

Fire Company Audit Guidance

Section 209-z of the General Municipal Law requires certain fire companies to obtain an annual audit of their records by an independent certified public accountant or an independent public accountant. The State Comptroller is authorized to prescribe the form of the audit report.

The audit requirement applies to fire companies with revenues of \$400,000 or more that contract to provide fire service to a city, town, village or fire district¹. The audit must examine a fire company's revenues and expenditures in connection with its fire protection contracts and indicate whether the fire company has filed Internal Revenue Service form 990² and the report required by section 30-a of the General Municipal Law³. If the fire company was required to make those filings, but failed to do so, the scope of the audit expands to encompass all of the fire company's revenues, expenditures and resources from any source.

The form of the audit report, whether the statements are prepared on an accrual basis, modified accrual basis, or other comprehensive basis of accounting, should be completed and reported on in accordance with the guidance provided by the Not-for-Profit AICPA Audit and Accounting Guide published in 3/08 or any future amendments thereto. A copy of the audit report certified by the accountant must be filed with the fire company and the municipal corporation with which the fire company contracts within 180 days following the end of the fiscal year audited.

¹ Section 209-z authorizes the State Comptroller to designate a lesser amount of revenues as the threshold that would trigger the annual audit requirement. The State Comptroller has not made such a designation to date.

² IRS Form 990 is a return filed by organizations exempt from income tax under sections 501(c), 527 or 4947(a)(1) of the Internal Revenue Code (see Internal Revenue Code §6033).

³ Section 30-a of the General Municipal Law requires every entity that receives and disburses foreign fire insurance premium tax funds distributed pursuant to Insurance Law §§ 9104 and 9105 to make an annual verified report to the State Comptroller of receipts, expenditures and balances relating to the use and application of those funds. Section 209-z inadvertently refers to section 33-a of the General Municipal Law, which authorizes the State Comptroller to cause the records and accounts of entities that receive and disburse foreign fire insurance premium tax funds to be inspected and examined for such periods as the Comptroller shall deem necessary, and does not relate to any report made by the entity.