

# COMPLIANCE AUDIT

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## Port Carbon Firemen's Relief Association Schuylkill County, Pennsylvania For the Period January 1, 2018 to December 31, 2019

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August 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Benjamin C. Schuettler, President  
Port Carbon Firemen's Relief Association  
Schuylkill County

We have conducted a compliance audit of the Port Carbon 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, 2019.

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 conclusions.

Due to a stay at home order issued by the Governor of the Commonwealth of Pennsylvania during the COVID-19 pandemic, we were unable to observe any of the relief association's original invoices to verify legitimacy.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2018 to December 31, 2019:

- 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 – Inadequate Signatory Authority For The Disbursement Of Funds And Failure To Adhere To Relief Association Bylaws/Constitution

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.

August 7, 2020



EUGENE A. DEPASQUALE  
Auditor General

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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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2018</u>	<u>2019</u>
Mechanicsville Borough	Schuylkill	\$1,809	\$1,944
Port Carbon Borough	Schuylkill	\$7,075	\$7,599

Based on the relief association’s records, its total cash as of December 31, 2019 was \$25,511, as illustrated below:

Cash	<u><u>\$ 25,511</u></u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2018 to December 31, 2019 were \$22,650, 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	<u>\$ 738</u>
Fire Services:	
Equipment purchased	\$ 12,310
Equipment maintenance	4,375
Training expenses	600
Total Fire Services	<u>\$ 17,285</u>
Administrative Services:	
Officer compensation	\$ 125
Other administrative expenses	4,237
Bond premiums	265
Total Administrative Services	<u>\$ 4,627</u>
 Total Expenditures	 <u><u>\$ 22,650</u></u>

<sup>1</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:

Goodwill Fire Company No. 1

PORT CARBON FIREMEN'S RELIEF ASSOCIATION  
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.



PORT CARBON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Inadequate Signatory Authority For The Disbursement Of Funds And Failure To Adhere To Relief Association Bylaws/Constitution**

Condition: During the current audit engagement, we identified ten checks out of 28 checks drawn on the relief association's checking account that only contained the signatures of the Treasurer and the prior President who is no longer in office, even though two current officers signatures are required by Act 118 and the relief association's bylaws. In addition, subsequent to the period under review, we identified four checks out of four checks that contained the prior President's signature. Issuing checks without the signature of two current officers negates the relief association's internal control over the disbursement process.

Furthermore, the relief association did not adhere to the relief association's bylaws/constitution. Their constitution states that the officers of the association shall consist of a President, Vice-President, Treasurer and Secretary; however, during the audit period, the relief association President also served as the Treasurer and Trustee.

Criteria: Section 7415(c)(3) of Act 118 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.

The relief association's bylaws at Article 3, Section 1a states, in part:

All checks. Are required to have two (2) signatures, first signatures are that of the President and second is that of the treasurer. If the President is not available, then the Vice President will sign.

In addition, the relief association's constitution at Article 3, Section 1 states, in part:

The officers of this association shall consist of a President, Vice-President, Treasurer and Secretary, who shall be elected annually at the annual meeting to be held on the 3<sup>rd</sup> Monday of January of each year.

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. Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

PORT CARBON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Cause: Relief association officials neglected to establish adequate internal control procedures that require the signatures of at least two current officers on all negotiable instruments and were unaware of the bylaw guidelines established by the relief association.

Effect: As a result of the relief association officer issuing checks with only one current officer's signature, assets were placed at greater risk as expenditures were being made without a second relief association current officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected. In addition, as a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two current officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. In addition, we recommend that the relief association officials review the bylaws governing their organization and follow those provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. 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. 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 only held five meetings during the current audit period, and the relief association's minutes did not address all of the financial-related transactions that occurred during the audit period. In addition, the meeting minutes were not signed by the secretary.

PORT CARBON FIREMEN'S RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

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.

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

Stated meetings. Of the association shall be held on the third Monday of every month at the headquarters of the Good Will Fire Co. No 1, directly after the Fire Co. regular monthly meeting.

Furthermore, the relief association's bylaws at Article 3, Section 3 states, in part:

The secretary shall keep a minute book in which shall be recorded the proceedings of the meetings of the association and the board of directors.

Cause: Relief association officials neglected to maintain detailed minutes of meetings as required by Act 118 and the relief association's bylaws.

Effect: Without 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 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.

PORT CARBON FIREMEN'S RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

Port Carbon Firemen's Relief Association Governing Body:

**Mr. Benjamin C. Schuettler**  
President/Treasurer/Trustee

**Mr. Gregory W. Schuettler**  
Vice President

**Mr. William C. Schuettler, Jr.**  
Secretary

**Mr. Randy F. Taylor**  
Trustee

**Mr. Michael A. Leibensperger**  
Trustee

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

**Ms. Nancy Roshannon**  
Secretary  
Mechanicsville Borough

**Ms. Luanne Mengle**  
Secretary  
Port 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).