

# COMPLIANCE AUDIT

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## Mount Carbon Volunteer Firefighters' Relief Association Schuylkill County, Pennsylvania For the Period January 1, 2020, to October 3, 2022

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November 2023



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

Mr. Mike Miller, President  
Mount Carbon Volunteer Firefighters'  
Relief Association  
Schuylkill County

We have conducted a compliance audit of the former Mount Carbon Volunteer Firefighters' Relief Association (relief association) for the period January 1, 2020, to October 3, 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 association 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.

Based on our audit procedures, we conclude that, for the period January 1, 2020, to October 3, 2022:

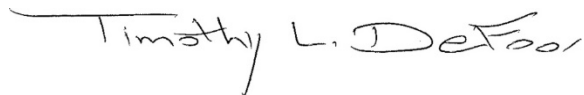
- The former relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below and discussed in the Status of Prior Finding section of this report.
- The former relief association, in all significant respects, complied with applicable 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 findings listed below and discussed later in this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Signature Authority For The Disbursement Of Funds

Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage

In addition, as of October 3, 2022, the former relief association completed the process of dissolution and merged with The Pottsville Firemen’s Relief Trust Association. Consequently, all remaining monetary assets and equipment were transferred to The Pottsville Firemen’s Relief Trust Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have 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  
November 2, 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 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 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 relief association officers therefore have a responsibility to the public to conduct the relief association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all relief association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the relief 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.

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<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 former relief association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Mount Carbon Borough	Schuylkill	\$376	*	*

\* The 2021 and 2022 state aid allocations from Mount Carbon Borough were allocated to The Pottsville Firemen’s Relief Trust Association. As of October 3, 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 October 3, 2022, was zero, as illustrated below:

Cash \$ -

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to October 3, 2022, were \$3,369, 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:

Fire Services:	
Equipment purchased	\$ 743
Equipment maintenance	600
Training Expense	<u>105</u>
Total Fire Services	<u>\$ 1,448</u>
Administrative Services:	
Bond premiums	\$ 340
Officer compensation	<u>300</u>
Total Administrative Services	<u>\$ 640</u>
Other Expenditures:	
Transfer of monetary assets *	<u>\$ 1,281</u>
Total Expenditures	<u><u>\$ 3,369</u></u>

\* Transfer of Monetary Assets/Dissolution of Relief Association.

As of October 3, 2022, the former relief association completed the process of dissolution and merged with The Pottsville Firemen's Relief Trust Association. Consequently, all remaining monetary assets and equipment were transferred to The Pottsville Firemen's Relief Trust Association. Due to the dissolution of the former relief association, we are providing officials of The Pottsville Firemen's Relief Trust 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:

Mount Carbon Fire Company

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

MOUNT CARBON VOLUNTEER FIREFIGHTERS' 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 Findings and Recommendations section of this report:

- Inadequate Signatory Authority For The Distribution Of Funds

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 Pottsville Firemen's Relief Trust Association, The Pottsville Firemen's Relief Trust Association's management should strive to implement the recommendation and corrective action noted in this audit report.



MOUNT CARBON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Signatory Authority For The Disbursement Of Funds**

Condition: During the current audit engagement, we identified three checks out of eight checks, drawn on the relief association's checking account that contained the signature of the Fire Chief, who was not an authorized officer as stated in the relief association's bylaws, in addition to the signature of the Relief Association Treasurer. Issuing checks without the signature of a second authorized relief association officer negates the relief association's internal control over the disbursement process. Furthermore, two canceled check images were not available for examination to determine if they were adequately signed by the relief association officers.

A similar condition was noted in our prior audit report.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association's bylaws at Article VIII, Section 1 states:

The signature of at least two officers, one of whom shall be the treasurer (and president), shall be required the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment, or on any other negotiable instrument, issued by the association.

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: The relief association officials stated that no other officers were available to sign the checks.

Effect: As a result of the relief association officer issuing checks with only one authorized signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second authorized signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

MOUNT CARBON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Recommendation: Due to the dissolution of the former relief association, we are providing officials of The Pottsville Firemen's Relief Trust Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that The Pottsville Firemen's Relief Trust Association officials establish adequate internal control procedures to ensure that the signatures of at least two authorized relief association officers, one of whom shall be the Treasurer, are included on all relief association negotiable instruments as defined by the VFRA Act and the relief association's bylaws. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former 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 Pottsville Firemen's Relief Trust Association, The Pottsville Firemen's Relief Trust Association management should strive to implement the recommendation and corrective action noted in this audit report.

**Finding No. 2 – Failure To Maintain Surety (Fidelity) Bond Coverage**

Condition: The relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on July 21, 2022. As of October 2, 2022, the relief association's cash assets totaled \$1,281.

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: Relief association officials stated that the attorney advised them not to pay the renewal of the bond.

MOUNT CARBON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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

Recommendation: Due to the dissolution of the former relief association, we are providing officials of The Pottsville Firemen's Relief Trust Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that The Pottsville Firemen's Relief Trust Association officials obtain Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference. On October 3, 2022, the former relief association transferred the \$1,281 to The Pottsville Firemen's Relief Trust Association.

Auditor's Conclusion: Since the former relief association dissolved its organization and consequently transferred its monetary assets to The Pottsville Firemen's Relief Trust Association, The Pottsville Firemen's Relief Trust Association's management should strive to implement the remaining recommendation and corrective action noted in this audit report.

MOUNT CARBON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Mount Carbon Volunteer Firefighters' Relief Association Governing Body:

**Mr. Mike Miller**  
President

**Mr. Chris Walters**  
Vice President

**Ms. Mary Ann Sadusky**  
Treasurer

MOUNT CARBON VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

The Pottsville Firemen's Relief Trust Association Governing Body:

**Mr. John M. Messer, Jr.**  
President

**Mr. Jason G. Witmier**  
Vice President

**Mr. Gary W. Witmier**  
Secretary

**Mr. Joseph F. Spotts, III**  
Treasurer

**Mr. Charles Bauers**  
Trustee

**Mr. Kurt Shellhamer**  
Trustee

**Mr. Kevin Sibbett**  
Trustee

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

**Ms. Mandy Gerhard**  
Secretary  
Mount Carbon Borough

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).