

**MECHANICSVILLE VOLUNTEER FIREFIGHTERS  
RELIEF ASSOCIATION**

**SCHUYLKILL COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006 TO SEPTEMBER 23, 2010**

**Released March 2013**





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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 Mechanicsville Volunteer Firefighters Relief Association, herein referred to as Mechanicsville Volunteer Firefighters' 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 the volunteer firefighters' relief association. The relief association's bylaws define the specific operational procedures by which the volunteer firefighters' relief association conducts 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 the volunteer firefighters' relief association 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, which is or are recognized as providing the service to the municipality.

BACKGROUND (Continued)

The Mechanicsville Volunteer Firefighters' Relief Association was allocated state aid from the following municipality:

<u>Municipality</u>	<u>County</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Mechanicsville Borough	Schuylkill	\$2,485	\$2,514	\$2,581	\$2,342	*

\* On September 23, 2010, the Mechanicsville Volunteer Firefighters' Relief Association disbanded and transferred its monetary assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. As such, the relief association did not receive a state aid allocation in 2010, nor will it received any further state aid allocations.

The volunteer firefighters' relief association and the affiliated fire service organization were separate, legal entities. The Mechanicsville Volunteer Firefighters' Relief Association was affiliated with the Mechanicsville Hose Company.



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
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**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Mr. Michael G. Reno, President  
MECHANICSVILLE VOLUNTEER FIREFIGHTERS'  
RELIEF ASSOCIATION  
Schuylkill County

We have conducted a compliance audit of the Mechanicsville Volunteer Firefighters' 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, 2006 to September 23, 2010.

We conducted this compliance audit in accordance with *Government Auditing Standards* applicable to performance audits, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit results and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objective.

The objective of the audit was to determine if the volunteer firefighters' relief association received and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures.

Our audit was limited to the areas related to the objective identified above.

Volunteer firefighters' relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Mechanicsville Volunteer Firefighters' 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. In conducting our audit, we obtained an understanding of the volunteer firefighters' relief association's internal controls as they relate to the association's compliance with those requirements and that we considered to be significant within the context

of the audit objective, and assessed whether those significant controls were properly designed and implemented. Our audit procedures also included tests of documentary evidence supporting the Mechanicsville Volunteer Firefighters' Relief Association's recorded financial transactions, tests of the physical existence of inventories, interviews of selected officials and direct confirmation of the Mechanicsville Volunteer Firefighters' Relief Association's cash, investments, and certain other assets and liabilities as of September 23, 2010, with the custodians of the funds, debtors, creditors, and financial institutions to the extent necessary to satisfy the audit objective. Additionally, we performed procedures to provide a reasonable assurance of detecting instances of violations of legal and regulatory requirements or violations of provisions of contracts that are significant within the context of the audit objective.

The results of our audit, for the period January 1, 2006 to September 23, 2010, found the Mechanicsville Volunteer Firefighters' Relief Association did not, in all significant respects, receive and expend state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws and administrative procedures, as noted in the findings listed below and discussed in detail in the Findings and Recommendations section of this report. The results of our tests also indicated the Mechanicsville Volunteer Firefighters' Relief Association expended funds as presented in the Accompanying Expenditure Information. However, as of September 23, 2010, Mechanicsville Volunteer Firefighters' Relief Association disbanded and all remaining monetary assets were transferred to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations.

Finding No. 1 – Undocumented Expenditures

Finding No. 2 – Failure to Maintain Officer's Bond Coverage

Finding No. 3 – Inadequate Financial Record-Keeping System

Finding No. 4 – Failure to Maintain Minutes of Meetings

Finding No. 5 – Failure to Maintain a Complete and Accurate Equipment Roster

The contents of this report was discussed with the management of the Mechanicsville Volunteer Firefighters' Relief Association, on July 26, 2011. As a result of the transfer of Mechanicsville Volunteer Firefighters' Relief Association's monetary assets and equipment to Port Carbon and Pottsville Volunteer Firefighters' Relief Association, and Mechanicsville Borough's decision in 2010 to cease allocating state aid to Mechanicsville Volunteer Firefighters' Relief Association and began allocating state aid to Port Carbon and Pottsville Volunteer Firefighters' Relief Associations, Port Carbon and Pottsville relief association management should review this report and ensure that any needed corrective actions, as noted in this audit report, are implemented.

