

COMPLIANCE AUDIT

Denbo-Vesta Six Volunteer Firemen's Relief Association

Washington County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2024

July 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Chris Sheldon, President
Denbo-Vesta Six Volunteer Firemen's
Relief Association
Washington County

We have conducted a compliance audit of the Denbo-Vesta Six Volunteer Firemen's Relief Association (relief association) for the period January 1, 2021, to December 31, 2024. 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 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 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, 2021, to December 31, 2024:

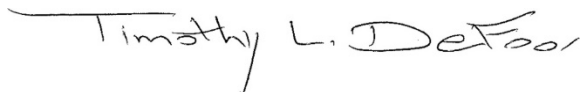
- The relief association did not take appropriate corrective action to address the finding contained in our prior audit report, as detailed below, and discussed in the Status of Prior Finding section of this report.
- The relief association, in all significant respects, complied with applicable state 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 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of Jointly Purchased Vehicles

Finding No. 3 – Unauthorized Expenditure

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
July 24, 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.

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)

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

<u>Municipality</u>	<u>County</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Centerville Borough	Washington	\$7,179	\$8,759	\$8,645	\$8,770

Based on the relief association's records, its total cash as of December 31, 2024, was \$12,665, as illustrated below:

Cash	<u>\$ 12,665</u>
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Based on the relief association's records, its total expenditures for the period January 1, 2021, to December 31, 2024, were \$28,740, 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>\$ 9,671</u>
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Fire Services:

Equipment purchased	\$ 7,987
Equipment maintenance	7,285
Training expenses	1,119
Total Fire Services	<u>\$ 16,391</u>

Administrative Services:

Bond premiums	\$ 571
Other administrative expenses	1,257
Total Administrative Services	<u>\$ 1,828</u>

Other Expenditures:

Unauthorized expenditure (See Finding No. 3)	<u>\$ 850</u>
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Total Expenditures	<u>\$ 28,740</u>
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⁵ 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:

Denbo-Vesta Six Volunteer Fire Company

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDING

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The 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:

- Failure To Maintain A Pennsylvania Sales Tax Exemption Number

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Pennsylvania Sales Tax Exemption Number**

Condition: The relief association again failed to maintain a Pennsylvania sales tax exemption number. Although the relief association did have its own sales tax exemption number, it expired on August 10, 2006, 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 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.

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

- (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 Pennsylvania Administrative Code states, in part, at 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.)

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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 had applied for a new PA sales tax exemption number but never received a new 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.

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 have reviewed documentation from the Department of Revenue dated July 24, 2025, indicating that a sales tax exemption number has been issued to the relief association.

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Failure To Deposit Proceeds From The Sale Of Jointly Purchased Vehicles

Condition: In 2004 and 2006, the relief association expended \$6,707 and \$20,000 respectively, towards the joint purchase of a 2006 tanker truck and a 2007 rescue truck. The total cost of the 2006 tanker truck and the 2007 rescue truck was \$208,951 and \$44,431, respectively. The relief association entered into joint purchase agreements with the affiliated fire company dated December 9, 2004, and November 11, 2006. The joint purchase agreements indicated that, if the vehicles were ever sold, the relief association would receive a pro-rata share of the proceeds of 3.21% for the 2006 tanker truck, and 45% for the 2007 rescue truck. In 2020 and 2021, both the 2006 tanker truck and the 2007 rescue truck were sold for \$205,000 and \$65,029, respectively. However, the relief association did not receive and deposit its pro-rata share of the proceeds from the sales.

Criteria: Prudent business practice dictates that the relief association should closely monitor the sale of all relief association owned vehicles to ensure that the proceeds from the sale of the vehicles are received and deposited timely into a relief association account.

Cause: Relief association officials executed joint purchase agreements with the affiliated fire company; however, the relief association failed to ensure that it received and deposited its pro-rata share of the proceeds of the sales of the jointly purchased vehicles.

Effect: Failure to receive and deposit the proceeds from the sale of jointly purchased vehicles can lead to greater risk that the relief association funds could be lost or misappropriated. In addition, the relief association was unable to use the funds for general operating expenses or for investment purposes.

Recommendation: We recommend that the relief association be reimbursed \$6,580 and \$29,263 for its pro-rata share of the proceeds from the sale of the jointly purchased vehicles. We also recommend the relief association officials establish accounting and internal control procedures to ensure that all proceeds resulting from the sale of jointly purchased vehicles are received and deposited timely into a relief association account. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference. As a result of our audit, the affiliated fire company reimbursed the relief association \$6,707 from the proceeds of the sale of the 2006 tanker truck. The relief association, per an agreement between the affiliated fire company and the relief association, received proceeds equal to its initial \$6,707 investment rather than its pro-rata share of the sales proceeds. In addition, the affiliated fire company reimbursed the relief association \$9,263 from the proceeds of the sale of the 2007 rescue truck. The remaining \$20,000, due to the relief association from the sale of the 2007 rescue vehicle, was credited toward a joint purchase agreement for the purchase of a 2022 mini-pumper with a total cost of \$347,615. The joint purchase agreement for the 2022 mini-pumper indicates that the relief association would receive 5.75% of the proceeds should the mini-pumper ever be sold.

Auditor's Conclusion: We reviewed documentation verifying the reimbursement of \$6,707 and \$9,263, and we reviewed the joint purchase agreement documenting the \$20,000 credit and the relief association's 5.75% pro-rata ownership interest in the 2022 mini-pumper.

Finding No. 3 – Unauthorized Expenditure

Condition: During the current audit period, the relief association expended \$850 for maintenance of a generator that is not owned by the relief association. The expenditure is not authorized under the VFRA Act.

Criteria: Section 7416(f) of the VFRA Act states:

The funds of any volunteer firefighters' relief association may be spent:

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service, including necessary training.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

DENBO-VESTA SIX VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

The cost associated with maintenance of a generator not owned by the relief association does not qualify as an authorized volunteer firefighters' relief association expenditure. Consequently, this disbursement is not authorized under the VFRA Act.

Cause: The relief association officials indicated that they were unaware that the expenditure for maintenance of a generator not owned by the relief association was not authorized by the VFRA Act.

Effect: As a result of the unauthorized expenditure, relief association funds were not available for investment purposes or to pay for expenditures authorized by the VFRA Act.

Recommendation: We recommend that the relief association be reimbursed \$850 for the unauthorized expenditure and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. 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 during the next audit.

DENBO-VESTA SIX 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

Denbo-Vesta Six Volunteer Firemen's Relief Association Governing Body:

Mr. Chris Sheldon
President

Ms. Rosalie Paci Miller
Secretary

Mr. Vince Pascarell
Treasurer

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

Ms. Carrie A. Kondratiuk
Secretary
Centerville 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.