



Border City Fire District

Board Oversight

2024M-137 | October 2025

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Report Highlights

Border City Fire District

Audit Objective

Determine whether the Border City Fire District (District) Board of Fire Commissioners (Board) provided adequate oversight of the District's financial operations.

Key Findings

The Board did not provide adequate oversight of the District's financial operations. As a result, the former District Fire Department Chief (Chief), who was also a Director of the Border City Hose Company (Company), entered into an unauthorized contract with a private corporation (Corporation) and kept an unauthorized bank account into which he inappropriately deposited and withdrew District money. In addition, the Board did not ensure all goods and services were procured in compliance with New York State General Municipal Law (GML), District policies or in the best interest of taxpayers.

The Board also did not:

- Oversee the Chief.
- Ensure the Treasurer received, accounted for and dispersed all District money.
- Annually audit the Treasurer's records and reports.

Recommendations

The report includes nine recommendations that, if implemented, will improve the District's Board oversight.

The former Chief was arrested on charges of grand larceny for allegedly stealing from the Company. In July 2024, the former Chief pleaded guilty to misapplication of property (an A misdemeanor) and was ordered to pay full restitution of \$18,772.53.

District officials generally agreed with our recommendations and indicated they have initiated corrective action.

Audit Period

January 1, 2018 – February 24, 2020

The audit report was held in abeyance while the matter was under review by outside law enforcement.

Background

The District provides fire protection and emergency services to portions of the Towns of Fayette and Waterloo in Seneca County. District fire trucks and equipment were housed at two fire stations within the District, which are owned by the Border City Hose Company and Serven Volunteer Fire Company. The elected five-member Board is responsible for the general management and control of the District's financial operations and safeguarding its resources.

The Board-appointed Treasurer is the District's chief fiscal officer and responsible for receiving, disbursing and accounting for District funds and preparing monthly and annual financial reports. A Deputy Treasurer assisted the Treasurer with some of those duties. In March 2019, the Board replaced the former Treasurer with the current Treasurer who previously left the position in 2015. The Chief is responsible for overseeing all members of the two companies and use of the District's apparatus and equipment for the prevention or extinguishment of fires.

Quick Facts

2020 Appropriations \$332,908

Late Filed Annual Financial Reports (AFRs)

Fiscal Year Ending	Date Filed	Days Late
2017	5/9/2019	434
2018	6/28/20219	119

Board Oversight of Financial Operations

How Does a Fire District Board Adequately Oversee Fire District Financial Operations?

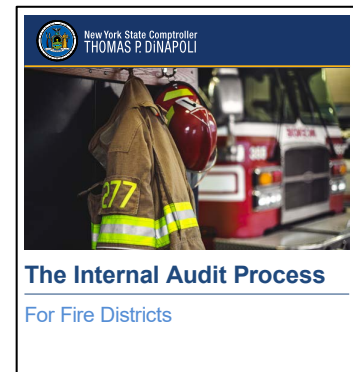
A fire district board (board) is responsible for managing and overseeing a fire district's financial operations and safeguarding its assets. To fulfill this duty, a board should adopt written policies and procedures that establish controls to help ensure that goods and services are procured in an economical manner, financial transactions are authorized and properly recorded, and accurate financial reports are prepared and filed in a timely manner.

A board should ensure that the treasurer, as required by New York State Town Law (Town Law) Section 177, receives all funds and deposits the funds in board-designated bank accounts, has custody of and disburses all fire district funds upon board approval. A board should also ensure that the treasurer prepares and submits the AFR to the Office of the State Comptroller (OSC) within 60 days of the close of the fire district's fiscal year, as required by GML Section 30. The AFR reports a fire district's financial position and results of operations and is an important fiscal tool to help the board monitor fire district operations and provides fire district taxpayers and stakeholders with a transparency tool to monitor and evaluate financial operations.

As part of its oversight responsibilities, and in the absence of an external audit, a board should perform an annual audit of the records maintained by the treasurer. OSC has a publication available titled *The Internal Audit Process for Fire Districts*, which contains guidance and a checklist to assist governing boards in performing an annual audit (Figure 1). An annual audit helps ensure that cash is properly accounted for, and that transactions are properly recorded.

FIGURE 1

Internal Audit Process for Fire Districts



Access this publication at:
<https://www.osc.ny.gov/files/local-government/resources/pdf/internalauditprocess.pdf>

The Board Did Not Adequately Oversee Financial Operations

The Board did not provide adequate fiscal oversight to ensure the Treasurers maintained custody of all District funds or filed AFRs in a timely manner. In addition, the Board did not effectively oversee the Chief, ensure competition was sought for procurements or perform annual audits. As a result, the Chief acted outside his authority and misused District money.

