

**Open Work Session**  
**Required Audit for Fire Companies**  
**September 19, 2017**

Mr. Wayne Strausburg, Director of Administration, and Mrs. Dawn Parks, Director of Finance, came before Council. Mr. Strausburg said he asked Mrs. Laura Hurley to hand out the portion of the County Code that specifically addresses reporting requirements regarding appropriations to their volunteer fire and ambulance companies. He said he thought that might be a helpful preface to the discussion. He said, with that, he can answer any questions, or address any concerns Council may have.

Mr. Marc Kilmer said he has talked to a few folks at the volunteer companies who received the letter. He said he has not heard any concern about doing the audit, and he thinks those companies' books are above board, and the County will find that out. He said a couple of people have expressed concern that this information may be used in the future to set County appropriations, and they said the County may change from where every fire company gets a set amount of money, regardless of size or call, to a situation where it will be based more on whether they have money in the bank, or call volume, or something like that. Mr. Kilmer asked if that is the intention of this, is it going to be used that way, and can Mr. Strausburg put those concerns to rest if they are unfounded. Mr. Strausburg said they have certainly had no discussions to that effect. He said they are simply attempting to conform to the County Code, and this is their best effort to do that. Mr. Strausburg said one thing he will say is that the drafting in the County Code could probably be a little bit better. He said it is not the most elegant drafting he has ever seen. He said it may well be they should have a work session to discuss exactly what sort of reporting from the volunteer fire and ambulance companies Council is comfortable with, so as to comply with the Code. He said that is all this is an attempt to do. He said he cannot speak, nor can anybody, for what future administrations, or future Councils may do. He said he can simply assure Council that this current Administration has no intention of changing the method with which they appropriate to their volunteer companies. Mr. Joe Holloway said he does not think Council would either. Mr. Strausburg said he would hope not. Mr. Joe Holloway said there are a couple of questions and concerns he has had. He asked if this audit will be made public. He said he has talked to a couple County Fire Chiefs, who said they do not have a problem with the audit, but they do wonder about it being made public. Mr. Strausburg said it would not be their intent to make it public. However, he would have to defer to the County Attorney to determine whether or not they really have any authority not to make it a public document, since they are appropriating public funds. He said he cannot really answer the question, but he understands the concern. Mr. Joe Holloway said he agrees, and does not think it should be. He said that leads to his second question. He said volunteer fire companies raise their own money, and some of them do better than others, of course. Mr. Joe Holloway said he thinks that is one of the concerns with this. He said one Fire Chief told him they keep two separate sets of books. He said they keep one for the money that is given by the County, and the State, and then one with what they earn. Mr. Joe Holloway asked if they will be auditing what the fire companies earn, as far as doing their chicken barbeques and such. Mr. Strausburg said, again, he would defer to Mr. Taylor, but he believes, when you read the County Code section, what they are required to do is to receive an accounting for the public funds, and the use of the public funds. He said he really does not believe they have an interest in auditing the other revenues and expenditures of the volunteer companies. He said, again, he would defer to legal counsel. Mr. Taylor said it says in the Code that it is a report showing the expenditure, so he does not think that would necessarily include any income, regardless of where it comes from. He said they want to know the expenditure for this purpose. Mr. Cannon said there was a letter that went out to the volunteer

