

COMPLIANCE AUDIT

Camp Strause Fire Company Fireman's Relief Association

Lebanon County, Pennsylvania

For the Period

January 1, 2017, to July 19, 2022

April 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Ms. Marcia Warner, Secretary
Camp Strause Fire Company Fireman's
Relief Association
Lebanon County

We have conducted a compliance audit of the former Camp Strause Fire Company Fireman's Relief Association (relief association) for the period January 1, 2017, to July 19, 2022. 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 former relief association took appropriate corrective action to address the findings contained in our prior audit report.
2. To determine if the former 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.

Based on our audit procedures, we conclude that, for the period January 1, 2017, to July 19, 2022:

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

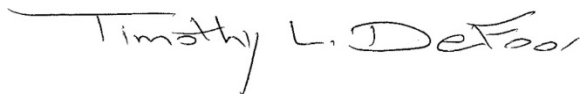
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain A Complete and Accurate Equipment Roster

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

Finding No. 3 – Failure To Maintain Surety (Fidelity) Bond Coverage

As of July 19, 2022, the former relief association completed the process of dissolution, and all remaining monetary assets were evenly distributed between the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire & Emergency Services Relief Association.

The contents of this report were discussed with the management of the former relief association and, where appropriate, their responses have been included in the report. We would like to thank former relief association officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
March 22, 2023

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code¹, and the Volunteer Firefighters' Relief Association Act² ("VFRA Act"), the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law³ (commonly referred to as Act 205) are properly expended.

The former relief association was 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 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.

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

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

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

BACKGROUND – (Continued)

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

<u>Municipality</u>	<u>County</u>	<u>2017</u>
Bethel Township	Lebanon	\$12,316

As of June 2018, the former relief association’s affiliated fire company was de-certified by its municipality. Thereafter, the relief association did not receive any further state aid allocations.

Based on the relief association’s records, its total cash as of July 19, 2022, was zero, as illustrated below:

Cash	<u><u>\$ -</u></u>
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BACKGROUND – (Continued)

Based on the relief association’s records, its total expenditures for the period January 1, 2017, to July 19, 2022, were \$65,431, as noted below. The accuracy of these expenditures was evaluated as part of the Department’s audit to conclude on the relief association’s compliance with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.⁴ **The scope of the Department’s audit does not include the issuance of an opinion on the accuracy of these amounts.**

Expenditures:

Benefit Services:	
Insurance premiums	<u>\$ 970</u>
Fire Services:	
Equipment purchased	<u>\$ 574</u>
Administrative Services:	
Bond premium	\$ 306
Other administrative expenses *	<u> 8,705</u>
Total Administrative Services	<u>\$ 9,011</u>
Other Expenditures:	
Unauthorized expenditures **	\$ 4,878
Undocumented expenditures ***	4,065
Transfer of monetary assets ****	<u> 45,933</u>
Total Other Expenditures	<u>\$ 54,876</u>
Total Expenditures	<u><u>\$ 65,431</u></u>

* The other administrative expenses represent monies expended in calendar year 2022 for consulting services and bank fees.

** During calendar year 2017, \$4,661 of the total unauthorized expenditures were reported in a finding in the prior audit and the remaining \$217 of unauthorized expenditure was found during our current audit. This is further discussed in the Status of Prior Findings section of this report.

*** During calendar years 2017 and 2018, \$432 of the total undocumented expenditures were reported in a finding in the prior audit and the remaining \$3,633 of undocumented expenditures were reported during the current audit as disclosed in Finding No. 2 of this report.

⁴ Accuracy was evaluated for a selection of transactions based on dollar amount, category, and/or random selection.

BACKGROUND – (Continued)

****** Transfer of Monetary Assets/Dissolution of Relief Association.**

As of July 19, 2022, the former relief association completed the process of dissolution, and all remaining monetary assets were evenly distributed between the Fredericksburg Volunteer Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association. Due to the dissolution of the former relief association, we are providing officials of the Fredericksburg Volunteer Fire Company Volunteer Firefighters' Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association copies of this report.

The volunteer firefighters' relief association and the affiliated fire service organization are separate, legal entities. The former relief association was 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 FINDINGS AND RECOMMENDATIONS

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

- Failure To Maintain A Pennsylvania Sales Tax Exemption Number

By obtaining a state sales tax exemption number and providing to all vendors from which the relief association purchases equipment.

- Failure To Monitor Investment Activity

By contacting the Pennsylvania Department of Treasury, Bureau of Unclaimed Property and claiming the escheated funds.

- Unauthorized Expenditures

By receiving reimbursements of \$20,697 from the affiliated fire company during our current audit period for the unauthorized expenditures that were incurred in the current and prior audit period. The reimbursement included \$13,845⁵ to cover the prior unauthorized expenditures and \$6,635 to cover undocumented expenditures that were also found to be unauthorized based on documentation provided in response to the prior audit report. During our current audit, we found an additional \$217 unauthorized expenditure, made during the 2017 calendar year, that was not included in our prior audit finding but was reimbursed by the affiliated fire company as part of the corrective action plan.

- Overpayment Of Equipment Related Purchase

By obtaining reimbursement of \$245 from the affiliated fire company for the erroneous overpayment.

- Inadequate Signatory Authority For The Disbursement Of Funds

By requiring more than one signature on all negotiable instruments.

⁵ Unauthorized expenditures of \$13,845 included in our prior audit finding consisted of \$61 during the 2010 calendar year, \$9,123 during the 2015 and 2016 calendar years, and \$4,661 during the 2017 calendar year.

