

COMPLIANCE AUDIT

The Independence Township Volunteer Fire Department Relief Association

Beaver County, Pennsylvania

For the Period

January 1, 2021, to December 31, 2023

September 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Mr. Nathan Beam, President
The Independence Township Volunteer
Fire Department Relief Association
Beaver County

We have conducted a compliance audit of The Independence Township Volunteer Fire Department Relief Association (relief association) for the period January 1, 2021, 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.

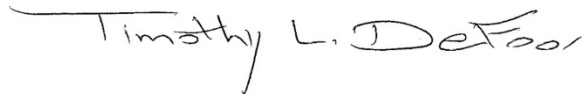
Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief association funds complies with applicable state laws, contracts, bylaws, and administrative 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, 2021, to December 31, 2023:

- The relief association took appropriate corrective action to address the findings 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 finding listed below and discussed later in this report.

Finding – Failure To Maintain A Pennsylvania Sales Tax Exemption Number
And Payment Of Pennsylvania Sales Tax

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
August 15, 2024

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), 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 Law³ (commonly referred to as Act 205) 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>2021</u>	<u>2022</u>	<u>2023</u>
Independence Township	Beaver	\$11,982	\$13,772	\$13,693

¹ 72 P.S. § 403 (as last amended by Act 44 of 2017).

² 35 Pa.C.S. § 7411 *et seq.* See specifically, 35 Pa.C.S. § 7418 (amended by Act 91 of 2020).

³ 53 P.S. § 895.701 *et seq.* (Act 205 of 1984, as amended by Act 119 of 1990).

BACKGROUND – (Continued)

Based on the relief association’s records, its total cash as of December 31, 2023, was \$22,420, as illustrated below:

Cash	<u>\$ 22,420</u>
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Based on the relief association’s records, its total expenditures for the period January 1, 2021, to December 31, 2023, were \$40,297, 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.⁴ **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>\$ 13,645</u>
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Fire Services:

Equipment purchased	\$ 9,478
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Equipment maintenance	14,942
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Training expenses	<u>1,761</u>
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Total Fire Services	<u>\$ 26,181</u>
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Administrative Services:

Bond premiums	<u>\$ 300</u>
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Other Expenditures:

Unauthorized sales tax paid – See Finding	\$ 125
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Unauthorized expenditure *	<u>46</u>
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Total Other Expenditures	<u>\$ 171</u>
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Total Expenditures	<u>\$ 40,297</u>
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* During calendar year 2023, the relief association was charged \$46 of unauthorized charges on their debit card that were not authorized under the VFRA Act. We disclosed these issues to relief association officials on April 16, 2024. A finding for the \$46 was not included in the report due to the low dollar amount.

⁴ 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:

Independence Township Volunteer Fire Department

INDEPENDENCE TOWNSHIP VOLUNTEER FIRE DEPARTMENT
RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unable To Provide Appropriate Ownership Of Rescue Vehicle

By providing the appropriate title to the rescue vehicle in the name of the relief association.

- Improper Equipment Donation Transaction

By determining the fair value of the donated vehicle and obtaining reimbursement from the affiliated fire department.

INDEPENDENCE TOWNSHIP VOLUNTEER FIRE DEPARTMENT
RELIEF ASSOCIATION
FINDING AND RECOMMENDATION

Finding – Failure To Maintain A Pennsylvania Sales Tax Exemption Number And Payment Of Pennsylvania Sales Tax

Condition: As cited as verbal observations in previous audits, 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 September 30, 2009, and is no longer valid.

In addition, the relief association paid \$125 of Pennsylvania sales tax to vendors from which the relief association purchased equipment. These payments would not have been required if the relief association had provided its sales tax exemption number to the vendor.

Criteria: Section 7415(e) of the VFRA Act states:

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.

Cause: Relief association officials indicated that they were unaware that its sales tax exemption number from the Department of Revenue had expired and the necessity to provide their sales tax exemption number to all vendors which the relief association purchases equipment.

Effect: As a result of the relief association's continued failure to maintain a sales tax exemption number and provide its sales tax number to all vendors, the relief association was required to pay Pennsylvania sales tax on their purchases, which ultimately reduced the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We recommend that the relief association officials immediately reapply for a new state sales tax exemption number from the Department of Revenue and furnish this exemption number to all vendors from whom the relief association purchases equipment. In addition, we recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$125, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeals. Furthermore, we recommend that, in the future, relief association officials maintain its state sales tax exemption number. 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 through our next audit.

INDEPENDENCE TOWNSHIP VOLUNTEER FIRE DEPARTMENT
RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Independence Township Volunteer Fire Department Relief Association Governing Body:

Mr. Nathan Beam
President

Mr. Mark New
Treasurer

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

Ms. Debra J. Shaffer
Secretary
Independence 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.