New York State Comptroller
THOMAS P. DiNAPOLI

Crystal Beach Volunteer Fire Department

Foreign Fire Insurance Tax Proceeds Accountability

July 2026 | 2026M-24

Prepared by the Division of Local Government and School Accountability

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Audit Results

Crystal Beach Volunteer Fire Department

Audit Objective

Did the Crystal Beach Volunteer Fire Department (Department) Treasurer (Treasurer) provide adequate oversight of Foreign Fire Insurance (FFI) tax proceeds?

Audit Period

January 1, 2024 – February 6, 2026

Understanding the Audit Area

A fire department should provide adequate oversight of FFI tax proceeds to ensure the funds are used legally and for the benefit of the fire department, as determined by its members. Proper oversight helps maintain transparency and accountability in the distribution and use of these funds. A lack of adequate oversight increases the risk of theft, misuse and mismanagement of fire department FFI tax proceeds. A fire department's treasurer is generally responsible for providing oversight of FFI tax proceeds.

The Department received a total of $7,978 in FFI tax proceeds in fiscal years 2024 and 2025.

Audit Summary

The Treasurer did not provide adequate oversight of FFI tax proceeds. The Treasurer did not maintain separate, complete and accurate records of FFI tax proceeds received and expended, establish a formal process for approving expenditures prior to payment or file the required annual FFI tax proceeds report with our office. In addition, the Department's bylaws (bylaws) lacked clear guidance for the receipt, recording, use and reporting of FFI tax proceeds. Without adequate oversight and controls, there is an increased risk of theft, misuse and mismanagement of the Department's funds.

For example, the Treasurer provided a list of 12 expenditures totaling $9,698 that she believed were paid using FFI tax proceeds. These expenditures exceeded the amount of FFI tax proceeds received by the Department during fiscal years 2024 and 2025, and we determined that two expenditures totaling $2,309 (24 percent) were improperly paid with FFI tax proceeds. These improper expenditures included gifts for non-members totaling $1,296 and gift cards totaling $1,013.

The report includes six recommendations that, if implemented, will strengthen oversight, improve accountability and help ensure FFI tax proceeds are used only for appropriate Department purposes. Department officials agreed with our recommendations and indicated they will take 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 (NYS) General Municipal Law (GML). Our methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. The Board is encouraged to prepare a written corrective action plan (CAP) that addresses the recommendations in this report and forward it to OSC within 90 days. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review.

Foreign Fire Insurance Tax Proceeds: Finding and Recommendations

In the absence of a special act stating otherwise, the NYS Insurance Law (Insurance Law) indicates that FFI tax proceeds should be distributed to fire departments, which may be spent in accordance with the Insurance Law for various purposes that the membership of a fire department determines to be for the benefit of the fire department. For example, the membership of a fire department may determine to expend FFI tax proceeds received by the department for purchasing equipment, funding social functions and supporting community initiatives. To help accomplish this goal, a department's board should establish clearly defined policies and procedures, such as in its bylaws, that provide guidance for receiving, recording, using and reporting FFI tax proceeds.

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

Finding 1 – The Treasurer did not provide adequate oversight of Foreign Fire Insurance tax proceeds.

The Treasurer, who should generally have custody of FFI tax proceeds received by the Department, did not ensure that the FFI tax proceeds received were properly recorded, expended and reported. Additionally, the bylaws lacked guidance as to the treatment of FFI tax proceeds and no other policies or procedures were adopted by the Board for the handling of FFI tax proceeds.

The Treasurer did not maintain adequate records of the FFI tax proceeds received and expended. FFI tax proceeds received by the Department in fiscal years 2024 and 2025, totaling $7,978, were not accurately recorded in the Department's financial software. Specifically, the 2024 FFI tax proceeds of $3,240 were recorded as "Government Contracts" and the 2025 FFI tax proceeds of $4,738 were recorded as "Fund Drive," as opposed to recording as FFI tax proceeds. In addition, the FFI tax proceeds were commingled in the Department's bank accounts with other Department funds, making it difficult to account for and provide the information necessary to file the annual FFI tax proceeds report.