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

NONCOMPLIANCE WITH PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

The former relief association has not complied with two of seven 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

- Undocumented Expenditures

As reported in our prior audit report, we found \$7,199 of undocumented expenditures that were made in the prior and current audit periods.⁶ Subsequent to the release of our prior audit report, the former relief association provided documentation supporting \$7,141 of these expenditures leaving \$58 of undocumented expenditures. We found \$506 of these expenditures to be authorized; however, the remaining \$6,635 were deemed unauthorized, based on the documentation provided. As noted on the previous page, the relief association received reimbursement of \$6,635 from the affiliated fire company during our current audit. The former relief association also received reimbursement for the remaining \$58 of undocumented expenditures from the affiliated fire company during our current audit. Although the former relief association provided supporting documentation and received reimbursement from the affiliated fire company for the undocumented expenditures, the former relief association again failed to provide adequate documentation to support \$3,633 in expenditures during the current audit period as further disclosed in Finding No. 2 of this report.

We are concerned by the former relief association's failure to correct those previously reported audit findings. Since the former relief association dissolved its organization and consequently transferred its monetary assets to the Fredericksburg Volunteer Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association, management of these two relief associations should strive to implement the recommendations and corrective actions noted in this audit report.

⁶ Undocumented expenditures of \$7,199 included in our prior audit finding consisted of \$5,797 during the 2015 and 2016 calendar years, and \$1,402 during the 2017 calendar year.

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

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure To Maintain
A Complete And Accurate Equipment Roster**

Condition: The former relief association again failed to maintain a complete and accurate roster of equipment owned by the relief association. Specifically, the relief association purchased \$574 of equipment during the current audit period and there was no equipment roster created or maintained for these purchases. 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.

A similar condition was noted in our four prior audit reports.

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

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 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: Due to the dissolution of the former relief association, we are providing officials of both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association officials maintain a cumulative equipment roster of all equipment owned by each of the relief associations. Furthermore, each 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: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets equally to the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association, management of both relief associations should strive to implement the recommendation and corrective action noted in this audit report.

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

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

Condition: Although the former relief association provided supporting documentation and received reimbursement from the affiliated fire company for the undocumented expenditures reported in the prior audit, the former 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>
02/20/2017	1163	Training provider	190
02/23/2017	1164	Member - supplies	85
03/22/2017	1166	Member - supplies	700
05/12/2017	1169	Equipment vendor	572
05/15/2017	1170	Equipment vendor	340
05/16/2017	Debit	Bank	20
06/07/2017	1172	Maintenance service provider	318
07/26/2017	1173	Insurance provider	432
01/31/2018	1177	Maintenance service provider	97
04/02/2018	1178	Florist	143
04/02/2018	1179	Equipment vendor	736
Total			\$ 3,633

Criteria: Section 7418(a) of the VFRA Act 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 supporting documentation be maintained to evidence the propriety of all financial transactions.

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

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

Finding No. 2 – (Continued)

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 the VFRA Act. 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.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services 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 associations be equitably reimbursed \$3,633 for the undocumented expenditures. We also recommend that both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services 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: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets equally to the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association, management of both relief associations should strive to implement the recommendation and corrective action noted in this audit report.

Finding No. 3 – Failure To Maintain Surety (Fidelity) Bond Coverage

Condition: The former relief association failed to maintain Surety (Fidelity) bond coverage on its authorized disbursing officer, as required by the VFRA Act. The relief association's Surety (Fidelity) bond coverage expired on February 14, 2020. According to bank statements provided by the relief association, as of March 10, 2020, the relief association's cash assets totaled \$53,915 and the relief association maintained a cash balance until its dissolution in July of 2022.

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

Finding No. 3 – (Continued)

Criteria: Section 7415(c)(4) of the VFRA Act states, in part, that:

. . . the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against the funds of the association.

Cause: Although the former relief association officials failed to maintain the Surety (Fidelity) bond coverage on the relief association's authorized disbursing officer, a reason why was not provided.

Effect: As a result of the authorized disbursing officer of the relief association not being bonded, the relief association's cash assets were not adequately safeguarded.

Recommendation: Due to the dissolution of the former relief association, we are providing officials of both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association copies of this report so that they are aware of the conditions that were detected in the operations of the former relief association. We recommend that both the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association officials ensure that Surety (Fidelity) bond coverage on each of the relief association's authorized disbursing officers in an amount greater than the relief association's maximum cash balance, as required by the VFRA Act, is in effect at all times. For further guidance, please refer to the Auditor General's publication, MANAGEMENT GUIDELINES FOR VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATIONS.

Management's Response: Former relief association management agreed with the finding as presented at the audit exit conference.

Auditor's Conclusion: We are concerned by the former relief association's failure to correct this previously reported audit finding. Since the former relief association dissolved its organization and consequently transferred its monetary assets equally to the Fredericksburg Fire Company Relief Association and the Northern Lebanon Fire and Emergency Services Relief Association, management of both associations should strive to implement the recommendation and corrective action noted in this audit report.

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

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

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

Ms. Marcia Warner
Secretary

Mr. Joshua Hostetter
Treasurer

Fredericksburg Fire Company Relief Association Governing Body:

Mr. Edwin Bolles
President

Mr. Nate Dove
Vice President

Ms. Lisa Rudy
Secretary

Mr. Richard Rabuck
Treasurer

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

Northern Lebanon Fire and Emergency Services Relief Association Governing Body:

Mr. Noah Weaver
President

Mr. Allan Hummer
Vice-president

Mr. Brent Hostetter
Secretary

Mr. Steve Yeagley
Treasurer

A report was also distributed to the following municipality, which allocated foreign fire insurance tax monies to the former 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.