



Henrietta Fire District

Distribution of Foreign Fire Insurance Tax Proceeds

2025M-26 | May 2025

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Audit Results

Henrietta Fire District



Audit Objective

Audit Period

Did Henrietta Fire District (District) officials properly distribute foreign fire insurance (FFI) tax proceeds?

January 1, 2023 – February 20, 2025

Understanding the Program

In accordance with New York State Insurance Law (Insurance Law), FFI tax proceeds are generated from a tax, generally at a rate of 2 percent that is imposed on the premiums of fire insurance policies written by certain out-of-state insurers against loss or damage by fire on property located in the State. In general, the out-of-state insurer will collect and remit FFI tax proceeds to the New York State Department of Financial Services, which distributes the proceeds to the proper recipients. Pursuant to Insurance Law and relevant case law, when a fire district's fire department is comprised of both paid firefighting personnel and multiple volunteer fire companies, the fire district treasurer should distribute FFI tax proceeds among the paid firefighters and fire companies on a pro-rata share basis.

The District Secretary/Treasurer (Treasurer) is the chief fiscal officer and is responsible for the day-to-day financial activities, which includes receiving and disbursing FFI tax proceeds. The Treasurer received and disbursed FFI tax proceeds totaling \$332,504 in 2023 and 2024.

Audit Summary

District officials did not properly distribute the 2024 FFI tax proceeds because the Treasurer miscalculated the distribution. The Treasurer used the 2023 pro-rata allocation percentage to distribute a portion of the 2024 FFI tax proceeds instead of using the 2024 pro-rata allocation percentage. Although the Chief and a Board member reviewed the Treasurer's distribution calculations, prior to the Treasurer making the distributions, the miscalculation was not identified by either individual. As a result, two fire companies received more money than their pro-rata share (\$1,322 and \$61, respectively) and the paid firefighting personnel and remaining fire company received less than their pro-rata share (\$1,134 and \$249, respectively).

The report includes three recommendations that, if implemented, could improve the District's FFI tax proceeds distribution. District officials generally agreed with our recommendations and indicated they will initiate corrective action.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law. Our methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

FFI Tax Proceeds Distribution Findings and Recommendations

In a district multi-company fire department, FFI tax proceeds should be allocated between and among the fire companies proportional to the number of active members in each fire company. If there are both paid and volunteer members, each group may be entitled to a pro-rata share of the proceeds.

More details on the criteria used in this report, as well as a resource we make available to local officials that can help officials improve operations (Figure 1), are included in Appendix A.

Finding 1 – District officials did not properly distribute FFI tax proceeds.

The Treasurer received and disbursed FFI tax proceeds totaling \$332,504 in 2023 and 2024 to the District's three volunteer fire companies and paid firefighters' union. However, the Treasurer miscalculated the distribution of a portion of the 2024 FFI tax proceeds because she mistakenly used the 2023 pro-rata allocation percentage of active members, as opposed to the 2024 pro-rata allocation percentage of active members for the paid firefighters and volunteer fire companies. Although the Chief and a Board member reviewed the Treasurer's distribution calculations, prior to the Treasurer making the distributions, the miscalculation was not identified by either individual. As a result, two companies received \$1,322 and \$61 more than their pro-rata share, respectively, while the paid personnel and remaining company received \$1,134 and \$249 less than their pro-rata share, respectively.

In an effort to avoid this problem in the future, in February 2025, after our inquiry, the Board adopted a "distribution of foreign fire taxes" policy that included guidance for the allocation calculation.

Recommendations

The Board should:

1. Determine the appropriate course of action to ensure that FFI tax proceeds are distributed in accordance with Insurance Law and relevant case law.
2. Ensure a detailed review of the allocation calculation and distribution dollar amount is performed prior to approving payments.

The Treasurer should:

3. Use the correct pro-rata allocation percentage when calculating the FFI tax proceeds distributions.

Appendix A: Profile, Criteria and Resources

Profile

The District provides fire protection services and emergency medical services for the Town of Henrietta and a portion of the Town of Brighton in Monroe County. The District provides these services to approximately 52,000 residents residing over 41 square miles.

The District is governed by an elected five-member Board.

Criteria – FFI Tax Proceeds Distribution

Insurance Law Sections 9104 and 9105 require certain out-of-state insurers to pay a tax on premiums written for insurance against loss or damage by fire on property located in the State. In general, the treasurer of the fire department providing fire protection coverage to the insured property receives the FFI tax proceeds.