companies, and he can appreciate the intent of the letter as far as offering the fire stations a discount. He said he received a call from a local accounting firm that was upset by the letter, because the letter suggested the fire companies could get a discount from an audit firm associated with the County. Mr. Cannon said they were upset because they were getting calls from the fire companies, who happened to be clients of theirs, informing them of the letter. Mr. Cannon said he believes there were three stations who contacted this particular firm, and said they received a letter from the County stating they could get a discount at this other firm. Mr. Cannon said, needless to say, one can see where the accounting firm was very upset that the County was sort of indirectly endorsing another firm. Mr. Cannon said they were extremely upset with that, and they were questioning as to what the ethical standards might be, and maybe from an auditing perspective, whether there was a violation of ethical standards. Mr. Cannon said he wanted to bring that to Mr. Strausburg's attention so he was aware. Mr. Cannon said it may be something they need to pull back on, because the County is somewhat interfering with this gentleman's business. Mr. Strausburg said they have an opinion that there is no ethical violation that came from the Attorney General's office. He said they did not endorse PKS. He said they know this is an additional cost to many of the volunteer companies, and they simply talked to their public auditor to determine what fee they may charge if a volunteer company does not have a public auditor and wants a complete audit. He said they were simply trying to minimize the cost to the volunteer companies. Mr. Strausburg said he would be very happy to talk to any one of those accountants. Mr. Cannon said he has told them that Mr. Strausburg was open to any discussion whatsoever. Mr. Cannon said, all the ethical issues aside, he still has a concern on what he would consider to be somewhat of an endorsement of one company over any, whether they were associated with Wicomico County or not. He said if a letter went out from the County Council saying they knew of a firm who can do landscaping for your company at a lower, discounted rate, that would be sort of be interfering with the marketplace when the County starts to offer benefits. Mr. Cannon said he appreciates the effort as far as the intent, but he really questions the fact that they are, to a certain extent, recommending one company over another. Mr. Cannon said he would like to see that pulled back, but he would allow Mr. Strausburg to use his own discretion on that. Mr. Cannon said, formally, as Mr. Taylor was suggesting, this is just a report that is being requested on expenditures, which he guesses is not truly a full-blown audit to begin with. Mr. Strausburg said, no, and that is the reason he is suggesting they have a further discussion. He said this is really an outgrowth of the budget work session they had on the funding for the volunteer fire and ambulance companies, and he thinks there was discussion during that work session as to whether they were getting any sort of financial reporting, or audited statements, from the volunteer companies, because the County is appropriating a significant amount of County funds. He said they then looked into the County Code and found that, in fact, there is a requirement for reporting. It does not say there is a requirement for an audit. He said there is a requirement for what he would call discrete reporting of the use of that County appropriation. He said, again, he thinks they could talk further about perhaps a little bit clearer direction in the Code, which they could then provide to the volunteer companies, and see where they go from there. Mr. Cannon said even if they amend the Code to be more specific as an option. Mr. Strausburg said he thinks that is a good idea, but, again, he defers to counsel. Mr. Taylor said there is one other aspect. He said he does not know right offhand, but he thinks there is some requirement on the 508 funds, the AMOS funds, for some reporting. Mr. Strausburg said it is Form 990, and it is a fairly lengthy form at 29 pages. He said it does not differentiate between the source and the use of funds, so he thinks that is where they need to get a little bit clearer in the Code with what they would like to see. Mr. Dodd asked Mr. Strausburg when it takes effect. Mr. Strausburg said they have told the volunteer companies for this current year's funding that if they do not have an audit, or a publically produced financial statement, the County would utilize their Form 990, and that would suffice for this year, giving the volunteer companies a full year. Mr. Strausburg said, in saying that, he thinks when the County is giving them the full year, they need to give the fire companies better direction as to what the County's

expectations are for the next budget cycle in terms of appropriation of funds. Mr. Dodd said he asked the question because the County disbursement of grants is coming up in the next couple months, and he does not want any of the volunteer stations running scared. Mrs. Dawn Parks said, of the companies who have called her who do not already get an audit, they have three options this year. She said it is a cash-basis audit. She said they are not asking for internal controls. She said the fire companies already fill out a financial statement that is sent to the County. She said one of the fire companies gets a letter from a committee. She said they can have a three-person committee look at their information and send a letter stating they see everything is intact. She said she spent a great length of time speaking with one fire department, who does not have an audit, and they did not know what to do for this year. She said, as previously stated, the County will accept their 990 for this year. She said that is given to the State, and she feels they simply would not commit fraud to the State. She said, therefore, if the State accepts their 990 for this year, the County will accept their 990 as well. She said the checks are being processed next week to be delivered at the annual function in October. She said if a fire company has not turned in their paperwork, instead of a check they will receive a note stating the County has not received their paperwork, and as soon as they turn it in, the County will give it to them. She said they will then bring them into the office and give it to them. She said they have only had a few who have not responded with information. She thinks it is going well, and she has only had a few calls. She said most of them already turned the information in to the County, and she has had a nice response.

Mr. Cannon said he would like to recognize Bunky Luffman, who is the Intergovernmental Affairs Liaison for the Eastern Shore, and Council is glad to have him here. There was no further discussion.



John T. Cannon, President

Larry W. Dodd, Vice President, District 3



Ernest F. Davis, District 1



Marc Kilmer, District 2


Absent  
John B. Hall, District 4



Joe Holloway, District 5



Matthew Holloway, At-Large



Laura Hurley, Council Administrator