

COMPLIANCE AUDIT

Firemen's Union and Relief Association of Norristown Montgomery County, Pennsylvania For the Period January 1, 2020, to December 31, 2023

July 2025



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. 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) for the period January 1, 2020, 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.

We were not able to obtain independent confirmations of a portion of the cash balance and the investment balance directly from the financial institutions. Therefore, while the relief association provided bank and investment statements that indicated that, as of December 31, 2023, the relief association had a cash balance of \$1,312,483 and an investment balance with a fair value of \$1,364,653, we were not able to verify \$254,741 of the cash balance and \$1,364,653 of the investment balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2020, to December 31, 2023:

- The relief association took appropriate corrective action to address five of the seven findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the two remaining findings contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings 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 Monitor Cash Activity

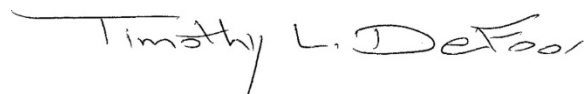
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

Finding No. 3 – Inadequate Signatory Authority On Investment Accounts

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. 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
June 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)

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

<u>Municipality</u>	<u>County</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Norristown Borough	Montgomery	\$129,413	\$115,796	\$149,762	\$150,971

Based on the relief association's records, its total cash and investments as of December 31, 2023, were \$2,809,275, as illustrated below:

Cash	\$ 1,312,483
Fair Value of Investments	1,364,653
Book Value of Other Investments	<u>132,139</u>
Total Cash and Investments	<u><u>\$ 2,809,275</u></u>

BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$448,952, 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	\$ 92,921
Death benefits	110,000
Total Benefit Services	<u>\$ 202,921</u>

Fire Services:

Equipment purchased	\$ 122,359
Equipment maintenance	16,837
Training expenses	32,625
Fire prevention materials	10,742
Total Fire Services	<u>\$ 182,563</u>

Administrative Services:

Bond premiums	\$ 2,920
Officer compensation	33,300
Other administrative expenses *	27,248
Total Administrative Services	<u>\$ 63,468</u>

Total Expenditures	<u><u>\$ 448,952</u></u>
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* A portion of the other administrative expenses represent accounting software fees in the amount of \$2,664, bank fees in the amount of \$1,176, and rent paid to two of the five affiliated fire companies, Hancock Fire Company and Montgomery Hose Fire Company, in the amount of \$16,000.

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

Fairmount Fire Company

Hancock Fire Company

Montgomery Hose Fire Company

Norris Hose Fire Company

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

COMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Unauthorized Expenditures

By receiving reimbursement of \$10,835 from the affiliated fire companies for the unauthorized expenditures made in the prior audit period.

- Undocumented Expenditures

By receiving reimbursement of \$5,727 from the affiliated fire companies for the undocumented expenditures that were made in the prior audit period.

- Failure To Secure Ownership Interest In Jointly Purchased Equipment

By executing written formal agreements with the affiliated fire companies that adequately secure the relief association's proportional ownership interest in the jointly purchased equipment.

- Failure To Adhere To Relief Association Bylaws

By establishing guidelines and procedures to meet the provisions contained in the relief association bylaws.

- Inadequate Internal Controls

By adopting sufficient internal control procedures to adequately safeguard relief association assets and ensure the propriety of all relief association transactions.

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 two of the seven prior audit findings. These findings are noted below and discussed in detail in the Findings and Recommendations section of this report:

- Failure To Monitor Cash Activity

Although during the current audit period, the relief association received \$86,081 in funds from a custodial account held by the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury, the relief association again failed to monitor its cash activity as further disclosed in Finding No. 1 of this report.

- Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

We are concerned by the relief association's failure to correct these previously reported audit findings. The relief 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 – Failure To Monitor Cash Activity

Condition: During the prior audit period, the relief association's dormant checking account with a balance of \$86,081 was escheated and held in a custodial account by the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury. During the current audit period, the \$86,081 held in the custodial account was returned to the relief association. However, the relief association again failed to monitor its cash activity. Specifically, on March 7, 2025, a money market account was considered dormant and was escheated to the Pennsylvania Department of Treasury. As of the last money market account statement dated March 7, 2025, the stated balance of the money market account was \$240,308.

A similar condition was noted in our prior audit report.

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 relief association's cash assets on a periodic basis. Such monitoring is essential for sound administration of relief association accounts.

Cause: The relief association officials stated they received short notice of the escheatment and did not have enough time to take action to prevent the escheatment despite the relief association being notified of a similar condition during our prior audit.

