



Town of Hornellsville

Distribution of Foreign Fire Insurance Tax Proceeds

2025M-112 | December 2025

Contents

- Audit Results 1**
 - Audit Summary 1

- FFI Tax Proceeds Distribution: Finding and Recommendations 3**
 - Finding 1 – Town officials did not properly distribute FFI tax proceeds. 3
 - Recommendations 4

- Appendix A: Profile, Criteria and Resources. 5**

- Appendix B: Response From Town Officials. 7**

- Appendix C: Audit Methodology and Standards. 9**

Audit Results

Town of Hornellsville



Audit Objective

Audit Period

Did the Town of Hornellsville (Town) officials properly distribute foreign fire insurance (FFI) tax proceeds?

January 1, 2023 – August 6, 2025

Understanding the Audit Area

Town officials are responsible for distributing FFI tax proceeds in accordance with New York Insurance Law Sections 9104 and 9105 (Insurance Law). In the absence of a special act stating otherwise, the statute states that FFI tax proceeds should be distributed to fire departments and companies for the use and benefits of the membership. Furthermore, in accordance with relevant case law, in the case of a multi-company fire department, FFI tax proceeds must be distributed between the fire companies in proportion to the active membership of each company. Proper distribution of FFI tax proceeds helps ensure FFI funds are distributed in accordance with the statute, relevant case law, and are accounted for and documented.

In the Town, the Arkport Joint Fire District (District) provides fire protection services for a portion of the Town. The remaining area of the Town, outside of the District, constitutes the Town's two fire protection districts, for which the Town contracts with the North Hornell Volunteer Fire Department (Department) and the South Hornell Fire Protection Company, Inc. (Company) for fire protection services.

The Town Supervisor (Supervisor) is the chief financial officer and is responsible for the day-to-day financial operations, including the allocation and distribution of FFI tax proceeds. The bookkeeper assists the Supervisor with the Town's accounting functions, including calculating the FFI tax proceeds disbursements. The Town disbursed FFI tax proceeds totaling \$6,238 in the calendar years 2023 and 2024.

Audit Summary

Town officials did not properly distribute the 2023 and 2024 FFI tax proceeds in accordance with Insurance Law and relevant case law because the bookkeeper miscalculated the allocation of FFI tax proceeds. The bookkeeper allocated the FFI tax proceeds to each of the three fire units based on the number of active members. However, the District should receive its portion of FFI tax proceeds directly from DFS, in accordance with Insurance Law. Therefore, the District was not entitled to receive additional FFI tax proceeds from the Town.

Furthermore, the Supervisor did not obtain documentation to support the number of active members used in the bookkeeper's 2023 and 2024 allocation calculations. The Board did not receive or review the bookkeeper's allocation calculation to ensure the FFI tax proceeds were accurately and properly distributed to the two fire companies providing fire protection to the Town's two fire protection districts before approving the disbursements. As a result, the District received \$2,569 more than it should have received. Consequently, the Company and Department received \$2,444 and \$125 less than their pro-rata share of the FFI tax proceeds sent to the Town, respectively.

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

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's 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. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of the New York State General Municipal Law. 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 in the Town Clerk's office.

FFI Tax Proceeds Distribution: Finding and Recommendations

In accordance with 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 (DFS), which distributes the proceeds to the proper recipients.

Pursuant to Insurance Law and relevant case law, the treasurer or other fiscal officer of the fire department providing fire protection to the insured properties generally is the recipient of the FFI tax proceeds. If the fire department does not have a treasurer or other fiscal officer, then the recipient of the FFI tax proceeds is the fiscal officer of the authority having jurisdiction and control of the fire department. Furthermore, when a fire department is composed of multiple fire companies, the FFI tax proceeds should be distributed amongst the fire companies on a pro-rata share basis.

In the Town, the District provides fire protection services for a portion of the Town. The remaining area of the Town, outside of the District, constitutes the Town's two fire protection districts, for which the Town contracts with the Department and Company for fire protection services.

When multiple fire companies provide services for a Town's fire protection districts, FFI tax proceeds should be allocated between and among the fire companies proportional to the number of active members in each fire company. If fire services are provided by a fire district, FFI tax proceeds should be directly received by the fire district from DFS.

