

Finding No. 3 – Failure To Maintain Minutes Of Meetings

Finding No. 4 – Failure To Obtain A Pennsylvania Sales Tax Exemption Number

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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.



Timothy L. DeFoor  
Auditor General  
June 29, 2023

## CONTENTS

	<u>Page</u>
Background .....	1
Status of Prior Finding .....	4
Findings and Recommendations:	
Finding No. 1 – Inappropriate Payments On Lease Purchase Agreement .....	5
Finding No. 2 – Inadequate Financial Record-Keeping System .....	6
Finding No. 3 – Failure To Maintain Minutes Of Meetings .....	7
Finding No. 4 – Failure To Obtain A Pennsylvania Sales Tax Exemption Number .....	8
Report Distribution List .....	10

## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code<sup>1</sup>, and the Volunteer Firefighters' Relief Association Act<sup>2</sup> ("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 Law<sup>3</sup> (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.

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.

---

<sup>1</sup> 72 P.S. § 403 (as last amended by Act 44 of 2017).

<sup>2</sup> 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

<sup>3</sup> 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

**BACKGROUND (Continued)**

The relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Slocum Township	Luzerne	\$6,207	\$6,190	\$5,576

Based on the relief association’s records, its total cash as of December 31, 2021, was \$37,342, as illustrated below:

Cash	<u>\$ 37,342</u>
------	------------------

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to December 31, 2021, were \$43,099, 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>4</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	<u>\$ 1,598</u>
Fire Services:	
Equipment purchased	\$ 38,196
Training expenses	<u>2,685</u>
Total Fire Services	<u>\$ 40,881</u>
Administrative Services:	
Bond premiums	\$ 610
Other administrative expenses	<u>10</u>
Total Administrative Services	<u>\$ 620</u>
Total Expenditures	<u>\$ 43,099</u>

---

<sup>4</sup> 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 relief association is affiliated with the following fire service organization:

Slocum Township Volunteer Fire Company No. 1

FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
STATUS OF PRIOR FINDING

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has complied with the prior audit finding and recommendation, as follows:

- Insufficient Surety (Fidelity) Bond Coverage

By increasing the Surety (Fidelity) bond coverage to an amount greater than the balance of the relief association's cash assets.



FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Inappropriate Payments On Lease Purchase Agreement**

Condition: During the current financial period, the relief association made one payment on June 15, 2021, totaling \$29,120 under a lease-purchase agreement to finance the purchase of self-contained breathing apparatus and related equipment and subsequent to the period under review, the relief association made the third and final payment, in the amount of \$29,532, on June 13, 2022; however, the lessee named on the agreement was the affiliated fire company rather than the relief association.

Criteria: Section 7416(f) of the VFRA Act states:

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.

In addition, prudent business practice dictates that the relief association maintain ownership of all equipment purchased by the relief association in order to provide protection over all relief association assets.

Cause: Relief Association officials attributed the condition to a lack of oversight.

Effect: As a result of the lease-purchase agreement inappropriately naming the fire company as lessee, the relief association is deemed to be making payments on equipment which will be owned by the fire company. Although payments to finance self-contained breathing apparatus are considered authorized expenditures, the relief association must be named as the lessee in the agreement to ensure that the relief association is documented as the owner of the equipment.

Recommendation: We recommend that the relief association be reimbursed \$58,652 for the inappropriate payments on the lease-purchase agreement or be assigned all ownership rights of the equipment in a formal written agreement. We also recommend that the relief association officials take appropriate action to ensure that all future lease-purchase agreements financing relief association equipment are in the name of the relief association. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
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 executed a formal written agreement transferring and assigning all ownership rights of the equipment to the relief association on January 25, 2023.

Auditor's Conclusion: We reviewed the agreement verifying that it was received and appropriate. Full compliance for payments and/or agreements during the next audit period will be subject to verification through our next audit.

**Finding No. 2 – Inadequate Financial Record-Keeping System**

Condition: The relief association's financial record-keeping system did not establish adequate accounting procedures to allow the membership to effectively monitor the relief association's financial operations. The following are the noted deficiencies:

- A journal was not maintained to record the receipts and disbursements of the relief association.
- Ledgers were not utilized to record the transactions of the relief association accounts.
- Various cancelled checks were not available for examination at the time of the audit.

Criteria: Section 7415(a) of the VFRA Act states:

A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it 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, an adequate system of accounting and record-keeping is a prerequisite for sound administration of relief association assets.

Cause: Relief Association officials stated that the illness of the prior treasurer and the lack of oversight as to the reasons for not maintaining an adequate financial record-keeping system to properly evidence all financial-related business conducted by the relief association.

Effect: The failure of relief association officials to maintain adequate records prohibits the membership from effectively monitoring the relief association's financial operations.

FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Recommendation: We recommend that the relief association officials establish and maintain a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations. 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.

**Finding No. 3 – Failure To Maintain Minutes Of Meetings**

Condition: The relief association did not maintain and/or provide minutes of meetings as required by the VFRA Act and the relief association's bylaws. For calendar years 2019, 2020, and 2021, we could not verify whether any meetings were held because no meeting minutes were provided.

Criteria: Section 7415(a) of the VFRA Act 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.

The relief association's bylaws at Article V, Section 1, Paragraph 4, states, in part:

Regular meetings shall be held on the first WEdnesday of the following months. Jan; Feb; May; Aug; Nov. The meetings will follow the scheduled meeting of the Slocum Township Volunteer Fire Co. [*Sic*]

In addition, the relief association's bylaws at Law III, Section 3 states:

It shall be the duty of the Recording Secretary to keep a complete record of the proceedings of all meetings, keep a complete list of the officers and their record of attendance at meetings, also a complete list of names and addresses of the members of the Association.

FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: Relief association officials stated a lack of oversight as to the reason for not recording or having any documentation of the relief association meetings held during calendar years 2019, 2020, and 2021.

Effect: Without holding regular meetings and maintaining detailed minutes of meetings, evidence that relief association business was presented before the membership for approval does not exist.

Recommendation: We recommend that the relief association officials hold all required meetings and maintain detailed minutes of meetings as required by the VFRA Act and the relief association's bylaws, evidencing the discussion and approval of all financial-related business conducted by the relief association. The minutes should include an adequate record 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.

**Finding No. 4 – Failure To Obtain A Pennsylvania Sales Tax Exemption Number**

Condition: As cited as verbal observations in prior audits, the relief association failed to maintain a Pennsylvania sales tax exemption number. Although the relief association did have its own sales tax exemption number, it expired on March 31, 2008, and is no longer valid.

Criteria: Section 7415(e) of the VFRA Act states:

A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

Cause: The relief association officials did not provide a reason why this occurred despite the relief association being notified of this condition during prior audits.

FIREMEN'S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Effect: As a result of the relief association's continued failure to maintain a sales tax exemption number, the relief association may be required to pay Pennsylvania sales tax on their purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We recommend that the relief association officials immediately reapply for a new state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. 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.

FIREMEN’S RELIEF ASSOCIATION OF SLOCUM VOLUNTEER FIRE COMPANY NO. 1  
LUZERNE COUNTY, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

Firemen’s Relief Association of Slocum Volunteer Fire Company No. 1 Luzerne County,  
Pennsylvania Governing Body:

**Mr. Billy Martin**  
President

**Ms. Brianna Burford**  
Secretary

**Mr. Ron Burd, Sr.**  
Treasurer

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

**Ms. Susan Lowe**  
Secretary  
Slocum 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).