

COMPLIANCE AUDIT

President Township Firemen's Relief Association

Venango County, Pennsylvania

For the Period

January 1, 2023, to December 31, 2024

December 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. James K. Marshall, President
President Township Firemen's
Relief Association
Venango County

We have conducted a compliance audit of the President Township Firemen's Relief Association (relief association) for the period January 1, 2023, 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.

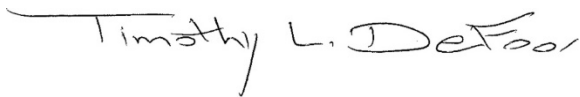
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2023, 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.
- Because of the significance of the matter described in the finding below and discussed later in this report, the relief association did not, in all significant respects, comply 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, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding – Noncompliance With Prior Audit Recommendation – Failure To Obtain A Pennsylvania Sales Tax Exemption Number

The contents of this report were discussed with the management of the relief association and, where appropriate, their response has 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
December 3, 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)

During our audit of the relief association, officials indicated that, due to financial and manpower constraints, the relief association is considering dissolution and merger with another volunteer firefighter’s relief association. Prudent business practice dictates that relief associations contemplating dissolution and merger should retain legal counsel to ensure compliance with applicable laws and regulations governing non-profit charitable organizations, and to safeguard all benefits owed to active and former association members.

If dissolution and merger are pursued, the remaining relief association members must convene a meeting to formally approve both the dissolution and merger, as well as the disposition of assets. In most cases, all equipment and monetary assets of the dissolving relief association are transferred to the newly established or existing relief association affiliated with the new or existing volunteer fire company.

To prepare for dissolution and merger, the relief association should compile a complete and accurate listing of all monetary assets and equipment to be transferred. A physical inventory of all equipment should be conducted to support the accuracy of this listing.

Following approval of the dissolution and merger, the relief association should obtain a signed receipt from the recipient relief association documenting the transfer of the monetary assets and equipment. This receipt serves as verification of the assets transferred. The equipment then becomes assets of the recipient relief association and should be recorded on its equipment roster.

Additionally, following approval of the dissolution and merger, relief association officials should contact this Department to schedule a final audit. The receipt and transfer of equipment and monetary assets will be verified during the audit of the recipient association.

As of the date of this report, the relief association has not made a formal commitment to dissolve and merge with another relief association.

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

<u>Municipality</u>	<u>County</u>	<u>2023</u>	<u>2024</u>
President Township	Venango	*	*

* During the current audit period, the relief association did not receive an allocation of state aid from President Township. Municipalities have sole discretion to distribute their annual allocation of state aid received to any relief association providing fire service to the municipality.

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2024, was \$12,184, as illustrated below:

Cash	<u>\$ 12,184</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2023, to December 31, 2024, were \$1,144, 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>\$ 936</u>
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Administrative Services:

Bond premiums	<u>\$ 208</u>
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Total Expenditures	<u>\$ 1,144</u>
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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:

President Township Volunteer Fire Department

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

PRESIDENT TOWNSHIP 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 Finding and Recommendation section of this report:

- Failure To Obtain 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.

PRESIDENT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Noncompliance With Prior Audit Recommendation – Failure To Obtain A Pennsylvania Sales Tax Exemption Number

Condition: The relief association failed to obtain a Pennsylvania sales tax exemption number. The relief association relies on the use of another entity's sales tax exemption number. No sales tax payments were made during the current audit period.

A similar condition was noted in two prior audit reports.

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 another entity's 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.

PRESIDENT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (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, 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 misuse could result in a fine and imprisonment.

PRESIDENT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: The relief association has not obtained a sales tax exemption number despite being notified of this condition during our prior audit period. The relief association continues to rely on the use of another entity's sales tax exemption number. Additionally, the relief association officials noted that because the municipality shut down the fire department, the relief association did not make any significant purchases during the current audit period.

Effect: As a result of the relief association's continued failure to obtain its own active/valid sales tax exemption number and use of another entity's tax exemption number during the current audit period, 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 issued exemption number, such as using another entity's sales 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 until the relief association complies with the finding recommendation.

Recommendation: We again recommend that the relief association officials immediately discontinue the use of another entity's sales tax exemption number. We further recommend that the relief association apply for a Pennsylvania sales tax exemption number from the Department of Revenue and furnish an exemption certificate with its own 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: Due to the potential withhold of state aid, 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 of the relief association.

PRESIDENT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

A condition of a repeat finding such as that reported by the finding contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this Department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

PRESIDENT TOWNSHIP FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

President Township Firemen's Relief Association Governing Body:

Mr. James K. Marshall
President

Ms. Sandra J. Machokas
Secretary

Mr. Frank A. Machokas
Treasurer

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

Ms. Janet Beichner
Secretary
President Township

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.