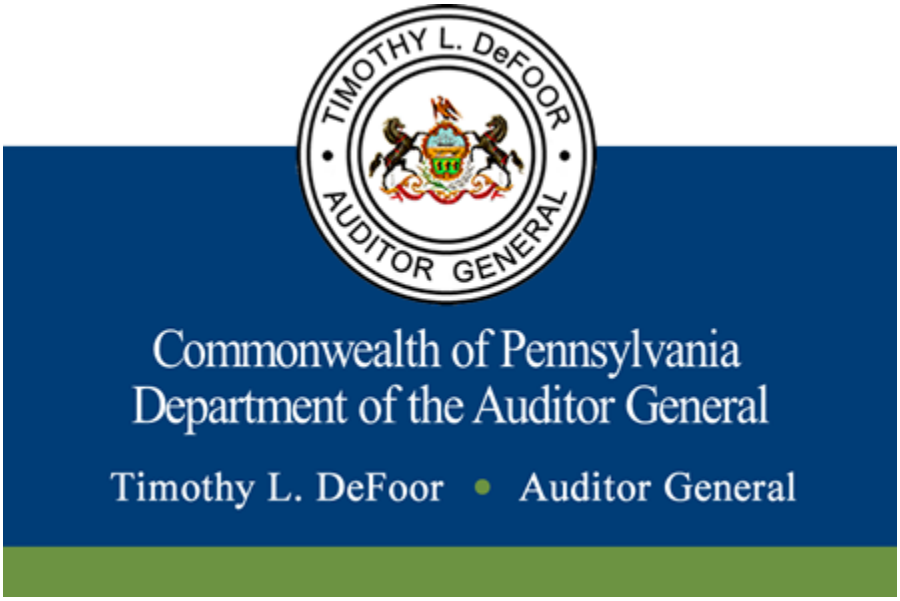
COMPLIANCE AUDIT

Shenango Area Fire District Relief Association

Lawrence County, Pennsylvania

For the Period
January 1, 2023, to December 31, 2025

September 2026



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TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Joe Gause, President
Shenango Area Fire District Relief
Association
Lawrence County

We have conducted a compliance audit of the Shenango Area Fire District Relief Association (relief association) for the period January 1, 2023, to December 31, 2025. 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, 2025:

- The relief association took appropriate corrective action to address the finding contained in our prior audit report.

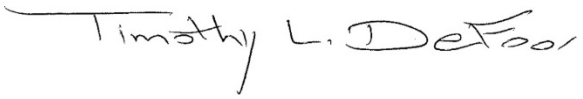
- The relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, except as noted in the findings listed below and discussed later in this report.

  Finding No. 1 – Insufficient Surety (Fidelity) Bond Coverage

  Finding No. 2 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

  Finding No. 3 – Failure To Update Relief Association Bylaws

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 30, 2026

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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:

Municipality	County	2023	2024	2025
Shenango Township	Lawrence	$41,092	$42,108	$44,510

As of December 31, 2025, based on the relief association's records, its total cash, was $330,423.

Based on the relief association's records, its total expenditures for the period January 1, 2023, to December 31, 2025, were $0.

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:

Shenango Area Fire Department

SHENANGO AREA FIRE DISTRICT 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:

- Unauthorized Expenditures

  By receiving reimbursement of $30,555 from the affiliated fire company for the unauthorized expenditures made in the prior audit period.

Finding No. 1 – Insufficient Surety (Fidelity) Bond Coverage

Condition: During the audit period, the relief association did not maintain sufficient surety (fidelity) bond coverage on its authorized disbursing officer necessary to cover the relief association's maximum cash balance. The relief association's surety (fidelity) bond coverage amount was $200,000. However, during the majority of the audit period, the relief association's maximum cash balance exceeded the surety bond coverage.

Criteria: Section 7415(c)(4) of the VFRA Act 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.

In addition, Article VII, Section 2 of the relief association's bylaws state:

> The association shall maintain an officer's bond on the treasurer. 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.

Cause: Relief association officials indicated they were unaware of the surety bond coverage amount. Consequently, during the audit period, they did not monitor the relief association's maximum cash balance and bond coverage amount to ensure compliance with the provisions of the VFRA Act.

Effect: As a result of the insufficient surety (fidelity) bond coverage on the authorized disbursing officer of the relief association, the relief association's maximum cash balance during the audit period was not adequately safeguarded in the event the disbursing officer commits a wrongful or fraudulent act. Additionally, without sufficient surety bond coverage, the relief association is not in compliance with the VFRA Act and its bylaws.

Finding No. 1 – (Continued)

Recommendation: We recommend that the relief association ensure that its surety (fidelity) bond on the relief association's authorized disbursing officer sufficiently covers the relief association's maximum cash balance as required by the VFRA Act and its bylaws. This requirement may be accomplished by increasing the surety (fidelity) bond coverage on the relief association's authorized disbursing officer to an amount greater than the expected maximum cash balance of the relief association, or by decreasing the relief association's maximum cash balance through a transfer of funds to an authorized investment account. In addition, relief association officials should monitor the relief association's cash balance to ensure that unexpected events affecting the relief association's current funds do not again result in insufficient surety (fidelity) bond coverage on the relief association's authorized disbursing officer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management Response: Relief association management agreed with the finding as presented at the audit exit conference. As a result of our audit, the relief association increased its surety bond coverage to $450,000 on February 26, 2026.

Auditor's Conclusion: We reviewed documentation verifying that the surety bond coverage was increased to $450,000 effective February 26, 2026. Compliance for sufficient surety bond coverage during the next audit period will be subject to verification.

Finding No. 2 – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Condition: The relief association failed to maintain a Pennsylvania sales tax exemption number. The relief association had its own sales tax exemption number; however, in April 2021 when the relief association merged with South New Castle Relief Association and changed its name, the relief association's sales tax exemption number was no longer valid.

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.

Finding No. 2 – (Continued)

Section 7415(e) of the VFRA Act states, in part:

> 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.

Section 32.21 of the Pennsylvania Administrative Code states, in part:

> 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.

Finding No. 2 – (Continued)

Section 32.2 of the Pennsylvania Administrative Code states, in part:

> 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.

Cause: The relief association believed the application for the new sales tax exemption number, after the relief association name change, had been taken care of and did not realize that the previous sales tax exemption number was no longer valid.

Effect: As a result of the relief association's failure to maintain its own active/valid sales 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 an expired 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 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 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.

Finding No. 2 – (Continued)

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 period.

Finding No. 3 – Failure To Update Relief Association Bylaws

Condition: In the prior audit period, a verbal observation was communicated to the relief association noting that the existing bylaws contained outdated language related to conducting business based on Act 84 of June 11, 1968, rather than the VFRA Act. No corrective action was taken in regard to the matter in the current audit period.

Criteria: Prudent business practice dictates that the relief association should update its bylaws to ensure that the relief association conducts its affairs in compliance with the VFRA Act.

Cause: The relief association officials stated that they were unaware that the bylaws needed to be updated to comply with the VFRA Act.

Effect: As a result of the relief association not updating its bylaws, the relief association may not have conducted its affairs in compliance with the VFRA Act.

Recommendation: We recommend that the relief association officials review and update the bylaws governing its organization and ensure it conducts its affairs in compliance with the VFRA Act. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management 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.

SHENANGO AREA FIRE DISTRICT RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Shenango Area Fire District Relief Association Governing Body:

Mr. Joe Gause
President

Mr. Bobby Belles
Vice President

Mr. William Fulmer
Secretary

Mr. David Rishel
Treasurer

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

Mr. Albert D. Burick, III
Secretary
Shenango 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.