

# COMPLIANCE AUDIT

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## Firemen's Union and Relief Association of Norristown Montgomery County, Pennsylvania For the Period January 1, 2017 to December 31, 2019

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March 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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TIMOTHY L. DEFOOR  
AUDITOR GENERAL

Mr. Wayne Kinsey, Jr., President  
Firemen's Union and Relief Association  
of Norristown  
Montgomery County

We have conducted a compliance audit of the Firemen's Union and Relief Association of Norristown (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2017 to December 31, 2019.

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 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.

We were not able to obtain an independent confirmation of a portion of the cash balance and a portion of the investment balance directly from the financial institution. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2019, the relief association had a cash balance of \$998,095 and an investment balance with a fair value of \$1,014,376, we were not able to verify portions of those cash and investment balances.

Based on our audit procedures, we conclude that, for the period January 1, 2017 to December 31, 2019:

- The relief association did not take appropriate corrective action to address the findings contained in our prior audit report, as detailed below and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matters described in the findings below and discussed later in this report and the effects, if any, of the matter described in the preceding paragraph, 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 No. 1 – Noncompliance With Prior Audit Recommendation –  
Unauthorized Expenditures

Finding No. 2 – Noncompliance With Prior Audit Recommendation –  
Undocumented Expenditures

Finding No. 3 – Failure To Secure Ownership Interest In Jointly Purchased  
Equipment

Finding No. 4 – Failure To Monitor Cash Activity

Finding No. 5 – Failure To Adhere To Relief Association Bylaws

Finding No. 6 – Inadequate Internal Controls

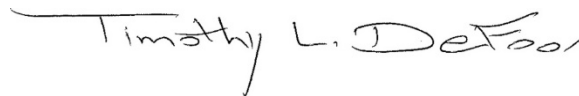
Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment  
Roster

The seven findings contained in this report cite conditions that existed in the operation of the relief association during the current audit period. We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

We have also issued the observation below as detailed in the Observation section of this report.

Observation – FDIC Coverage Limits Exceeded

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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal flourish at the beginning.

Timothy L. DeFoor  
Auditor General

February 24, 2021

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## BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, 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, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (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.

Act 118 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, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, 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 association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the 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.

**BACKGROUND – (Continued)**

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

<u>Municipality</u>	<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Norristown Borough	Montgomery	\$131,880	\$120,501	\$112,624

Based on the relief association’s records, its total cash and investments as of December 31, 2019 were \$2,204,200. However, the relief association’s records did not include \$86,131 of a cash account that was escheated, which is described in Finding No. 4 of this report.\* The actual value of the relief association’s cash and investments, including the escheated cash amount, is shown below:

Cash	\$ 1,084,226*
Fair Value of Investments	1,014,376
Book Value of Other Investments	<u>191,729</u>
Total Cash and Investments	<u>\$ 2,290,331</u>

## BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2017 to December 31, 2019 were \$860,177, 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.<sup>1</sup> **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	\$ 89,022
Death benefits	76,000
Relief benefits	603
Tokens of sympathy and goodwill	52
Total Benefit Services	<u>\$ 165,677</u>
Fire Services:	
Equipment purchased	\$ 250,628
Equipment maintenance	43,399
Training expenses	72,520
Fire prevention materials	9,891
Total Fire Services	<u>\$ 376,438</u>
Administrative Services:	
Officer compensation	\$ 26,100
Other administrative expenses*	40,142
Bond premiums	2,519
Total Administrative Services	<u>\$ 68,761</u>
Total Investments Purchased	<u>\$ 235,000</u>
Other Expenditures:	
Undocumented expenditures	\$ 4,091
Unauthorized expenditures	10,210
Total Other Expenditures	<u>\$ 14,301</u>
Total Expenditures	<u><u>\$ 860,177</u></u>

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<sup>1</sup> Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.



## **BACKGROUND – (Continued)**

\* A portion of the other administrative expenses represents accounting services in the amount of \$17,400, legal services in the amount of \$1,150 and rent paid to two of the five affiliated fire companies in the amount of \$12,000.

The volunteer firefighters' relief association and the affiliated fire service organizations are separate, legal entities. The relief association is affiliated with the following fire service organizations:

Fairmount Fire Company

\*Hancock Fire Company

Humane Fire Company

\*Montgomery Hose Fire Company

Norristown Hose Fire Company

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
STATUS OF PRIOR FINDINGS

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unauthorized Expenditures

Although the relief association received partial reimbursement of \$1,625 from the affiliated fire companies for the unauthorized expenditures that were made in the prior audit period, the relief association again expended funds in the current audit period that were not authorized by Act 118 as further disclosed in Finding No. 1 of this report.

