

COMPLIANCE AUDIT

Yatesville Volunteer Firemen's Relief Association

Luzerne County, Pennsylvania

For the Period

January 1, 2019, to September 14, 2022

January 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Frank Lombardo, President
Yatesville Volunteer Firemen's
Relief Association
Luzerne County

We have conducted a compliance audit of the former Yatesville Volunteer Firemen's Relief Association (relief association) for the period January 1, 2019, to September 14, 2022. 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 former relief association took appropriate corrective action to address the finding contained in our prior audit report.
2. To determine if the former 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 conclusions.

We were not able to obtain copies of canceled or imaged checks from the former relief association. While the former relief association provided bank statements, the former relief association failed to provide copies of canceled or imaged checks. Without copies of canceled or imaged checks, we were not able to determine whether two former relief association officers authorized and signed the checks as required by the VFRA Act.

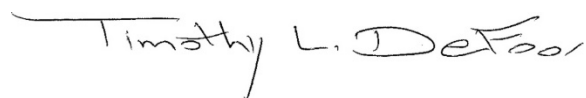
Based on our audit procedures, we conclude that, for the period January 1, 2019, to September 14, 2022:

- The former relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- Except for the effects, if any, of the matter described in the preceding paragraph, the former 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 finding listed below and discussed later in this report.

Finding – Noncompliance With Prior Audit Recommendation – Insufficient
And Failure To Maintain Surety (Fidelity) Bond Coverage

In addition, as of September 14, 2022, the former relief association completed the process of dissolution and merged with the Jenkins Township Firemen's Relief Association to form the Jenkins Township Volunteer Firemen's Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Jenkins Township Volunteer Firemen's Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their response has been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
January 13, 2023

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("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 Law³ (commonly referred to as Act 205) are properly expended.

The former relief association was 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.

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

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

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

BACKGROUND – (Continued)

The former 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> | <u>2022</u> |
|---------------------|---------------|-------------|-------------|-------------|-------------|
| Yatesville Borough | Luzerne | \$3,654 | \$3,662 | \$3,307 * | ** |

* Although Yatesville Borough prepared and returned a Certification Form AG 385 for 2021, the borough failed to complete the 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online as required by the instructions accompanying Form 706-B and the instructions accompanying the 2021 state aid allocation received by the borough disclosing this information.

Yatesville Borough is still required to complete a 2021 Receipt And Distribution Of Foreign Fire Insurance Premium Tax Form 706-B online within the Department of Community & Economic Development’s Municipal Statistics website (MunStats) immediately.

**As of September 14, 2022, the former relief association dissolved its organization. Thereafter, it did not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of September 14, 2022, was zero, as illustrated below:

Cash \$ 0

BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2019, to September 14, 2022, were \$61,300, 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.⁴ **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>\$ 4,303</u> |
|--------------------|-----------------|

Administrative Services:

| | |
|-------------------------------|-----------|
| Bond premiums | \$ 500 |
| Other administrative expenses | <u>40</u> |

| | |
|-------------------------------|---------------|
| Total Administrative Services | <u>\$ 540</u> |
|-------------------------------|---------------|

Other Expenditures:

| | |
|-------------------------------|------------------|
| Transfer of monetary assets * | <u>\$ 56,457</u> |
|-------------------------------|------------------|

| | |
|--------------------|-------------------------|
| Total Expenditures | <u><u>\$ 61,300</u></u> |
|--------------------|-------------------------|

* Transfer of Monetary Assets/Dissolution of Relief Association.

As of September 14, 2022, the former relief association completed the process of dissolution and merged with the Jenkins Township Volunteer Firemen’s Relief Association to form the Jenkins Township Volunteer Firemen’s Relief Association. Consequently, all remaining monetary assets and equipment were transferred to the Jenkins Township Volunteer Firemen’s Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Jenkins Township Volunteer Firemen’s Relief Association copies of this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The former relief association was affiliated with the following fire service organization:

Yatesville Volunteer Fire Company

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

YATESVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The former relief association has not complied with the following prior audit finding. This finding is noted below and discussed in detail in the Finding and Recommendation section of this report:

- Insufficient Surety (Fidelity) Bond Coverage

We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Jenkins Township Volunteer Firemen's Relief Association, Jenkins Township Volunteer Firemen's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

YATESVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Insufficient And Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The relief association did not maintain a Surety (Fidelity) bond in a sufficient amount to cover the relief association's authorized disbursing officer up to July 11, 2021, and from July 11, 2021, to September 14, 2022, the relief association failed to maintain any Surety (Fidelity) bond coverage, as required by Act 118.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

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

Effect: As a result of the authorized disbursing officer of the relief association being insufficiently bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: Due to the dissolution of the former relief association and subsequent transfer of its remaining assets to the Jenkins Township Volunteer Firemen's Relief Association, we are providing officials of the Jenkins Township Volunteer Firemen's Relief Association copies of this report so that they are aware of the conditions that were detected during the course of the audit of the former relief association. We recommend that the Jenkins Township Volunteer Firemen's Relief Association's officials ensure that its Surety (Fidelity) bond sufficiently covers the relief association's authorized disbursing officer, as required by the VFRA Act. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

YATESVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Jenkins Township Volunteer Firemen's Relief Association, Jenkins Township Volunteer Firemen's Relief Association's management should strive to implement the recommendation and corrective action noted in this audit report.

YATESVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Yatesville Volunteer Firemen's Relief Association Governing Body:

Mr. Frank Lombardo
President

Ms. Melissa Halapin
Secretary

Mr. John Hurtt
Treasurer

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

YATESVILLE VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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

Ms. Lorraine Rodeghiero
Secretary
Yatesville Borough

This report is a matter of public record and is available online at 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.