

# COMPLIANCE AUDIT

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Relief Association of the Clarks  
Summit Fire Company No. 1, Inc. of  
the Borough of Clarks Summit,  
Pennsylvania  
Lackawanna County  
For the Period  
January 1, 2014 to December 31, 2016

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August 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

Mr. Russell D. Shurtleff, President  
Relief Association of the Clarks Summit Fire  
Company No. 1, Inc. of the Borough of  
Clarks Summit, Pennsylvania  
Lackawanna County

We have conducted a compliance audit of the Relief Association of the Clarks Summit Fire Company No. 1, Inc. of the Borough of Clarks Summit, Pennsylvania (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, 2014 to December 31, 2016.

The objective of the audit was 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 objective identified above.

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 objective. We believe that our audit provides a reasonable basis for our conclusions.

We were not able to obtain an independent confirmation of a portion of the cash balance directly from the financial institution. Therefore, while the relief association provided copies of bank statements that indicated that, as of December 31, 2016, the relief association had a cash balance of \$310,474, we were not able to verify a portion of this cash balance.

Based on our audit procedures, we conclude that, except for the effects, if any, of the matter described in the preceding paragraph, for the period January 1, 2014 to December 31, 2016, the relief association, in all significant respects, complied with applicable state laws, contracts, bylaws, and administrative procedures as they relate to the receipt of state aid and the expenditure of relief association funds.

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. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

July 31, 2017

A handwritten signature in dark ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE  
Auditor General

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## **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 municipalities:

<u>Municipality</u>	<u>County</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Clarks Green Borough	Lackawanna	\$10,509	\$10,084	\$ 9,987
Clarks Summit Borough	Lackawanna	\$35,625	\$34,405	\$34,279
Glenburn Township	Lackawanna	\$ 4,936	\$ 4,700	\$ 4,686
Waverly Township	Lackawanna	\$ 7,867	\$ 7,491	\$ 7,446

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:

Clarks Summit Fire Company No. 1, Inc.

RELIEF ASSOCIATION OF THE CLARKS SUMMIT FIRE COMPANY NO. 1, INC. OF  
THE BOROUGH OF CLARKS SUMMIT, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
CASH AND INVESTMENT BALANCES  
AS OF DECEMBER 31, 2016

Cash	\$ 310,474
Fair Value of Investments	<u>546,290</u>
Total Cash and Investments	<u><u>\$ 856,764</u></u>

RELIEF ASSOCIATION OF THE CLARKS SUMMIT FIRE COMPANY NO. 1, INC. OF  
THE BOROUGH OF CLARKS SUMMIT, PENNSYLVANIA  
SUPPLEMENTARY FINANCIAL INFORMATION  
SUMMARY OF EXPENDITURES  
FOR THE PERIOD JANUARY 1, 2014 TO DECEMBER 31, 2016

Expenditures:

Benefit Services:

Insurance premiums	\$ 78,785
Death benefits	24,000
Relief benefits	1,265
Tokens of sympathy and goodwill	5,475
Total Benefit Services	<u>\$ 109,525</u>

Fire Services:

Equipment purchased	\$ 96,617
Equipment maintenance	11,588
Training expenses	481
Fire prevention materials	3,483
Total Fire Services	<u>\$ 112,169</u>

Administrative Services:

Officer compensation	\$ 4,700
Other administrative expenses	1,473
Bond premiums	425
Total Administrative Services	<u>\$ 6,598</u>

Total Expenditures	<u><u>\$ 228,292</u></u>
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RELIEF ASSOCIATION OF THE CLARKS SUMMIT FIRE COMPANY NO. 1, INC. OF  
THE BOROUGH OF CLARKS SUMMIT, PENNSYLVANIA  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

Relief Association of the Clarks Summit Fire Company No. 1, Inc. of the Borough of Clarks  
Summit, Pennsylvania Governing Body:

**Mr. Russell D. Shurtleff**  
President

**Mr. Michael J. Lukus**  
Vice President

**Mr. Warren E. Watkins**  
Secretary

**Mr. John S. Morrison, Jr.**  
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association  
and received a copy of this report:

**Ms. Joanne Culbertson**  
Secretary  
Clarks Green Borough

**Ms. Virginia Kehoe**  
Secretary  
Clarks Summit Borough

**Ms. Bernadette R. Menendez**  
Secretary  
Glenburn Township

**Ms. Christine Capozzi**  
Secretary  
Waverly Township

RELIEF ASSOCIATION OF THE CLARKS SUMMIT FIRE COMPANY NO. 1, INC. OF  
THE BOROUGH OF CLARKS SUMMIT, PENNSYLVANIA  
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