- Undocumented Expenditures

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

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Unauthorized Expenditures**

Condition: As disclosed in our prior three audit reports, the relief association expended \$2,500 for grant writing services which is not considered authorized by Act 118. During the audit period, the relief association received partial reimbursement from the affiliated Fire Companies, however, \$625 remains unreimbursed. In addition, the relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
01/17/18	Debit card	Training expenses for career staff	\$ 1,135
01/18/18	Debit card	Training expenses for career staff	855
02/23/18	Debit card	Training expenses for career staff	510
02/23/18	Debit card	Training expenses for career staff	25
03/14/18	Debit card	Training expenses for career staff	487
03/27/18	977	Training expenses for career staff	450
03/27/18	978	Training expenses for career staff	450
04/16/18	Debit card	Training expenses for career staff	1,207
05/29/18	992	Training expenses for career staff	2,033
07/04/18	1002	Training expenses for career staff	120
10/24/18	Debit card	Donation (Charitable Organization)	1,000
04/01/19	Debit card	Training expenses for career staff	1,488
04/01/19	1050	Training expenses for career staff	450
Total			<u>\$ 10,210</u>

Criteria: Section 7416(f) of Act 118 states:

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

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
  
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Costs associated with training of career (paid) firefighters and charity donations do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief officials were unaware that the expenditures were not authorized.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 118. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association be reimbursed \$10,835 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of Act 118 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 did not agree with the finding as presented at the audit exit conference, in part, and indicated in their response that for all expenditures that mention career staff, a review of the actual expense details and invoices identified two career staff members that are also identified on the membership rosters from the prior audit period. In addition, relief officials indicated that all members of the relief association member organizations carry the same privileges regardless of employment status and that they are of the opinion that the expenses were incurred appropriately under current relief association guidelines published by the state of Pennsylvania. Relief officials also indicated the donation of \$1,000 was made in honor of their former solicitor who passed away.

Auditor's Conclusion: Act 118 of 2010 does not authorize expenditures to be paid for paid/career firefighters, nor does the act permit for the expenditure of state aid funds to be paid as a donation to charitable organizations. Therefore, the audit finding stands as stated. 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 through our next audit of the relief association.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Undocumented Expenditures**

Condition: The relief association was unable to provide adequate supporting documentation for the following expenditures made during the prior audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/07/14	Debit card	Debit card expenditure	\$ 137
04/26/14	684	Legal services	184
05/22/14	Debit card	Postage	115
10/27/16	Debit card	PFESI dinner	1,200
Subtotal			<u>\$ 1,636</u>

In addition, the relief association was unable to provide adequate supporting documentation for the following expenditures made during the current audit period:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
03/29/17	905	Training expense	60
03/29/17	906	Training expense	189
03/29/17	907	Training expense	189
03/29/17	908	Training expense	431
11/10/17	Debit card	Training expense	1,200
01/19/18	Debit card	Equipment vendor	238
01/19/18	Debit card	Equipment vendor	43
01/23/18	964	Training expense	557
03/27/18	975	Training expense	347
03/27/18	976	Training expense	128
03/27/18	980	Training expense	259
04/01/19	1048	Training expense	450
Subtotal			<u>\$ 4,091</u>
Total			<u>\$ 5,727</u>

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

Cause: The relief association officials did not provide a reason for why this occurred despite being notified of this condition during our prior audit.

Effect: Lack of supporting documentation, such as invoices, itemized receipts and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Section 7416(f) of Act 118. In addition, the failure to maintain adequate supporting documentation for relief association expenditures can lead to an increased risk of errors occurring and funds being misappropriated. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials provide this department with adequate supporting documentation, such as invoices and/or itemized receipts, to ensure the propriety of the expenditures or that the relief association be reimbursed \$5,727 for the undocumented expenditures. We also recommend that the relief association officials maintain supporting documentation for all 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 did not agree with the finding as presented at the audit exit conference, in part, and subsequently provided our auditors with documentation for five debit card transactions and requested those items be removed from the draft finding that was provided to the relief association.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Auditor's Conclusion: After our review of the documentation submitted by the relief association after the exit conference for five undocumented debit card transactions we determined that the additional documentation submitted by the relief association was sufficient to support three of the five debit card transactions, and as such, we removed these three transactions from the finding. In addition, 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 through our next audit of the relief association.