The President, Vice President and Treasurer told us that there is no formal approval process by the membership to determine the use of FFI tax proceeds. As a result, the membership did not approve the expenditure of FFI tax proceeds as required by the Insurance Law. Although the Treasurer provided us with a list of 12 expenditures totaling $9,698 that she believed to be appropriate uses of the FFI tax proceeds, we determined that two expenditures contained inappropriate uses of FFI tax proceeds totaling $2,309 (24 percent). These expenditures included gifts of insulated tumblers for non-members totaling $1,296 and the purchase of gift cards totaling $1,013. In addition, we determined that the total expenditures which the Treasurer believed to be appropriate uses of the FFI tax proceeds exceeded the amount of FFI tax proceeds received by the Department in fiscal years 2024 and 2025. Furthermore, the Treasurer did not maintain adequate supporting documentation, such as an itemized invoice, for the use of FFI tax proceeds for catering at the Department's annual banquet totaling $4,000.

Finally, the Treasurer did not file the annual FFI tax proceeds report with OSC detailing FFI receipts, expenditures and remaining balances as required by GML Section 30-a. The Treasurer told us she did not receive the report template to be able to file it. However, the report template is available on the OSC website.

When the Treasurer does not ensure adequate oversight of FFI tax proceeds, there is an increased risk of theft, misuse and mismanagement.

Recommendations

The Treasurer should:

1. Ensure FFI tax proceeds are used only for appropriate Department purposes approved by the membership.

2. Ensure all disbursements are properly supported with adequate documentation.

3. Maintain complete and accurate records of FFI tax proceeds received, disbursed and remaining.

4. Ensure the annual FFI tax proceeds report is prepared and filed with OSC as required by GML.

The Board should:

5. Adopt bylaws, policies and procedures governing the receipt, recording, use and reporting of FFI tax proceeds in accordance with the Insurance Law requirements.

The membership should:

6. Approve all uses of FFI tax proceeds in accordance with Insurance Law requirements.

Appendix A: Profile, Criteria and Resources

Profile

The Department has approximately 20 active volunteer members and is a not-for-profit organization that provides fire protection services and emergency services within the Town of Gorham (Town) in Ontario County.

The Department is governed by its seven-member Board and bylaws which assign the Treasurer the responsibility to maintain the custody of, deposit, and disburse all Department funds and to record the Department's financial activities, including the receipt and expenditure of FFI tax proceeds.

Criteria

Insurance Law provides that FFI tax proceeds are generated from a tax 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 within NYS. In general, the out-of-state insurer will collect and remit FFI tax proceeds to the NYS Department of Financial Services, which distributes the proceeds to the proper recipients.

In the absence of a special act stating otherwise, FFI tax proceeds received by a fire department may be used for any purpose which the members of the fire department or fire company determine to be for the use and benefit of the department or company as a whole, provided the expenditure is not illegal or contrary to public policy. Our Office has concluded that, in the absence of a special act, expenditure of FFI tax proceeds for individual use is inappropriate (e.g., distributing gift cards to individual members).

Generally, the recipient of the FFI tax proceeds is the treasurer or other fiscal officer of the fire department or fire company providing fire protection to the insured properties. As the recipient, the treasurer or other fiscal officer should be the custodian of the FFI tax proceeds and is responsible for maintaining complete and accurate records to account for the receipt and expenditure of such funds. In addition, GML Section 30-a requires the treasurer or chief fiscal officer of entities receiving FFI tax proceeds to file an annual report of the receipts, expenditures and balances relating to the use and application of such funds no later than the last day of February of each year for the preceding calendar year. To do so, the treasurer must maintain a detailed and accurate record of FFI tax proceeds received and disbursed.

Finally, a fire department or fire company's governing board should adopt written policies and develop 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 Resources

OSC *Local Government Management Guides* and other informational resources that are available on our website to help officials understand and perform their responsibilities include:

- *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
- *The Practice of Internal Controls:* https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf

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

Additional information regarding filing of the annual FFI report template can be found on our website:
https://www.osc.ny.gov/local-government/required-reporting/foreign-fire-insurance-report-filing

Appendix B: Response From Department Officials

The content below is a reproduced copy of the original response letter issued by Department officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*,[1] and may have included changes to spelling and grammar. The substance of the content was not changed.