July 26, 2011

EUGENE A. DEPASQUALE  
Auditor General

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Undocumented Expenditures

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/04/06	1049	VFRA member	\$ 19
04/06/06	1050	Vendor	1,051
04/06/06	1051	VFRA member	150
06/01/06	1052	Vendor	508
06/04/06	1053	Vendor	6
09/05/06	1054	Vendor	219
09/05/06	1055	Vendor	337
10/20/06	1056	Vendor	122
01/23/07	1058	Vendor	922
05/27/07	1059	Vendor	200
10/03/07	1060	Vendor	565
10/20/07	1057	Vendor	1,000
02/08/08	1061	Vendor	139
02/08/08	1062	Vendor	385
02/08/08	1063	Vendor	120
06/19/08	1064	Vendor	46
06/19/08	1065	Vendor	614
01/01/09	1066	Vendor	1,880
01/07/09	1067	Vendor	178
01/14/09	1068	Vendor	178
01/15/09	1069	Vendor	189
01/15/09	1070	Vendor	<u>1,330</u>
Total			<u>\$ 10,158</u>

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), [FN1] known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

While copies of checks were obtained for all of the previously listed undocumented expenditures, no additional supporting documentation was provided. Without additional supporting documentation, such as invoices and detailed minutes of meetings, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, good business practices dictate that adequate supporting documentation be maintained to verify the propriety of all financial transactions.

Cause: Relief association officials failed to establish adequate internal control procedures to ensure adequate supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated.

Management's Response: Former Mechanicsville relief association management agreed with the finding as presented at the July 26, 2011 exit conference.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer of its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. We are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report so that they are made aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Port Carbon and Pottsville Volunteer Firefighters' Relief Associations ensure that documentation is maintained for all expenditures. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure to Maintain Officer's Bond Coverage

Condition: The relief association failed to maintain bond coverage on the disbursing officer as required by Act 118. The relief association's bond coverage lapsed on November 9, 2006.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(4) 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 were unaware of the Act 118 provisions regarding the maintenance of officer's bond coverage.

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

Management's Response: Former Mechanicsville relief association management agreed with the finding as presented at the July 26, 2011 exit conference.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. We are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report so that they are made aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Port Carbon and Pottsville Volunteer Firefighters' Relief Associations ensure that a performance bond sufficiently covers the authorizing disbursing officer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Inadequate Financial Record-Keeping System

Condition: The relief association's financial record-keeping system did not provide effective control over cash receipts, disbursements, and monetary assets, and did not meet the minimum requirements of maintaining financial records required by Act 118 or the minimum requirements established by this department. The following are the noted deficiencies:

- An inaccurate journal was maintained to record the receipts and disbursements of the relief association;
- Ledgers were not utilized to record the transactions of the relief association accounts; and
- Documentation to support various expenditures was not available for examination at the time of the audit.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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 were unaware of their various record-keeping responsibilities.

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

Management's Response: Former Mechanicsville relief association management agreed with the finding as presented at the July 26, 2011 exit conference.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer of its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. We are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report so that they are made aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Port Carbon and Pottsville Volunteer Firefighters' Relief Associations ensure that a financial record-keeping system is maintained that meets the minimum record-keeping requirements of this department. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Failure to Maintain Minutes of Meetings

Condition: The relief association failed to maintain minutes of meetings as required by Act 118. While the relief association's bylaws called for quarterly meetings, the relief association did not maintain any minutes for the current audit period.

Criteria: Act 118 at 35 Pa.C.S. § 7415(a) 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, Article 2, Section 1, of the relief association bylaws states:

. . . meetings shall be held quarterly four (4) times a year immediately following the March, June, September, and December company meetings.

Cause: Relief association officials were unaware that maintaining minutes of meetings was required by Act 118.

Effect: Without detailed minutes of meetings, verification that relief association business was presented before the membership for approval does not exist.

Management's Response: Former Mechanicsville relief association management agreed with the finding as presented at the July 26, 2011 exit conference.

