

COMPLIANCE AUDIT

North End Fire Company Relief Association of Pottstown, Pennsylvania Montgomery County 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



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Mr. Jeff Swider, President
North End Fire Company Relief Association
of Pottstown, Pennsylvania
Montgomery County

We have conducted a compliance audit of the North End Fire Company Relief Association of Pottstown, Pennsylvania (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.

Based on our audit procedures, we conclude that, for the period January 1, 2020, to December 31, 2023:

- The relief association took appropriate corrective action to address one of the two findings contained in our prior audit report. However, the relief association failed to take appropriate corrective action to address the remaining finding contained in our prior audit report, as listed below, and discussed in the Status of Prior Findings section of this report.
- Because of the significance of the matter described in Finding Nos. 1 and 2 below and discussed later in this report, the relief association did not, in all significant respects, comply with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds, collectively as a whole. Therefore, the relief association may be subject to the potential withholding of its upcoming state aid distribution, as discussed in the Potential Withhold of State Aid section of this report.

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inappropriate Ownership And Unable To Verify Ownership Of Rescue Vehicles

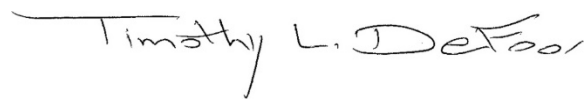
Finding No. 2 – Unauthorized Expenditures

Finding No. 3 – Failure To Maintain Detailed Minutes Of Relief Association Meetings

Finding No. 4 – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster

We are concerned by the number of findings noted and strongly encourage timely implementation of the recommendations noted in this audit report.

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.



Timothy L. DeFoor
Auditor General
June 5, 2025

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	5
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inappropriate Ownership And Unable To Verify Ownership Of Rescue Vehicles	6
Finding No. 2 – Unauthorized Expenditures	7
Finding No. 3 – Failure To Maintain Detailed Minutes Of Relief Association Meetings	9
Finding No. 4 – Failure To Maintain A Complete And Accurate Cumulative Equipment Roster	10
Potential Withhold of State Aid	12
Report Distribution List	13

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>
Pottstown Borough	Montgomery	\$26,438	\$23,701	\$29,823	\$35,022

Based on the relief association's records, its total cash as of December 31, 2023, was \$45,020, as illustrated below:

Cash	<u>\$ 45,020</u>
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BACKGROUND – (Continued)

Based on the relief association's records, its total expenditures for the period January 1, 2020, to December 31, 2023, were \$139,293, 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	\$ 19,962
Fire Services:	
Equipment purchased	\$ 41,084
Equipment maintenance	50,028
Training expenses	9,329
Total Fire Services	\$ 100,441
Administrative Services:	
Bond premiums	\$ 634
Other administrative expenses	266
Total Administrative Services	\$ 900
Other Expenditures:	
Miscellaneous *	\$ 11,437
Unauthorized expenditures – See Finding No. 2	6,553
Total Other Expenditures	\$ 17,990
Total Expenditures	\$ 139,293

* On March 12, 2020, the relief association issued a check to a vendor in the amount of \$156. On April 10, 2020, upon review of on-line bank account activity, the Treasurer of the relief association discovered that the \$156 check was cashed by the financial institution for \$3,210. The Treasurer also noted 49 additional checks totaling \$8,227 that had been fraudulently drawn on the relief association's account between April 3, 2020, and April 9, 2020. Based on a review of the \$156 check, it appeared that the original check was intercepted by a non-relief association member and manipulated through the removal of ink and then forged. This type of manipulation of a check is known as check washing. The Treasurer immediately notified the financial institution and local law enforcement of the alleged fraudulent activity. On April 29, 2020, the financial institution reimbursed the relief association a total of \$11,437.

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

North End Fire Company

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Insufficient Surety (Fidelity) Bond Coverage

By maintaining Surety (Fidelity) bond coverage in an amount greater than the balance of relief association's maximum cash assets during the audit period.

NONCOMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

The relief association has not complied with one of the two prior audit findings. This finding is noted below and discussed in detail in the Findings and Recommendations section of this report:

- Inappropriate Ownership Of Rescue Vehicles

Although the relief association provided a title solely in the name of the relief association for a rescue vehicle purchased in November 2017; on April 4, 2024, the relief association purchased a trailer that was inappropriately titled and a utility task vehicle that the relief association was unable to verify its ownership, as further disclosed in Finding No. 1 of this report.

We are concerned by the relief association's failure to correct this previously reported audit finding. The relief association management should strive to implement the recommendation and corrective action noted in this audit report.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inappropriate Ownership And Unable To Verify Ownership Of Rescue Vehicles

Condition: The VFRA Act allows for relief associations to purchase vehicles used for emergency response. On April 4, 2024, the relief association purchased a utility task vehicle and trailer used to carry personnel and safeguard equipment, in the amount of \$6,000. However, documentation provided for the title of the trailer was in the name of the seller, and documentation for the title of the utility task vehicle was not provided.

A similar condition was noted in our prior audit report.

Criteria: Prudent business practice dictates that if the relief association is the sole purchaser of vehicles and equipment, the vehicles and equipment should be titled in the name of the relief association only and appropriate documentation of the title should be maintained.

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

Effect: As a result of the trailer being inappropriately titled in the name of the seller and title for the vehicle not being provided, the relief association's ownership of the assets could not be substantiated, and the assets were not properly safeguarded. Furthermore, the relief association's future state aid allocations may be withheld until the relief association has complied with the finding recommendation.