Chief Improprieties – The Chief entered into an unauthorized contract with the Corporation to make available the District's rescue boat and a standby crew to provide emergency medical attention if needed while the Corporation performed overwater equipment tests on Seneca Lake. The Chief instructed the Corporation to mail the checks for payment to his home, and he deposited them into a bank account¹ he previously opened at his credit union in the name of the Border City Fire Department (Fire Department Bank Account). The Board did not authorize the Chief to enter into this contract on the

¹ The unauthorized bank account was a checking account with three savings sub-accounts, including an account referred to as "boat account."

District's behalf. While certain Commissioners stated they were unaware of the contract or the rescue boat detail, or of the Chief's separate unauthorized bank account, at a minimum, the Board Chairman knew about the bank account and the District Secretary knew about the billing arrangement with the Corporation.

Because the District and the two separately incorporated companies that comprise the District Fire Department each maintain their own bank accounts, the Fire Department is not a separate entity that would have its own bank accounts. Instead, it appears that the Fire Department Bank Account was a private account of which the Chief had full control.² There is no authority for a fire department chief to open a bank account on the department's behalf or to handle any money. In addition, only the Board has the authority to contract for the rental of the rescue boat and a standby crew, under specific circumstances in accordance with Town Law 176 (16) and GML 209-d. Additionally, all related revenues would be District revenues.

During the 19-month period from June 2018 through December 2019, the Chief received and deposited 17 checks from the Corporation totaling \$41,200 and payable to the Fire Department (by a third-party company that provided bill-paying services for the Corporation) into the boat savings sub-account of his Fire Department Bank Account. The Chief also made 28 cash withdrawals from this boat savings account during that same time, totaling \$24,177 without any supporting documentation. While the Chief said he withdrew some of the cash to pay members for the boat standby shifts and some boat repairs, he kept no records of any payments or withdrawals, including those purportedly made to members, to offset his own personal gain. Furthermore, even if the District had properly executed a contract with the Corporation, there was no authority for the Board to make payments to individual volunteer firefighters or members as compensation for rendering contract services, per GML 209-d. The District could only make payments to the two fire companies in amounts that totaled no more than 35 percent of the total contract payments.

The Chief inappropriately deposited other checks totaling \$49,330, such as fundraising checks and insurance recoveries, that were payable to the Fire Department, District and Company into the various sub-accounts of his Fire Department Bank Account. For example, the Chief inappropriately deposited two insurance recovery checks payable to the District totaling \$5,330 into his account. The Treasurer should have deposited these checks and distributed them accordingly to facilitate necessary repairs. Because the Chief did not maintain adequate records, there is no assurance the money was disbursed appropriately to make the repairs, or that the Board knew about the insurance recovery checks.

The Chief did not maintain adequate accounting records for his Fire Department Bank Account activity to determine whose money was deposited into the account or what the money was used for. The Chief haphazardly recorded some deposits and disbursements in a check register. However, most deposits and withdrawals were not recorded and the check disbursements recorded did not include the check number, just an amount. The Chief also did not maintain supporting documentation for 122 (\$27,562) of the 141 check disbursements (\$33,261) from his Fire Department Bank Account and did not retain all bank statements for the audit period. Therefore, the District had no records to show how the contract

² While the Company Board Vice-President was also a signatory on the account, she never accessed the account.

revenue was spent or how much of the total amount deposited to the Chief's bank account was properly used – for District or Company expenses – or inappropriately or fraudulently used.

AFR Reporting – The Board did not ensure the Treasurer filed AFRs in a timely manner. The former Treasurer³ did not complete, request a filing extension for or submit the 2017 and 2018 AFRs to OSC as required. While the current Treasurer filed the delinquent AFRs, we identified reporting errors, such as reporting the general fund checking and savings accounts as restricted fund balance instead of unassigned fund balance. The lack of accurate AFRs filed in a timely manner hindered transparency and the Board, taxpayers, OSC and other interested parties were denied the ability to review information to effectively monitor District financial operations.

Procurement – We reviewed all 552 disbursements made by the Treasurers during 2018 and 2019 totaling approximately \$667,000 and determined that all were Board-approved and appropriate District expenditures, and most were properly supported, except for 13 claims totaling \$9,503. However, the Board did not ensure officials sought competition when procuring goods and services:

- Of 58 purchases totaling \$133,117 that were of a type and dollar amount requiring multiple documented quotes, 48 purchases totaling \$71,455 had no quotes and nine purchases totaling \$47,391 had only one quote; with a 98 percent non-compliance rate.
- While the District's procurement policy required a request for proposals (RFP) for the purchase of professional services, District officials did not document whether multiple competitive proposals were obtained for the three professional service providers that were paid \$26,862 during the audit period.
- The Board used a contract let by a Group Purchasing Organization (GPO),⁴ in lieu of completing its own competitive bid process, to purchase a pumper fire truck for more than \$500,000. However, District officials did not document in the Board meeting minutes or elsewhere that they verified, and confirmed with the District's legal counsel, that the GPO's⁵ procurement process complied with New York State competitive bidding requirements (GML Section 103⁶).⁷

When the Board does not ensure officials use a competitive process to procure goods and services, it increases the risk that officials may not procure goods and services in the most cost-effective manner to help ensure the most prudent and economical use of public money.