Recommendation: No recommendation is deemed necessary due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer of its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. We are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report so that they are made aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Port Carbon and Pottsville Volunteer Firefighters' Relief Associations ensure that meeting minutes are maintained. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Failure to Maintain a Complete and Accurate Equipment Roster

Condition: The relief association officials failed to maintain a complete and accurate roster of equipment owned by the relief association. As a result of the incomplete and inaccurate equipment roster, we could not determine if all equipment owned by the Mechanicsville Volunteer Firefighters' Relief Association was transferred to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations at the time of the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association. The relief association previously maintained an equipment roster; however, no purchases since April 2005 were recorded. In addition, we could not determine whether the transfer of equipment was authorized by the Mechanicsville Volunteer Firefighters' Relief Association membership.

Criteria: Sound business practice dictates the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's fixed assets. A cumulative equipment roster of all relief association equipment should include the following:

- Types of equipment purchased;
- Dates of purchase;
- Unit costs;
- Names of suppliers;
- Serial numbers, if applicable;
- Current locations of items;
- Final dispositions of sold or damaged equipment; and
- Evidence of the performance and results of an annual physical inventory.

Cause: Relief association officials failed to establish adequate internal control procedures over fixed assets requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of fixed assets prevents adequate accountability for, and safeguarding of, relief association fixed assets.

Management's Response: Former Mechanicsville relief association management agreed with the finding as presented at the July 26, 2011 exit conference.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Recommendation: No recommendation is deemed necessary due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer of its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations. We are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report so that they are made aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit. We recommend that Port Carbon and Pottsville Volunteer Firefighters' Relief Associations ensure that a cumulative equipment roster of all relief association owned equipment is maintained and an annual physical inventory of all operable equipment is performed and documented. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
 ACCOMPANYING EXPENDITURE INFORMATION  
 FOR THE PERIOD JANUARY 1, 2006 TO SEPTEMBER 23, 2010

Act 118 at 35 Pa.C.S. § 7412 states: a volunteer firefighters' relief association is an organization formed primarily for the purpose of affording financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

Act 118 at 35 Pa.C.S. § 7416 authorizes the investment of relief association funds and outlines the types of benefits and services that can be provided with volunteer firefighters' relief association funds.

Furthermore, all expenditures must be properly authorized as prescribed in the volunteer firefighters' relief association bylaws and approved at an association meeting.

USES OF FUNDS:

Administrative Services:	
Miscellaneous administrative expenses	\$ 148
Total Administrative Services	\$ 148
Other Expenditures:	
Transfer of monetary assets*	\$ 4,801
Undocumented expenditures	10,158
Total Other Expenditures	\$ 14,959

\* Transfer of Monetary Assets

As of September 23, 2010, the Mechanicsville Volunteer Firefighters' Relief Association disbanded and transferred all monetary assets over to the Port Carbon (\$2,421) and Pottsville (\$2,380) Volunteer Firefighters' Relief Association.

Due to the dissolution of the Mechanicsville Volunteer Firefighters' Relief Association and the transfer of its assets to the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations, we are providing officials of the Port Carbon and Pottsville Volunteer Firefighters' Relief Associations copies of this report. The Port Carbon and Pottsville Volunteer Firefighters' Relief Associations should become aware of the conditions that were detected in the operations of the Mechanicsville Volunteer Firefighters' Relief Association during the course of our audit and ensure that any needed corrective actions, as detailed in this audit report, are implemented by their respective relief associations

MECHANICSVILLE VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Mechanicsville Volunteer Firefighters' Relief Association Governing Body:

Mr. Michael G. Reno, President  
Mr. Steve Wade, Jr., Vice President  
Mr. Brian Reno, Secretary  
Ms. Angela A. Ventresca, Treasurer

Pottsville Volunteer Firefighters' Relief Association Governing Body:

Mr. John M. Messner, Jr., President  
Mr. Jason G. Witmier, Vice President  
Mr. Gary W. Witmier, Secretary  
Mr. Joseph F. Spotts, III, Treasurer

Port Carbon Volunteer Firefighters' Relief Association Governing Body:

Mr. Michael E. Welsh, President  
Mr. Alan Zelinsky, Vice President  
Ms. Tara Welsh, Secretary  
Ms. A. Berniece Shirey, Treasurer

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

Ms. Beverly Riotto, Secretary  
Mechanicsville Borough

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).