Effect: The relief association's failure to adequately monitor cash activity resulted in a potential loss of funds that would have otherwise been available to pay general operating expenses or be available for other investment purposes, as well as any future earnings related to the cash.

Recommendation: We again recommend the relief association contact the Bureau of Unclaimed Property with the Pennsylvania Department of Treasury to obtain the funds from the custodial account. In addition, the management of the relief association should monitor all future cash and investment activity to ensure returns are maximized and assets are safeguarded 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

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

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

Condition: The relief association failed to maintain a complete and accurate cumulative roster of equipment owned by the relief association. Although a roster of relief association owned equipment was provided during the current audit period, the roster was incomplete and did not accurately identify all equipment owned by the relief association. In addition, the roster did not contain the names of the suppliers (vendors) and the cost of all equipment. As such, we were unable to determine if all equipment purchased during the current audit period in the amount of \$122,359 was included in the equipment roster. Furthermore, there was no evidence that a physical inventory of equipment was conducted on an annual basis to account for all equipment owned by the relief association.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that the relief association should establish adequate internal control procedures to ensure the maintenance of a complete and accurate cumulative roster of equipment purchased by the relief association and the performance of an annual physical inventory of all equipment is documented. A complete and accurate cumulative equipment roster of all relief association purchased equipment should include 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 indicated that items were missed when equipment was being recorded.

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

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

Finding No. 2 – (Continued)

Recommendation: We again recommend that the relief association officials maintain a complete and accurate cumulative roster of all relief association equipment. Furthermore, the relief association should ensure an annual physical inventory of all relief association purchased equipment is performed and 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: We are concerned by the relief association's failure to correct this previously reported audit finding and strongly encourage timely implementation of the recommendation noted in this audit report.

Finding No. 3 – Inadequate Signatory Authority On Investment Accounts

Condition: As of December 31, 2023, the relief association held \$1,619,394 in various brokerage accounts. The brokerage accounts did not have the current relief association officials registered as authorized signors. These brokerage accounts represent 58 percent of the relief association's cash and investment assets.

Criteria: Section 7415(c)(3) of the VFRA Act states, in part:

The bylaws shall require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

In addition, the relief association's bylaws at Article 22, Section 4 states:

When making investment choices, the Association Officers shall investigate the risk factors of the potential investment, and the membership shall be made aware of any possible loss in the event of market decline. All purchases and sales of investments shall be approved by the Association's membership at an Association meeting. All investment documents shall be kept in a secure place and at least require two signatures of Association Officers, one of whom shall be the Treasurer.

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

Finding No. 3 – (Continued)

Furthermore, prudent business practice dictates that the relief association has sufficient internal control procedures in place to ensure the signatures of at least two relief association officials are included on all negotiable instruments.

Cause: The relief association officials indicated they were unaware that the signors on the investment account had not been updated.

Effect: As a result of the relief association's failure to update the signors on the investment accounts, these relief association assets were not properly safeguarded.

Recommendation: We recommend that the relief association officials immediately furnish the custodians of the brokerage accounts with the current relief association officials information in order to update the signatories on the accounts. 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.

FIREMEN'S UNION AND RELIEF ASSOCIATION OF NORRISTOWN OBSERVATION

Observation – FDIC Coverage Limits Exceeded

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects depositors against loss of their insured deposits in the event that an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government.

Deposit accounts which are insured by the FDIC include:

- 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 and bonds, mutual funds, life insurance policies, annuities, crypto assets, municipal securities, and safe deposit contents. Deposits are insured up to at least \$250,000 per depositor, per insured bank, for each account ownership category.

As disclosed in a written observation in the two previous audits, the relief association again failed to ensure that all cash deposits were adequately covered by FDIC Insurance. As of December 31, 2023, the relief association's ending cash balance with the financial institution, excluding cash balances held in an investment account, amounted to \$583,885.

Section 7413 of the VFRA Act, Statement of Purpose, 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 reasonably 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 is adequately covered by FDIC insurance. Lack of effective monitoring of relief association cash balances places the relief association funds at greater risk for loss.

The relief association should monitor all cash balances and ensure that the cash balances have adequate FDIC coverage.

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

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

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

Mr. Wayne Kinsey, Jr.
President

Mr. Joe Pilcicki
Vice President

Mr. Frank Ludwig
Secretary

Ms. Donna Horn
Treasurer

Mr. Richard Jones
Assistant Secretary

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

Mr. Leonard Lightner
Secretary
Norristown 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.