



# City of Corning

## Foreign Fire Insurance Funds

### Report of Examination

Period Covered:

July 1, 2015 – June 23, 2017

2017M-143



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

November 2017

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and City Council governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of Corning, entitled Foreign Fire Insurance Funds. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3, Section 33-a<sup>1</sup> of the General Municipal Law.

This audit's results and recommendation are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

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

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<sup>1</sup> This section generally authorizes the Comptroller to inspect and examine the records and accounts of any entity receiving and disbursing foreign fire insurance tax money, with respect to funds received after January 1, 1976.

# Introduction

## Background

The City of Corning (City) is located in Steuben County and has a population of approximately 11,000. The City provides services to its residents including fire and police protection, street maintenance, water and sewer utilities, senior programs and parks and recreation programs. The City is governed by the City Charter (Charter), various New York State (NYS) statutes, and local laws and ordinances. The City is governed by a Mayor and an eight-member City Council (Council). The Council appoints the City Manager (Manager) who serves as chief executive officer.

The City's Fire Department (Department) was established on November 1, 1896 and is charged with fighting and controlling fires within the City's limits. The Department is staffed 24 hours a day, 365 days a year by 18 full-time firefighters and nine part-time firefighters.

According to the Charter, the Department is overseen by the Manager, who serves as the Director of Public Safety. In this capacity, the Manager appoints the Department's Fire Chief (Chief), which the Council approves. The Chief is responsible for directing and controlling Department operations. The City's Finance Director is charged with maintaining foreign fire insurance (FFI) funds<sup>2</sup> in a trust fund.

A 1974 NYS Supreme Court Order from Steuben County (Supreme Court Order) sets forth procedures for expending FFI funds. During our audit period, the City received one FFI payment in the amount of \$26,326 and expended \$34,822 in FFI funds.

## Objective

The objective of our audit was to examine the City's use of FFI funds. Our audit addressed the following related question:

- Was FFI money used appropriately?

## Scope and Methodology

We examined the City's use of FFI funds for the period July 1, 2015 through June 23, 2017.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such

<sup>2</sup> The distribution and use of FFI tax money is generally governed by Insurance Law Sections 9104 and 9105. Insurance Law Sections 9104 and 9105 impose a tax generally at the rate of 2 percent on the premiums of fire insurance policies written by certain out-of-State insurers. In general, the FFI taxes imposed by the Insurance Law are paid by the insurer to the NYS Department of Financial Services, which, in turn, distributes the proceeds to the proper local recipients.

standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of Local Officials  
and Corrective Action**

The results of our audit and recommendation have been discussed with City officials, and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendation in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of 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 City Council to make this plan available for public review in the Clerk's office.

## Foreign Fire Insurance Funds

Unless a special law enacted by the State Legislature or in some cases certain pre-existing local laws (e.g. city charter provision) provides otherwise, FFI tax money may be spent for any purpose which the membership of the fire department or company determine to be for the benefit of the fire department or company, provided the expenditure is not illegal or contrary to public policy.

In the case of the City, the Charter states that the Finance Director shall credit all money paid to her by FFI companies not licensed in NYS as a trust fund for the benefit of Department members. In addition, the Charter states that use of these funds shall be determined by the Manager pursuant to any court or arbitration decisions.

We were told that the City's process for FFI fund expenditures, as generally set forth by the 1974 Supreme Court Order, is as follows:

- The FFI Committee (Committee), consisting of the Chief (City Representative) and a Department membership representative, discuss and determine whether a requested expenditure is proper.<sup>3</sup>
- Once the Committee agrees that an expenditure is proper, it prepares a form for expenditure of FFI funds and submits it to the Manager for review and approval.

The Manager signs the form indicating his approval.

- Once the Department makes the expenditure, the Chief attaches the form to a claim voucher along with supporting documentation and then submits it to the Finance Director for payment processing.

Annually, the Finance Director must prepare a report on FFI fund revenues, expenditures and remaining balances, in accordance with GML.<sup>4</sup> This report must be filed with OSC no later than the last day of February of each year.

<sup>3</sup> According to the 1974 Court Order, the purpose of the Committee is to "submit requested expenditures from the FFI Fund on behalf of and for the benefit of the fire department to the City's fire commission." The Court Order refers to the Fire Commission. Due to changes in the Charter in 1996, the Fire Commission no longer exists and the City Manager, as Director of Public Safety, acts in the Fire Commission's capacity.

<sup>4</sup> GML Section 30-a requires every entity receiving and disbursing FFI premium tax funds to make an annual verified report of receipts, expenditures and balances relating to the use and application of funds received and disbursed after January 1, 1976 to the State Comptroller.

We examined all 61 FFI expenditures totaling \$34,822 during our audit period for adequate support, approvals and propriety and did not identify any concerns. However, we did find that the Finance Director did not prepare or file the 2015 and 2016 annual reports with OSC, as required by GML. The Finance Director stated that she was unaware of the requirement. After the end of our field work, the Finance Director filed the 2015 and 2016 annual FFI reports on June 29, 2017.

**Recommendation**

1. The Finance Director should file the FFI reports by the annual statutory deadline date.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following page.

The City's response letter includes attachments that support the response letter. Because the City's response letter provides sufficient detail of its actions, we did not include the attachments in Appendix A.





## CITY OF CORNING

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CORNING, New York 14830-2874  
Phone: (607) 962-0340

October 12, 2017

Edward Grant  
Chief Examiner  
Division of Local Government Accountability  
Office of the State Comptroller  
110 State Street  
Albany, New York 12236

RE: City of Corning, Foreign Fire Insurance Funds, Report of Examination,  
2017M-143

Dear Mr. Grant:

Please accept this letter as the City's combined Response and Corrective Action Plan for the above referenced report. The City agrees with the report's findings.

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation:

"The Finance Director should file the FFI reports by the annual statutory deadline date."

Implementation Plan of Action:

The City's Finance Director submitted the required 2015 and 2016 FFI annual reports on June 29, 2017.

Implementation Date:

All future FFI annual reports will be filed by the annual statutory deadline.

Person Responsible for Implementation:

The City's Finance Director, Kathy Koegel is responsible for the implementation actions.

If you have any additional questions, please feel free to give me a call.

Sincerely,

Mark L. Ryckman  
City Manager/Chief Executive Officer

City Manager  
Fax 962-0578

Assessor  
Fax 937-3358

City Clerk / Registrar  
Fax 937-3358

Finance  
Fax 937-3358

Fire  
Fax 962-4258

Parks & Recreation  
Fax 962-0578

Planning & Econ. Dev.  
Fax 962-0578

Police  
Fax 936-1657

Public Works  
Fax 962-0578

Senior Citizen Center  
962-8000  
Fax 962-8901

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed the Supreme Court Order dictating the City's process for FFI expenditures and the City Charter.
- We examined claims supporting the FFI expenditures, electronic financial records and bank statements.
- We interviewed City officials about the City's current process for FFI expenditures.
- We contacted OSC staff regarding FFI annual reports required to be filed.

We conducted this performance audit in accordance with 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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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
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Tracey Hitchen Boyd, Assistant Comptroller

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