3 The Board replaced the Treasurer on March 21, 2019 and appointed an acting Treasurer.

4 A cooperative purchasing program that provides fire districts and departments access to publicly solicited contracts created through a nationwide public RFP process.

5 GML was amended in 2012 to add an exception from competitive bidding requirements that authorizes fire districts to purchase apparatus, materials, equipment and supplies using contracts let by the United States or any agency thereof, any state or any other political subdivision or district therein. For the exception to apply, the contract must have been made available for use by other governmental entities and let to the lowest responsible bidder or based on best value in a manner consistent with GML Section 103[16]. It is the Board's responsibility to determine, on advice of the District's legal counsel as appropriate, whether each procurement meets the requirements for this exception. For additional details relating to this exception, see the Piggybacking Law bulletin on our website at <http://www.osc.state.ny.us/localgov/pubs/piggybackinglaw.pdf>.

6 GML Section 103 generally requires fire districts to solicit competitive bids for purchase contracts that exceed \$20,000 and contracts for public work that exceed \$35,000.

7 Any determination of whether this specific GPO contract met the requisites for the exception in the law is outside the scope of our audit.

Annual Audit – The Board did not conduct an annual audit of the Treasurers’ records because the Commissioners believed the accountant hired to review the Treasurer’s records did the required audit. However, the accountant’s engagement letter dated October 30, 2018 stated they were hired to prepare a compilation of the District’s financial statements on the cash basis for 2015, 2016 and 2017. This does not constitute an audit or require the accountant to verify the accuracy or completeness of the information provided. Officials did not indicate during our fieldwork that they did or planned to conduct or engage an accountant to conduct audits of the 2018 or 2019 accounting records.

Without an annual audit, the Board is not assured that cash is properly accounted for, and transactions are properly recorded and reported. Because the Board did not conduct an annual audit, we reviewed all receipts totaling \$945,622 and 522 disbursements and vouchers totaling \$666,908 recorded by the Treasurers from 2018 through 2019 and bank activity. We identified some minor recording errors.

What Do We Recommend?

The Board should:

1. Oversee and provide direction to the Chief, ensuring he does not perform any fiduciary or money-handling duties.
2. Approve and authorize any contracts for the use of District assets and resources.
3. Ensure the Treasurer receives all District revenues, maintains custody of all District funds, disburses funds upon Board approval and files the AFR in a timely manner.
4. Implement monitoring procedures to ensure that officials involved in the purchasing process comply with all aspects of the District’s procurement policy and obtain and document the required quotes to help ensure the District procures goods at the lowest available cost in the best interest of the taxpayers.
5. Ensure that competitive bids or competitive offers are awarded in accordance with GML.
6. Annually audit the Treasurer’s books and records.

The Treasurer should:

7. Receive and prepare receipts for all District revenues, maintain custody of all District funds, ensure all disbursements are supported by adequate documentation for Board review and disburse funds after Board approval.
8. Accurately record all revenues and disbursements in a timely manner.
9. File the AFR in a timely manner.

Appendix A: Response From District Officials

Border City Fire District
352A Waterloo - Geneva Road
Waterloo NY 13165

To Whom it may concern:

In response to the audit letter:

[REDACTED] have been preparing the appropriate financial statements since 2021 and will continue to do so.

The treasurer will give the board a monthly listing of all cash/checks received.

The Secretary/Deputy Treasurer does provide the Board with the abstract to approve. Following the approval the Treasurer will give the Board a final abstract with the check numbers associated with the voucher.

Since the return of the current Treasurer, the annual reports have been filed on time and will continue to do so.

Only the Board will enter in to contracts for the district. Any funds that need to be spent must have a board approval and a PO.

The board will receive competitive bids in written quote form and will retain all the paperwork.

Sincerely,
Brian Dwello
Chairman Border City Fire District
Firefighterdwello@yahoo.com
315-730-6236

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and OSC's authority as set forth in Article 3 of GML. 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 Board meeting minutes and District policies to gain an understanding of District operations.
- We reviewed bank reconciliations for the December 2018 fiscal year end and the most recently completed month (November 2019) to determine whether they were timely and accurate.
- We reviewed the 2017 through 2019 AFRs to assess the District's financial condition and to determine whether they were filed in a timely manner.
- We reviewed all 552 disbursements and vouchers from 2018 through 2019 totaling \$666,908 to determine whether they were Board approved, and whether they included adequate supporting documentation, proper District purposes and complied with District policy.
- We reviewed all receipts from 2018 through 2019 totaling \$945,622 to determine whether they were properly recorded.
- We reviewed all bank account activity for unusual transactions or withdrawals.
- We reviewed bank statements and any available records, and contracts, related to District money received and maintained by the Chief in separate bank accounts in the name of the Border City Fire Department.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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Contact

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

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

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