

COMPLIANCE AUDIT

Camp Strause Fire Company Fireman's Relief Association

Lebanon County, Pennsylvania
For the Period
January 1, 2015 to December 31, 2016

September 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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

EUGENE A. DePASQUALE
AUDITOR GENERAL

Ms. Brooke Dunkle, President
Camp Strause Fire Company Fireman's
Relief Association
Lebanon County

We have conducted a compliance audit of the Camp Strause Fire Company Fireman's Relief Association (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, 2015 to December 31, 2016.

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 required to be and was not 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.

Based on our audit procedures, we conclude that, for the period January 1, 2015 to December 31, 2016:

- The relief association took appropriate corrective action to address one of the three 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.
- Because of the significance of the matters described in the findings 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 – Failure To Maintain A Complete And Accurate Equipment Roster

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Finding No. 3 – Failure To Monitor Investment Activity

Finding No. 4 – Unauthorized Expenditures

Finding No. 5 – Undocumented Expenditures

Finding No. 6 – Overpayment Of Equipment Related Fuel Purchase

Finding No. 7 – Inadequate Signatory Authority For The Disbursement of Funds

Two of the three prior findings contained in this report cite conditions that existed again in the operation of the relief association during the current audit period that have not been corrected by relief association officials. We are concerned by the relief association's failure to correct those previously reported audit findings. Moreover, five additional findings contained in this report also cite conditions that existed in the operation of the relief association during the current audit period which may lead to the withholding of future state aid distributions if not corrected as mentioned above. Therefore, we strongly encourage timely implementation of the recommendations noted in this audit report to avoid such a disruption in future funding.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

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.

September 14, 2017

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendations – Failure To Maintain A Complete And Accurate Equipment Roster	4
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Pennsylvania Sales Tax Exemption Number.....	5
Finding No. 3 – Failure To Monitor Investment Activity	6
Finding No. 4 – Unauthorized Expenditures.....	8
Finding No. 5 – Undocumented Expenditures	10
Finding No. 6 – Overpayment Of Equipment Related Fuel Purchase	11
Finding No. 7 – Inadequate Signatory Authority For The Disbursement Of Funds	12
Potential Withhold of State Aid.....	14
Supplementary Financial Information	15
Report Distribution List	17

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>2015</u>	<u>2016</u>
Bethel Township	Lebanon	\$11,982	\$11,953

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:

Camp Strause Fire Company

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
STATUS OF PRIOR FINDINGS

COMPLIANCE WITH PRIOR AUDIT FINDING AND RECOMMENDATION

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

- Inappropriate Ownership of Rescue Vehicle

By ensuring the title of the rescue vehicle was transferred to the relief association.

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Complete and Accurate Equipment Roster
- Failure to Maintain A Pennsylvania Sales Tax Exemption Number

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.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendations – 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. A similar condition was noted in our three prior audit reports. And, 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. The relief association purchased equipment amounting to \$5,634 during the current audit period; however, equipment amounting to \$1,918 of those purchases was not properly accounted for on the relief association's equipment roster. In addition, 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.

Criteria: As previously disclosed, 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: Even though notified of this condition during our prior audit, relief association officials again failed to establish adequate internal control procedures over equipment by requiring the maintenance of a cumulative equipment roster and the performance of an annual physical inventory of equipment.

Effect: The continued 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 continued 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.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again 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: 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. Compliance will be subject to verification through our next audit.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Pennsylvania Sales Tax Exemption Number

Condition: The relief association failed to maintain a Pennsylvania sales tax exemption number. A similar condition was noted in our two prior audit reports, and although the relief association did previously have its own sales tax exemption number, it expired on May 31, 2006 and is no longer valid. Furthermore, as previously discussed with officials, the prior audit disclosed that this deficiency caused the relief association to inappropriately pay Pennsylvania Sales Tax of \$1,710 on a vehicle purchase.

Criteria: Act 118 at 35 Pa.C.S. 7415(e) 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: Even though notified of this condition during our prior audit, relief association officials again failed to take measures necessary to maintain a current Pennsylvania sales tax exemption number. In addition, relief association officials indicated that they were unaware that they were to apply for a refund of the inappropriate payment of sales tax.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: As a result of the relief association's continued failure to maintain a sales tax exemption number, the relief association may be required to pay Pennsylvania sales tax on their purchases, which ultimately reduces the funds otherwise available for general operating expenditures or for investment purposes.

Recommendation: We again 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. We also recommend that the relief association officials seek a refund of the sales tax paid, in the amount of \$1,710, by filing an appeal form (REV-65BA) with the Pennsylvania Department of Revenue's Board of Appeal. 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. Compliance will be subject to verification through our next audit.