Crystal Beach Fire Department

July 7, 2026

Office of the State Comptroller
Division of Local Government and School Accountability

Re: Draft Audit Report – Crystal Beach Volunteer Fire Department

Dear Audit Team,

On behalf of the Crystal Beach Volunteer Fire Department, we appreciate the professionalism and courtesy extended by the audit team throughout this review. We have carefully reviewed the draft audit report and recognize the importance of ensuring proper accountability and transparency in the use of Foreign Fire Insurance (FFI) tax proceeds.

The Department agrees with the recommendations contained in the report and has already begun implementing corrective actions to strengthen our internal controls and ensure full compliance with applicable laws and regulations.

Specifically:

- The Department will establish a formal process that requires membership approval for all expenditures of FFI tax proceeds, in accordance with the New York State Insurance Law.
- The Treasurer will maintain separate accounting records for all FFI tax proceeds received, expended, and remaining balances to improve accountability and reporting.
- The Department will ensure all future expenditures are supported by complete documentation, including itemized invoices and receipts.
- The annual Foreign Fire Insurance report will be filed with the Office of the State Comptroller each year as required.
- The Board will revise the Department's bylaws and adopt written policies governing the receipt, accounting, approval, expenditure, and reporting of FFI tax proceeds.
- With respect to the expenditures identified in the report, we acknowledge the auditors' interpretation regarding allowable uses of FFI funds. In the future, the Department will ensure that expenditures are reviewed against OSC guidance before approval to avoid similar issues.

1 https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule

We appreciate the recommendations provided through this audit. Our department is committed to strengthening our financial oversight while responsibly managing the resources entrusted to us to support our members and the community we serve.

Thank you for your assistance and guidance throughout this process.

Sincerely,

Lawreen Duel
President

Appendix C: Audit Methodology and Standards

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

- We interviewed Department officials and reviewed the bylaws and the Board and membership meeting minutes to gain an understanding of how FFI tax proceeds were received, recorded, expended and reported.

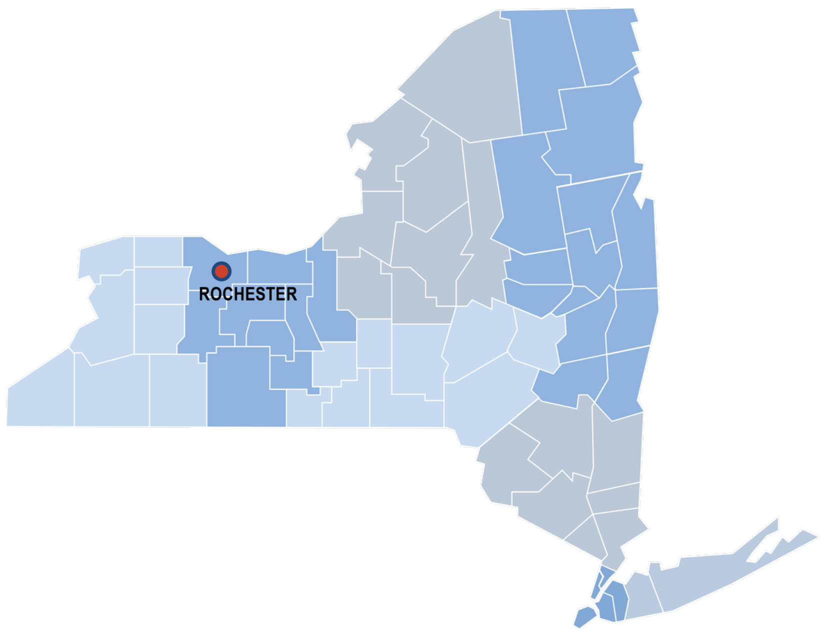
- We obtained from the Town the total amounts of FFI tax proceeds distributed to the Department in 2024 and 2025. We then reviewed deposit detail reports provided by the Treasurer to determine whether the Treasurer accurately recorded FFI tax proceeds and reviewed corresponding bank statements for the period to determine whether the Treasurer appropriately deposited FFI tax proceeds.

- We reviewed the Treasurer-provided 2024 and 2025 expenditure list of FFI expenditures and corresponding invoices and receipts to determine whether the expenditures were itemized and appropriate uses of FFI tax proceeds.

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

Questions?

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



Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236
(518) 474-4044
www.osc.ny.gov
Prepared by the Division of Local Government and School Accountability

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