

COMPLIANCE AUDIT

The Gilberton Borough Firemen's Relief Association of Pennsylvania Schuylkill County, Pennsylvania For the Period January 1, 2022, to December 31, 2023

June 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Frank Jackowiak, President
The Gilberton Borough Firemen's Relief
Association Of Pennsylvania
Schuylkill County

We have conducted a compliance audit of The Gilberton Borough Firemen's Relief Association of Pennsylvania (relief association) for the period January 1, 2022, to December 31, 2023. 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 findings 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 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.

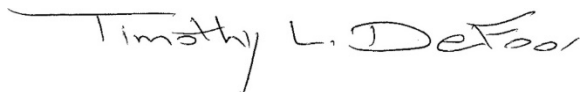
Based on our audit procedures, we conclude that, for the period January 1, 2022, to December 31, 2023:

- The relief association took appropriate corrective action to address five of the seven findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings section of this 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 – Noncompliance With Prior Audit Recommendation –
Inadequate Investment Records

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure
To Maintain A Pennsylvania Sales Tax Exemption Number

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
April 9, 2025

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania,¹ Section 403 of The Fiscal Code,² and the Volunteer Firefighters' Relief Association Act ("VFRA Act"),³ 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, commonly referred to as Act 205,⁴ 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 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.

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

<u>Municipality</u>	<u>County</u>	<u>2022</u>	<u>2023</u>
Gilberton Borough	Schuylkill	\$2,241	\$2,219

¹ Pa. Const. Art. VIII § 10.

² 72 P.S. § 403.

³ 35 Pa.C.S. § 7411 *et seq.*

⁴ 53 P.S. § 895.701 *et seq.*

BACKGROUND – (Continued)

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$22,703, as illustrated below:

Cash	\$ 20,980
Fair Value of Investments	<u>1,723</u>
Total Cash and Investments	<u>\$ 22,703</u>

Based on the relief association's records, its total expenditures for the period January 1, 2022, to December 31, 2023, were \$4,176, 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.⁵ **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>\$ 1,980</u>
Fire Services:	
Equipment maintenance	<u>\$ 1,860</u>
Administrative Services:	
Bond premiums	\$ 216
Other administrative expenses	<u>120</u>
Total Administrative Services	<u>\$ 336</u>
Total Expenditures	<u>\$ 4,176</u>

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:

American Hose Company No. 2

Continental Hose Company No. 3

⁵ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has complied with five of the seven prior audit findings and recommendations, as follows:

- Inadequate Relief Association Bylaws

By revising the relief association bylaws to meet the minimum requirements of the VFRA Act.

- Inadequate Financial Record-Keeping System

By establishing and maintaining a financial record-keeping system that allows the membership to effectively monitor the relief association's financial operations.

- Failure To Maintain Minutes Of Meetings

By maintaining detailed minutes of all relief association meetings held during the period.

- 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.

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The relief association has not complied with two of the seven prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Inadequate Investment Records

- Failure To Maintain A Pennsylvania Sales Tax Exemption Number

We are concerned by the relief association's failure to correct these previously reported audit findings. The relief association management should strive to implement the recommendations and corrective actions noted in this audit report.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inadequate Investment Records

Condition: As disclosed in prior audit reports, relief association officials did not maintain adequate records of investments purchased and sold, as well as the source of investment income. Specifically, some of the investment transactions were not recorded in the relief association's journal, nor were they identified in the minutes of the relief association's meetings. In addition, relief association officials failed to maintain investment statements for the investments held by the relief association.

Furthermore, according to the dividends and distribution statements, the relief association received \$161 in dividend proceeds during the current audit period and \$225 in total dividend proceeds from the prior two audit periods. However, only \$105 of the \$161 from the current audit period was deposited into a relief association account. Therefore, \$225 in dividends from the prior two audit periods and \$56 of the current audit dividends, totaling \$281, were not deposited into a relief association account.

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.

Additionally, sound accounting procedures for investment purchases and sales should include the recording of the following:

- Date of purchase or sale of the security
- Identification number of the security
- Rate of interest
- Date of receipt of interest income
- Source of investment income
- Date of maturity

Cause: The relief association officials did not provide a reason why adequate investment records were not maintained, recorded, or why investments were not disclosed during relief association meetings, why dividends were not deposited, or why the source of the investment income was not identified in the records.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: The continued failure to maintain an adequate record-keeping system for investment transactions prevents officials from effectively monitoring the relief association's financial position.

Recommendation: We again recommend that the relief association officials take the necessary steps to record all investments purchased and sold, and identify the source and amount of investment income, so that all investment transactions are sufficiently documented. In addition, the relief association officials should determine where the \$281 of dividends received were deposited during the prior and current audit periods and deposit these dividends into a relief association account. 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Condition: 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 May 29, 2005, and is no longer valid.