Finding No. 3 – Failure To Monitor Investment Activity

Condition: Relief association officials failed to monitor their investment activity. In 2015, a certificate of deposit was considered dormant and was escheated to the Pennsylvania Department of Treasury. As of the last account statement dated December 31, 2014, the escheated value of the relief association's investment in this certificate of deposit totaled \$21,439. The relief association was unaware of this condition prior to the conduct of this 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 relief association's investments on a periodic basis which is a prerequisite for sound administration of relief association accounts.

Cause: Relief association officials failed to establish adequate internal control procedures over their investment activity and were unaware that their custodial investment account was considered dormant due to inactivity.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

Cause: Relief association officials failed to establish adequate internal control procedures over their investment activity and were unaware that their custodial investment account was considered dormant due to inactivity.

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

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 custodial investment account. In addition, the management of the relief association should monitor all future investments to ensure they are maximizing their investment return and 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 contacted the PA Department of Treasury to retrieve the escheated funds.

Auditor's Conclusion: Compliance will be subject to verification through our next audit.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Unauthorized Expenditures

Condition: The relief association expended funds for the following items during the current audit period that are not authorized by Act 118:

Date	Check No.	Description	Amount
04/30/15	1131	Equipment vendor	\$ 520
08/27/15	1144	Cable/internet provider	100
11/18/15	1151	Relief association member/equipment	115
03/17/16	1152	Equipment vendor	69
05/06/16	Debit	Cable/internet provider	497
06/06/16	Debit	Cable/internet provider	279
06/06/16	Debit	Utility (electric) charge	375
08/01/16	Debit	Funding for affiliated fire company's social club	1,000
09/07/16	Debit	Mortgage payment for affiliated fire company	1,635
09/19/16	Debit	Funding for affiliated fire company's social club	500
12/09/16	1158	Maintenance on affiliated fire company's generator	3,063
12/09/16	1157	Utility (propane) charge	852
12/16/16	Debit	Cable/internet provider	118
Total			<u>\$ 9,123</u>

In addition, subsequent to the period under review, the relief association expended additional funds for the following items that are also not authorized according to Act 118:

Date	Check No.	Description	Amount
01/19/17	Debit	Cable/internet provider	\$ 166
02/22/17	Debit	Cable/internet provider	331
03/13/17	Debit	Cable/internet provider	71
03/27/17	1165	Maintenance on affiliated fire company's generator	3,524
04/05/17	1167	Cable/internet provider	70
01/06/17	1159	Utility (propane) charge	499
Total			<u>\$ 4,661</u>

Furthermore, based on a prior audit observation, the relief association again failed to obtain reimbursement from the affiliated fire company for a previously determined unauthorized disbursement in the amount of \$61 for insurance premiums paid on behalf of the fire company.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: Act 118 at 35 Pa.C.S. § 7416(f)(1 and 11) 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.

- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.

Costs associated with the funding of expenses associated with the affiliated fire company's property (including social club expenses) do not qualify as authorized volunteer firefighters' relief association expenditures; consequently, these disbursements are not authorized under Act 118.

Cause: Relief association officials indicated that they were unaware that the aforementioned expenditures were not authorized by Act 118.

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 \$13,845 for the unauthorized expenditures and that relief association officials become familiar with Act 118 at 35 Pa.C.S. § 7416(f) 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 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.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – Undocumented Expenditures

Condition: 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>
02/12/15	1128	Insurance carrier	\$ 366
05/16/15	1134	Insurance carrier	366
12/11/15	1149	Insurance carrier	380
03/11/16	1150	Insurance carrier	380
11/18/15	1151	Relief association member	58
05/31/16	1153	Insurance carrier	4,247
Total			<u>\$ 5,797</u>

In addition, the relief association was unable to provide adequate supporting documentation for the following expenditures made subsequent to the period under review:

<u>Date</u>	<u>Check No.</u>	<u>Payee Description</u>	<u>Amount</u>
01/12/17	1160	Insurance carrier	\$ 977
05/15/17	1171	Insurance carrier	432
Total			<u>\$ 1,402</u>

Criteria: Act 118 at 35 Pa.C.S. § 7418(a) 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.

Without adequate supporting documentation, such as an invoice, this department is unable to determine whether relief association funds were expended for purposes authorized by Act 118. Furthermore, prudent business practice dictates that supporting documentation be maintained to evidence the propriety of all financial transactions.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: Relief association officials failed to establish adequate internal control procedures to ensure supporting documentation is maintained for all expenditures.