**Finding No. 3 – Failure To Secure Ownership Interest In Jointly Purchased Equipment**

Condition: The relief association expended \$90,404 on equipment without properly securing its ownership interest, as detailed below:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
02/28/18	970	Sprinkler system at Fairmount Engine Company	\$ 27,272
08/28/18	1010	SCBA purchase with Municipality of Norristown	30,681
01/29/19	1029	Sprinkler system at Montgomery Hose Fire Company	<u>32,451</u>
Total			<u>\$ 90,404</u>

Criteria: Section 7418(a) of Act 118 states:

The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the Act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

Prudent business practice dictates that the relief association should secure its proportional ownership interest in the equipment purchased by executing a formal written agreement that enumerates the relief association's proportional share of the cost of the equipment. Such agreement shall specify that the relief association shall receive its prorated share of the proceeds upon sale of the equipment, in the event the equipment is ever sold.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: It appears that relief officials were not aware that an agreement should be made to protect their ownership interest in jointly purchased equipment; however, the relief association officials did not provide a specific reason for why this occurred.

Effect: The failure to adequately secure the proportional share of ownership interest in the equipment for which relief association purchased equipment places the relief association's ownership interest at greater risk. Furthermore, the relief association's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the relief association officials execute formal written agreements with the fire companies and the municipality that enumerates the relief association's proportional ownership interest in the equipment as well as stipulating that the proportionate sales proceeds shall revert to the relief association in the event the equipment is ever sold. If such action is not taken, we recommend that the relief association be reimbursed \$90,404. 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 through our next audit of the relief association.

**Finding No. 4 – Failure To Monitor Cash Activity**

Condition: Relief association officials failed to monitor their cash activity. Specifically, on March 7, 2019, a checking account was considered dormant and was escheated to the Pennsylvania Department of Treasury. As of the last checking account statement dated March 31, 2019, the stated balance of the checking account was \$86,131. The relief association was unaware of this condition prior to the conduct of this audit engagement.

Criteria: The relief association's governing body has ultimate authority and the fiduciary responsibility for the financial management of relief association's funds which includes an obligation to monitor the activity of the relief association's cash assets on a periodic basis which is a prerequisite for sound administration of relief association accounts.



FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 4 – (Continued)**

Cause: Relief officials were not aware that such accounts with no activity could be escheated.

Effect: The relief association's failure to adequately monitor their cash activity resulted in a potential loss of funds to pay general operating expenses or for other investment purposes and any future interest income from this account.

Recommendation: We recommend the relief association contact the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury to obtain the funds from their dormant checking account. In addition, the management of the relief association should monitor all future cash and investments to ensure they are maximizing their investment return and safeguarding their asset from loss. 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.

**Finding No. 5 – Failure To Adhere To Relief Association Bylaws**

Condition: The relief association did not adhere to numerous provisions in the relief association's bylaws. Specifically, the relief association paid officers' salaries in amounts that exceeded the amounts established in their bylaws.

Criteria: The relief association's bylaws stipulate the following:

Article 4, Section 4.3 – ...For the faithful discharge of his duties, he (Secretary) shall receive gratuity of \$2,400, to be paid one-half in June and one-half in December.

Article 4, Section 4.4 – ...For the faithful discharge of his duties, he (Treasurer) shall receive gratuity of \$2,400, to be paid one-half in June and one-half in December.

Article 4, Section 4.5 – ...For the faithful discharge of his duties, he (Assistant Treasurer/Secretary) shall receive a gratuity of \$1,200, payable in one-half in June and one-half in December.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 5 – (Continued)**

Furthermore, prudent business practice dictates that the relief association should adhere to all provisions stipulated in the relief association's bylaws to ensure that the relief association conducts its affairs with proper authorization.

Cause: Relief officials believed the changes to the dollar amounts of officers' salaries noted in the relief association meeting minutes was sufficient and were unaware that the relief association bylaws should also reflect the compensation changes.

Effect: As a result of the relief association not following the mandatory provisions stipulated in the bylaws, the relief association may have conducted its affairs without proper authorization.

Recommendation: We recommend that the relief association officials review the bylaws governing their organization and establish guidelines and procedures to meet the provisions contained in the bylaws in order to assure that the association conducts its affairs with proper authorization. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management did not agree with the finding as presented at the audit exit conference and indicated that they believed the payments were correctly made since they were noted in the relief association's meeting minutes.

Auditor's Conclusion: Relief association bylaws should be updated to reflect current officer compensation to be disbursed to its members so as to properly authorize the disbursement of the payment per Act 118 requirements. Therefore, the finding remains as stated. Compliance will be subject to verification through our next audit.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – Inadequate Internal Controls**

Condition: The relief association has failed to establish adequate internal controls. The following conditions noted during the current audit period are indicative of internal control weaknesses:

- Journal for debit card account did not contain all payees.
- Failure to monitor cash account (Finding No. 4).
- Unauthorized and Undocumented Expenditures (Findings No. 2 and 3).
- Debit card was used to pay for a personal expense that totaled \$470.50, which was reimbursed to the relief association prior to the beginning of the audit.
- Food was purchased for training but the relief association's documentation for the training did not include participant sign-in sheets, which would have provided support for the food purchase.
- \$527 was returned to the relief association for funds not used at training, but was not deposited as of February 24, 2021.
- Sales tax was paid when making debit card purchases.