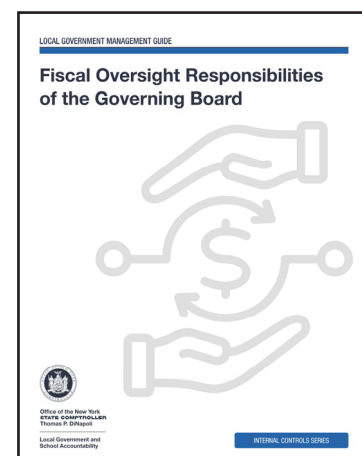
FFI tax proceeds should be allocated each year between and among the District's fire department's fire companies proportionally based upon the number of active members in each fire company. If there are both paid and volunteer members, each group may be entitled to a pro-rata share of the FFI tax proceeds.

Additional FFI Distribution Resources

OSC *Local Government Management Guides* and other information resources are available on our website to help officials understand and perform their responsibilities. In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

FIGURE 1: OSC Publication

Fiscal Oversight Responsibilities of the Governing Board



<https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

Appendix B: Response From District Officials



Henrietta Fire District

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May 15, 2025

BY EMAIL TO: muni-rochester@osc.ny.gov

Stephanie Howes

Chief of Municipal Audits

Division of Local Government and School Accountability

**RE: Henrietta Fire District Audit
Distribution of Foreign Fire Insurance Tax Proceeds**

Dear Ms. Howes:

The Board of Fire Commissioners is in receipt of the draft audit report regarding the Henrietta Fire District's (the "District") distribution of foreign fire insurance tax proceeds. While we acknowledge that an error was made in the 2024 distribution calculations, there were no other items noted in the report for the periods examined. The error occurred because data from the 2023 distribution calculations remained in place in some of the cells in the spreadsheet used to calculate the 2024 distributions. The error will be rectified with the 2025 distribution calculation.

As you may know, the District is merely a conduit for these funds. The New York State Department of Financial Services does not advise the District when the funds will arrive or the amount that will be sent. Upon receipt of these funds, the Treasurer distributes the funds on a pro-rata basis among the volunteer companies and the union based on the number of firefighters in each. No District taxpayer funds were involved or otherwise impacted. All of the 2% funds were distributed.

As noted in the draft report, the District has already adopted a policy for distribution of foreign fire tax funds. Absent the spreadsheet error, the Treasurer always uses the correct pro-rata allocation percentages when calculating the distributions. The District will endeavor to perform a detailed review of the allocation calculation and distribution dollar amounts prior to distribution of funds in future years.

If you have any questions or require further follow-up, please feel free to contact me.

Very truly yours,

HENRIETTA FIRE DISTRICT

F. Joseph Martin, Jr., Chairman
Board of Fire Commissioners

Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed the Board adopted “distribution of foreign fire taxes” policy to gain an understanding of the calculation, review and disbursement processes for FFI tax proceeds.
- We calculated the allocation percentages from fire company active member and paid personnel listings and the corresponding total due to each entity for 2023 and 2024 and compared it to the Treasurer’s FFI tax proceeds distributions to determine whether officials properly distributed FFI tax proceeds.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

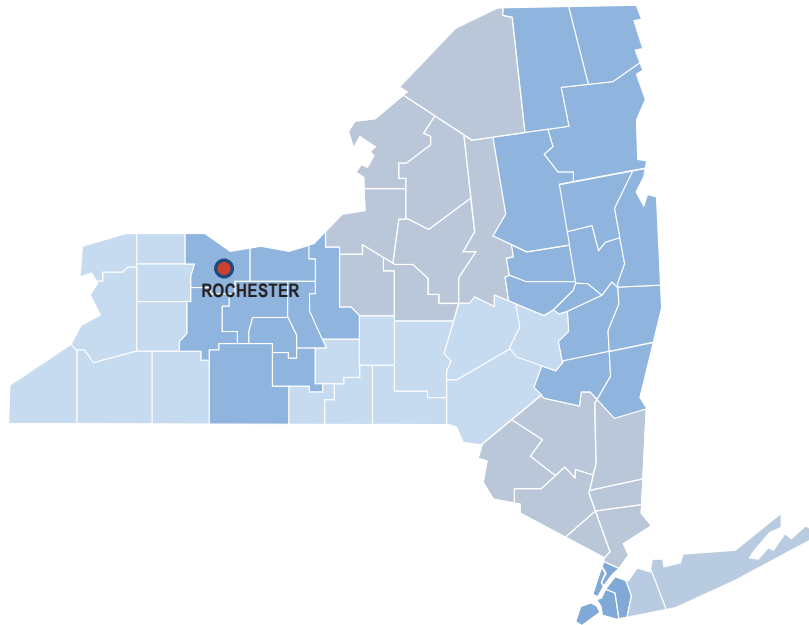
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