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

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

The Supervisor received and disbursed FFI tax proceeds totaling \$6,238 in 2023 and 2024. However, the bookkeeper miscalculated the allocation of the Town's FFI tax proceeds. The bookkeeper allocated FFI tax proceeds to the three fire units (i.e., the District, Department and Company) based on the number of active members in each unit. However, the District should have received its portion of FFI tax proceeds directly from DFS, in accordance with Insurance Law and relevant case law. Therefore, the District was not entitled to receive additional FFI tax proceeds from the Town.

Additionally, the Supervisor and the bookkeeper did not obtain documentation to support the number of active members used in the 2023 and 2024 allocation calculations. The Supervisor verbally obtained the number of active members from the fire companies' fire chiefs. We obtained the active member listings from the fire companies and determined that in addition to improperly allocating funds to the District, the bookkeeper's allocation calculation was inaccurate because it used an incorrect number of active members. As a result, the District received \$2,569 more than it should have received, and the Company and Department received \$2,444 and \$125 less than their pro-rata share of the FFI tax proceeds sent to the Town, respectively.

The Board did not receive or review the allocation calculation to ensure the FFI tax proceeds were accurately and properly distributed to the two fire companies providing fire protection to the Town's two fire protection districts prior to approving the disbursements. Additionally, the Supervisor and bookkeeper told us that the Board did not establish a written policy and Town officials did not develop written procedures providing guidance for the allocation and distribution of FFI tax proceeds. The lack of policies and procedures for FFI tax proceeds and review of the calculation for the allocation of the proceeds contributed to these errors occurring without detection.

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. Conduct a detailed review of the FFI tax proceeds allocation calculation and distribution dollar amount prior to approving payments.
3. Adopt a written policy and ensure officials establish written procedures for the proper allocation and disbursement of FFI tax proceeds.

The Supervisor should:

4. Obtain and retain active member lists from the fire companies to use when calculating the FFI tax proceeds distributions.
5. Conduct a detailed review of the bookkeeper's allocation calculation and distribution dollar amount.
6. Develop written procedures for the proper allocation and disbursement of FFI tax proceeds.

Appendix A: Profile, Criteria and Resources

Profile

The Town is located in Steuben County. The Town is governed by an elected five-member Board composed of the Supervisor and four Board members.

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 or other fiscal officer of the fire department providing fire protection coverage to the insured property receives the FFI tax proceeds. If the fire department does not have a treasurer or other fiscal officer, then the recipient of the FFI tax proceeds is the fiscal officer of the authority having jurisdiction and control of the fire department. Furthermore, when a fire department is comprised of multiple fire companies, the FFI Tax proceeds should be distributed amongst the fire companies on a pro-rata share basis. If fire services are provided by a fire district, FFI tax proceeds should be directly received by the fire district from DFS.

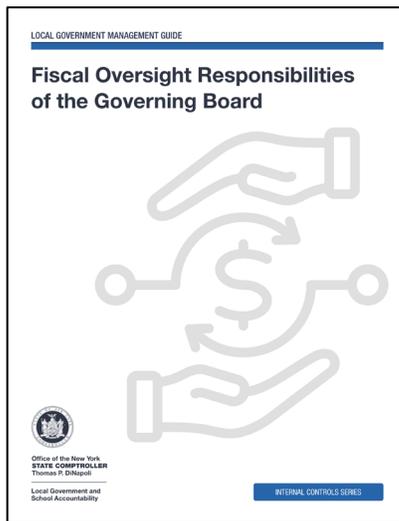
Furthermore, a town board should adopt policies and officials should develop written procedures to guide the proper allocation and distribution of FFI tax proceeds, which should include an adequate review of the allocation calculation and all supporting documentation prior to the disbursement of funds.

Additional FFI Tax Proceeds Distribution Resources

Figure 1: OSC Publication

OSC *Local Government Management Guide* available on our website to help officials understand and perform their responsibilities.

Fiscal Oversight of the Governing Board



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

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From Town Officials

TOWN OF HORNELLSVILLE

www.townofhornellsville.com

Danny Broughton, Supervisor
Jessica LaFrance, Town Clerk/Tax Collector
Shannon Smith, Deputy Town Clerk
James Giglio, Council Member
Robert Mauro, Council Member
David Oakes, Council Member
Trisha Yanni, Council Member

Jason Emo, Highway Supt.
Katherine Gabriel, Assessor
Robert Mooney, Codes Officer
Richard Scavo, Justice
Erik Werner, Justice
Madeleine Seaman, Court Clerk
Debra Castle-Harvey, Bookkeeper

November 18, 2025

Stephanie Howes, Chief of Municipal Audits
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, NY 14614-1608

Re: Town of Hornellsville Response to Audit (2025M-112)

Dear Chief Howes,

The Town Board of the Town of Hornellsville acknowledges receipt of the draft report entitled “Town of Hornellsville – Distribution of Foreign Fire Insurance Tax Proceeds” and thanks the Office of the State Comptroller for its continued oversight. The Board appreciates the audit’s focus on ensuring compliance with the Insurance Law and the proper allocation of public funds.