Effect: Lack of supporting documentation, such as invoices and detailed minutes of meetings, made it impossible to determine if the expenditures were made in accordance with Act 118 at 35 Pa.C.S. § 7416(f). 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, to ensure the propriety of the expenditures or that the relief association be reimbursed \$7,199 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 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. 6 – Overpayment Of Equipment Related Fuel Purchase

Condition: On November 18, 2015, the relief association appeared to over-pay on a Bethel Township invoice for the purchase of diesel fuel for a relief association-owned apparatus. The price of the fuel on the invoice appeared to be the same as the quantity of fuel (\$15.648) purchased which resulted in the relief association paying \$245 (15.648 gallons of diesel fuel times \$15.648). We could not determine the municipality's price for diesel fuel, so as such, the entire \$245 overpayment is considered an unauthorized expenditure.

Criteria: Adequate accounting and internal controls should include procedures to prevent the overpayment of expenses.

Cause: The volunteer firefighters' relief association failed to establish adequate internal control procedures that would prevent overpayment of expenses.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Effect: As a result of the erroneous overpayment, the relief association was unable to use the funds for other general operating expenses or for investment purposes.

Recommendation: We recommend that relief association officials seek reimbursement for the \$245 erroneous overpayment from the affiliated fire company or contact and request the assistance of the municipality to research and determine the actual cost of the fuel provided and seek reimbursement for the amount that was overpaid. In addition, the relief association officials should establish sufficient accounting and internal control procedures to monitor future purchases for to ensure propriety. 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. 7 – Inadequate Signatory Authority For The Disbursement Of Funds

Condition: During the current audit engagement, we requested five random checks and identified that three checks out of the five checks drawn on the relief association's checking account only contained the signature of one officer, even though two signatures are required by Act 118 and the relief association bylaws. Issuing checks with the signature of only one officer negates the relief association's internal control over the disbursement process.

Criteria: Act 118 at 35 Pa.C.S. § 7415(c)(3) 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, Article VII: Miscellaneous, Section 1, of the relief association's bylaws states:

“the signatures of a least two officers, one of whom shall be the Treasurer, shall be required for the issuance of relief association checks, withdrawal from the association savings account, the redemption of any relief association investment or any other negotiable instrument issued by the association.”

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
FINDINGS AND RECOMMENDATIONS

Finding No. 7 – (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. Adequate internal control procedures require that checks be signed only after the propriety of the expenditure has been determined and the payee, date, and amount to be paid has been confirmed. Additionally, responsible relief association officers should compare this information with supporting documentation, such as invoices, contracts, etc., prior to approving the checks.

Cause: Relief association officials neglected to establish adequate internal control procedures that require the signatures of at least two officers on all negotiable instruments.

Effect: As a result of the relief association officer issuing checks with only one signature, assets were placed at greater risk as expenditures were being made without a second relief association officer having the opportunity to verify the propriety of the expenditures. The application of the second signature, after evaluating the propriety of the expenditure, reduces the risk of misappropriation and the risk of errors occurring and going undetected.

Recommendation: We recommend that the relief association officials establish adequate internal control procedures to ensure that the signatures of at least two officers, one of whom shall be the treasurer, are included on all relief association negotiable instruments as defined by Act 118. 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.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
POTENTIAL WITHHOLD OF STATE AID

Conditions such as that reported by Finding Nos. 4 and 5 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 327 Finance Building, Harrisburg, PA 17120.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2016

Cash	\$ 10,319
Fair Value of Investments*	<u>21,439</u>
Total Cash and Investments	<u>\$ 31,758</u>

* The fair value of investments presented above represents the value from a certificate of deposit that was claimed by the PA Treasury Unclaimed Property after being declared dormant under Pennsylvania Unclaimed Property Law as previously disclosed in Finding No. 3 of this report. The relief association is in the process of reclaiming the investment and filed a claim on June 14, 2017.

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2015 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:

Insurance premiums	\$ 3,117
Tokens of sympathy and goodwill	100
Total Benefit Services	\$ 3,217

Fire Services:

Equipment purchased	\$ 5,634
Equipment maintenance	2,111
Training expenses	150
Total Fire Services	\$ 7,895

Administrative Services:

Other administrative expenses	\$ 436
Bond premiums	50
Total Administrative Services	\$ 486

Other Expenditures:

Undocumented expenditures	\$ 5,797
Unauthorized expenditures	9,123
Total Other Expenditures	\$ 14,920

Total Expenditures	\$ 26,518
--------------------	-----------

CAMP STRAUSE FIRE COMPANY FIREMAN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Camp Strause Fire Company Fireman's Relief Association Governing Body:

Ms. Brooke Dunkle
President

Ms. Marcia Warner
Secretary

Mr. Joshua Hostetter
Treasurer

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

Ms. Melissa Johnson
Secretary
Bethel 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.