Criteria: Section 7415(a) of Act 118 states, in part, that the relief association:

... 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.

In addition, prudent business practice dictates that:

- Payee should be documented for each expenditure on the journal.
- Cash accounts should be monitored for activity.
- Debit card should be used for relief association business only.
- Deposits should be made timely.
- Training records should be maintained to support the propriety of the expenditure.
- Vendors should be furnished with the PA Sales Tax Exemption Number.

Cause: The relief association officials did not provide a reason for why this occurred.

Effect: The failure to establish adequate internal controls prevented the relief association from adequately safeguarding its assets and prevented the verification as to whether relief association business was presented before the membership for discussion and approval. Furthermore, the lack of effective internal controls places the relief association funds at greater risk for misappropriation.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 6 – (Continued)**

Recommendation: We recommend that the relief association officials adopt internal control procedures which will require the following:

- Payees are documented on all journals.
- Cash and investment account activity is monitored.
- Debit cards are used for relief association business only.
- All deposits are made timely.
- Evidence of training documentation and records should be maintained.
- Vendors are furnished with the relief association's PA Sales Tax Exemption Number so the payment of sales tax does not occur.

For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTER'S RELIEF ASSOCIATION.

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.

**Finding No. 7 – Failure To Maintain A Complete And Accurate Equipment Roster**

Condition: The relief association failed to maintain a complete and accurate roster of equipment owned by the relief association. Although a listing of relief association owned equipment was provided during the current audit period, this listing was incomplete and did not accurately identify all of the equipment owned by the relief association. In addition, the listing did not contain the cost of equipment and the names of the suppliers (vendors) for all equipment. As such, it was impossible to determine if all equipment purchased during the audit period in the amount of \$250,194 was recorded. Furthermore, there was no indication that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – (Continued)**

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a cumulative equipment roster of all items purchased by the relief association in order to provide an effective accounting control over the relief association's equipment. A cumulative equipment roster of all relief association equipment should include all of the following:

- Types of equipment purchased
- Dates of purchase
- Unit costs
- Names of suppliers
- Serial numbers, if applicable
- Current locations of items
- Final dispositions of sold or damaged equipment
- Evidence of the performance and results of an annual physical inventory

Cause: The relief association officials did not provide a reason for why this occurred.

Effect: The failure to properly record equipment purchases in a detailed equipment roster prevents officials from effectively monitoring the relief association's equipment purchases. In addition, the failure to maintain a detailed equipment roster and perform an annual physical inventory of equipment prevents adequate accountability for, and safeguarding of, relief association equipment.

Recommendation: We recommend that the relief association officials maintain a cumulative equipment roster of all equipment owned by the relief association. Furthermore, the relief association should ensure it performs an annual physical inventory of all operable equipment and that the completion of the inventory be sufficiently documented. 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.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
OBSERVATION

**Observation – FDIC Coverage Limits Exceeded**

As disclosed in the previous audit, the relief association again failed to ensure that all cash deposits were below the FDIC coverage limits per account ownership in one institution. As of December 31, 2019, the relief association's ending cash balance with the financial institution amounted to \$288,569.

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects the funds depositors place in banks and savings associations. FDIC insurance is backed by the full faith and credit of the United States government.

FDIC insurance covers all deposit accounts, including:

- Checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit

FDIC insurance does not cover other financial products and services that banks may offer, such as stocks, bonds, mutual funds, life insurance policies, annuities and securities. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

Section 7413 of Act 118 states that the purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure as far as circumstances will reasonable permit, that the funds shall be available for the protection of the volunteer firefighters' and their heirs.

Furthermore, prudent business practice dictates that in addition to performing monthly bank reconciliations, the relief association should ensure the relief association's cash balance does not exceed FDIC limits set by banking regulations. Lack of effective monitoring of relief association cash and investment assets places the relief association funds at greater risk for loss.

The relief association should monitor all cash and investment assets that are eligible for FDIC insurance and ensure the balance of those assets per banking institution does not exceed FDIC coverage limits.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings such as that reported by Finding Nos. 1 and 2 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. Furthermore, a condition such as that reported by Finding No. 3 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 327 Finance Building, Harrisburg, PA 17120.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Firemen's Union and Relief Association of Norristown Governing Body:

**Mr. Wayne Kinsey, Jr.**  
President

**Mr. Frank Ludwig**  
Secretary

**Mr. Brian VanBuskirk**  
Treasurer

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

**Mr. Crandall O. Jones**  
Secretary  
Norristown Borough

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).