Distribution of Foreign Fire Insurance (FFI) Tax Proceeds

OSC Finding: The Town did not properly distribute the 2023 and 2024 FFI tax proceeds. Specifically, a portion of the proceeds was allocated to the Arkport Joint Fire District, which should have received funds directly from the Department of Financial Services (DFS), resulting in an overpayment to the District and underpayments to the two contracted fire companies.

Town Response:

The Board recognizes that the Town’s distribution of FFI tax proceeds was inconsistent with the statutory framework under New York Insurance Law §§ 9104 and 9105. The misallocation stemmed from a well-intentioned effort to distribute proceeds based on reported active membership, but was not aligned with the proper legal recipient structure.

The Board further acknowledges that documentation of active membership was obtained informally and that a formal verification process was not in place at the time of distribution. This contributed to inaccurate allocation figures, which the audit identified.

Corrective Action Plan (CAP) Commitment

This letter constitutes the Town’s formal response to the draft report. Upon receipt of the final audit report, the Town will prepare and file a Corrective Action Plan (CAP) within 90 days in accordance with General Municipal Law §35. The CAP will address each of the OSC’s

recommendations and will be adopted by resolution of the Town Board, transmitted to OSC at caps@osc.ny.gov, and made available for public inspection in the Office of the Town Clerk.

The Board appreciates the guidance provided in this audit and remains committed to maintaining compliance with New York State law and best practices for municipal fiscal administration.

Adoption

Approved by the Hornellsville Town Board at a duly convened special meeting on November 19, 2025.

Respectfully submitted,

Dan Broughton, Town Supervisor
Town of Hornellsville

Town Court:
P.O. Box 21, 6 Park Ave.
Arkport, NY 14807
Ph: 607-295-8207
Fax: 295-0007

Municipal Office:
P.O. Box 1, 4 Park Ave.
Arkport, NY 14807
Ph: 607-295-9660
Fax: 295-8015

Highway Office:
7756 Industrial Park Rd.
Hornell, NY 14843
Ph: 607-324-0106

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 Town officials to gain an understanding of the calculation, review and disbursement processes for FFI tax proceeds.
- We obtained active member listings from the fire companies and used them to calculate the allocation percentages and the corresponding total due to each entity for 2023 and 2024 and compared it to the Supervisor'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.

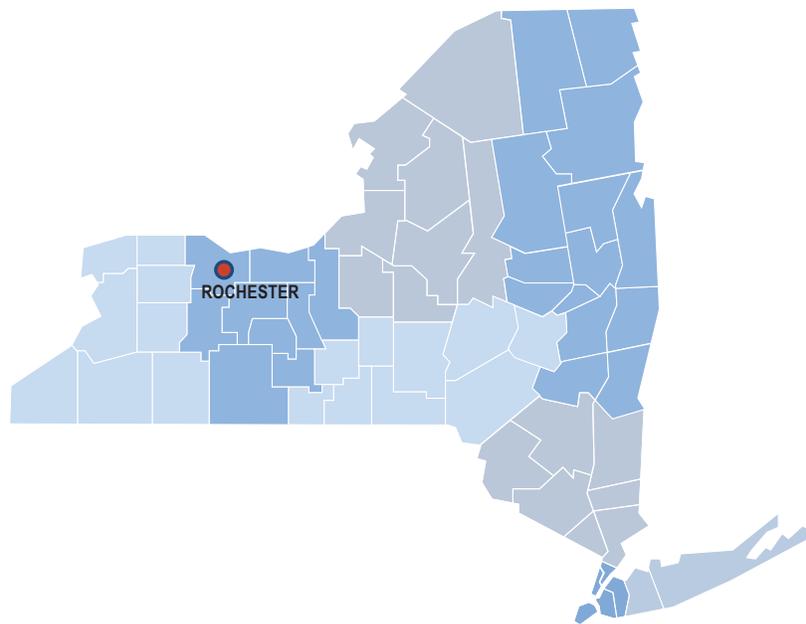
Contact

ROCHESTER REGIONAL OFFICE – Stephanie Howes, Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties



Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503