Recommendation: We recommend that the vehicle and trailer purchased by the relief association be titled in the name of the relief association and documentation of ownership and title be maintained. If such action is not taken, we recommend that the relief association be reimbursed \$6,000 for the purchase of the vehicle and trailer. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Relief association management agreed with the finding as presented at the audit exit conference and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and during the next audit of the relief association.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Unauthorized Expenditures

Condition: During the current audit period, the relief association expended funds for the following items that are not authorized under the VFRA Act:

<u>Date</u>	<u>Check No.</u>	<u>Description</u>	<u>Amount</u>
07/13/21	1037	Payment of sales tax	\$ 154
12/02/21	1046	Financing of fire company owned vehicle	877
08/22/22	1060	Financing of fire company owned vehicle	860
04/06/23	1077	Maintenance of fire company owned vehicle	98
05/16/23	1082	Maintenance of fire company owned vehicle	700
09/14/23	1090	Insurance policy of fire company	3,864
Total			<u>\$ 6,553</u>

Criteria: Section 7416(f) of the VFRA Act 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.

In addition, Section 7418(b) of the VFRA Act states:

- (b) Findings -- If the Auditor General finds that money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the commissioner, upon receiving notice of the finding from the auditor general, shall decline to approve payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

Costs associated with payment of sales tax, financing and maintenance of affiliated fire company owned vehicles, and an insurance policy of the affiliated fire company do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under the VFRA Act.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: The relief association officials indicated that the payments made for financing of the affiliated fire company owned vehicle occurred for a period when the relief association owned the vehicle. However, the relief association could not provide evidence to support its ownership of the vehicle. The relief association officials did not provide a reason for the expenditure related to the payment of sales tax or maintenance of an affiliated fire company owned vehicle and indicated that the expenditure for the insurance policy of the affiliated fire company was made in error.

Effect: As a result of these unauthorized expenditures, relief association funds were not available for investment purposes, or for expenditures authorized by the VFRA Act. In addition, because of stipulations within the VFRA Act, failure to obtain reimbursement of the unauthorized expenditure will result in a withholding of future state aid allocations until the monies related to the unauthorized expenditure(s) identified in the finding have been reimbursed to the relief association.

Recommendation: We recommend that the relief association be reimbursed \$6,553 for the unauthorized expenditures and that relief association officials become familiar with Section 7416(f) of the VFRA Act to aid them in determining the propriety of future expenditures. All supporting documentation verifying the reimbursement for the unauthorized expenditures should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316-E Finance Building, Harrisburg, PA 17120. 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 related to the payment of sales tax and financing and maintenance of affiliated fire company owned vehicles, and stated they will not take action to comply. Relief association management agreed with the finding as presented at the audit exit conference related to the payment of the insurance policy of the affiliated fire company and indicated they will take action to comply with the recommendation.

Auditor's Conclusion: Due to the potential withhold of state aid, the relief association's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and during the next audit of the relief association. We continue to recommend that the relief association be reimbursed \$6,553 for the unauthorized expenditures.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Maintain Detailed Minutes Of Relief Association Meetings

Condition: The relief association failed to maintain detailed minutes of its meetings as required by the VFRA Act. Specifically, the relief association's minutes did not address all financial-related transactions that occurred during the audit period. In addition, the meeting minutes were not signed and dated by the recording officer.

Criteria: Section 7415(a) of the VFRA Act 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 the relief association officials should ensure that meeting minutes are signed and dated by the recording officer.

Cause: The relief association officials indicated that they were unaware that maintaining detailed minutes of meetings was required by the VFRA Act. In addition, the relief association officials did not provide a reason why financial transactions were not addressed within the meeting minutes or why the minutes were not signed and dated by the recording officer.

Effect: Without maintaining detailed minutes of meetings that address all financial-related transactions and that are signed and dated by the recording officer, there is insufficient evidence that relief association business was documented and presented before the membership for approval.

Recommendation: We recommend that the relief association officials maintain detailed minutes of meetings as required by the VFRA Act, evidencing the discussion and approval of all financial-related business conducted by the relief association. We also recommend that all meeting minutes are signed and dated by the recording officers to ensure the validity of the meeting minutes. 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.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – 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, the roster was incomplete and did not accurately identify all equipment owned by the relief association. The relief association purchased \$41,084 of equipment during the current audit period; however, \$22,430 of equipment purchases was not properly accounted for on the relief association's equipment roster. In addition, there was no evidence that a physical inventory of equipment was conducted on an annual basis to account for the equipment owned by the relief association.

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 all 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 equipment should include all 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 why this occurred.

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

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the relief association officials maintain a complete and accurate 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 during the next audit.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
POTENTIAL WITHHOLD OF STATE AID

A condition 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. However, such action may not be considered if sufficient documentation is provided within 60 days to verify compliance with this department's recommendations. Such documentation should be submitted by the relief association to: Department of the Auditor General, Bureau of Fire Relief Audits, Room 316E Finance Building, Harrisburg, PA 17120.

NORTH END FIRE COMPANY RELIEF ASSOCIATION OF POTTSTOWN,
PENNSYLVANIA
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

North End Fire Company Relief Association of Pottstown, Pennsylvania Governing Body:

Mr. Jeff Swider
President

Mr. Rashad Cole
Vice President

Mr. Kevin Durchin
Treasurer

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

Ms. Alexa Barry
Secretary
Pottstown 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.