A similar condition was noted in our prior audit report.

Criteria: The following Pennsylvania law indicates that the relief association is a charitable corporation with the ability to obtain its own Pennsylvania sales tax exemption number issued by the Department of Revenue, to exempt from tax, the purchases made on behalf of the agency's charitable purposes. Additionally, misuse of an exemption number, such as using an invalid sales tax exemption number can lead to charges, imprisonment, fines, and/or costs.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

The VFRA Act states, in part, at Section 7415(e):

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.

The Pennsylvania Administrative Code states, in part, at Section 32.21:

Charitable, volunteer firemen's and religious organizations, and nonprofit educational institutions

(b) *Procedures for claiming exemption.* Use of the exemption shall conform with the following:

- (1) *Identity of purchaser or user.* The person claiming the exemption shall be an authorized agent or representative of the exempt organization, which is entitled to the exemption, and shall make the purchase in the name of and from funds of the exempt organization.
- (2) *Exemption numbers.* An organization desiring to qualify as an exempt organization shall file with the Department [of Revenue] a completed Application for Sales Tax Exempt Status form, together with related documentation and other information required by the Department. The Department will not consider the application unless the organization is actively performing the activities upon which it bases its claim for exemption. The Department will review the application and documents, and if in its opinion the activities of the organization qualify it as an exempt organization, will issue an exemption number, prefixed by the number "75," to the organization. The Department may issue an exemption number to the parent organization for use by member organizations. **Only organizations which are registered with the Department and hold an exemption number are permitted to make tax free purchases for use by the organization.** (Emphasis added.)
- (4) *Exemption certificates.* A purchase by an exempt organization shall be supported by a valid, properly executed Sales and Use Tax Exemption Certificate which is to be retained by the vendor.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

The Pennsylvania Administrative Code states, in part, Section 32.2:

Exemption certificates

(c) *Penalties for misuse of exemption certificates.* False or fraudulent statements made upon an exemption certificate by a person, whether a seller, lessor, buyer, lessee or a representative or agent of the persons, **is a misdemeanor, upon each separate conviction** of which the offender may be sentenced to imprisonment not exceeding 1 year, a fine not exceeding \$1,000, or both, together with costs of prosecution. In addition, severe civil penalties are provided by law for misuse of exemption certificates by any person. Reference should be made to section 268(b) of the TRC (72 P.S. § 7268(b)). (Emphasis added.)

Further, the use of a Pennsylvania Tax Exemption Certificate (also referred to as a REV-1220), requires the user of the certificate to attest by signing the certificate that the user has the legal authority to utilize the certificate, and that misuse could result in a fine and imprisonment.

Cause: Relief association officials indicated that they were unaware the relief association did not have a valid sales tax exemption number despite being notified of this condition in prior audits.

Effect: As a result of the relief association's continued failure to maintain its own active/valid sales tax exemption number during the current and prior audit periods, certain purchases are considered to be unauthorized expenditures. Additionally, the relief association may be required to pay Pennsylvania sales tax on these purchases since it is likely that the relief association is in violation of the Pennsylvania Sales and Use Tax Law. Misuse of an exemption number, such as using an expired sale tax exemption number, may result in the imposition of charges, imprisonment, fines up to \$1,000, and costs of prosecution. Furthermore, the relief association's future state aid allocations may be withheld if the relief association does not comply with the finding recommendation.

Recommendation: We again recommend that the relief association officials immediately discontinue the use of the expired sales tax exemption number. We further recommend that the relief association reapply for a Pennsylvania sales tax exemption number from the Department of Revenue and furnish an exemption certificate with its sales tax exemption number to all vendors from whom the relief association purchases equipment and/or services. Failure to take action to comply with the recommendation may result in the withholding of future state aid funds. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and has reapplied for a Pennsylvania sales tax exemption number.

Auditor's Conclusion: We have reviewed documentation from the Department of Revenue dated May 2, 2025, indicating that the relief association has applied for a sales tax exemption number and that additional information has been requested to complete the application process. The relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and during the next audit period.

THE GILBERTON BOROUGH FIREMEN'S RELIEF ASSOCIATION OF PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Gilberton Borough Firemen's Relief Association of Pennsylvania Governing Body:

Mr. Frank Jackowiak
President

Mr. Patrick McCabe
Vice President

Ms. Debra Jackowiak
Secretary

Ms. Mary Elizabeth Pastula
Treasurer

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

Ms. Deborah Malloy
Secretary
Gilberton 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.