



Wallace Fire District

Board Oversight

2024M-126 | April 2025

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Report Highlights

Wallace Fire District

Audit Objective

Determine whether the Wallace 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. We determined that:

- District funds are not adequately safeguarded and not spent in a prudent and economical manner. For example, the Board did not use competitive methods to purchase a used 2008 brush truck (mini pumper) that cost \$175,000. As a result, officials likely purchased a vehicle that was not the most prudent or in the best interest of taxpayers (Figure 3).
- The Board did not establish an effective system of internal controls over key financial areas.
- The Treasurer did not submit periodic financial reports to the Board, including monthly bank reconciliations, monthly Treasurer’s reports and budget-to-actual reports.
- The Board adopted an unrealistic budget resulting in an operating surplus totaling \$45,274.
- The Treasurer has not filed the 2023 Annual Financial Report (AFR) and the Board did not conduct an annual audit of the Treasurer’s records.

Key Recommendations

The audit report includes 10 recommendations to help improve the Board’s oversight of the District’s financial operations.

District officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Audit Period

January 1, 2023 – August 20, 2024

Background

The District encompasses part of the Town of Avoca in Steuben County.

The District is governed by an elected five-member Board, responsible for the general management and control of the District’s financial operations.

The Treasurer is the District’s chief fiscal officer and is responsible for receiving, disbursing and accounting for funds; preparing annual financial reports; and meeting any other reporting requirements.

The Wallace Volunteer Fire Department (Department) is sponsored by the District to provide fire protection and emergency services to the hamlet of Wallace located in the Town of Avoca.

Quick Facts	
2023 Budget	\$75,825
2023 Operational Expenditures	\$30,451
2023 Operating Surplus	\$45,374

Board Oversight

How Should a Fire District Board Effectively Oversee Financial Operations?

A fire district board (board) is responsible for overseeing a fire district's (district) financial activities and safeguarding its resources. To effectively oversee financial operations it is essential for the board to establish a system of internal controls consisting of clearly defined policies and procedures over key financial areas such as receipts and deposits; disbursements; claims processing, audit and approval; required financial records and reports; and budgeting, to ensure that financial duties are properly segregated; financial transactions are authorized and properly accounted for; financial reports are accurate, reliable and filed in a timely manner; and the district complies with applicable laws, rules and regulations.

The board is also responsible for adopting a code of ethics establishing standards of conduct reasonably expected of officers and setting a "tone" of ethics and integrity throughout the organization. The policy should prohibit the use of one's public position for personal gain and provide standards for avoiding the appearance of impropriety.

The board should ensure compliance with New York State General Municipal Law (GML) Section 103 that generally requires districts to solicit competitive bids for purchase contracts above \$20,000 and public works contracts above \$35,000, with certain exceptions. One such exception, often referred to as piggybacking,¹ allows local governments to procure certain goods and services using other governmental contracts. The board must also adopt a procurement policy which provides competitive procurement procedures for purchases not subject to competitive bidding requirements.

Financial decisions are the responsibility of the board and interim reports (e.g., budgetary status reports) are needed to keep the board informed about financial, performance and legal compliance matters. To fulfill its responsibility for ensuring that resources are used effectively and transparently, the board should implement detailed budgeting policies and procedures to ensure the adoption of realistic and structurally balanced budgets based on historical trends or other known factors, which are continually monitored. Furthermore, oversight, such as auditing claims and conducting an annual audit, becomes particularly important in operations that do not have adequate segregation of duties. If one person, such as the treasurer, performs nearly all financial duties (e.g., receives and disburses cash, maintains the accounting records, performs reconciliations and prepares financial reports), it may weaken control over the district's financial operations. When segregation of duties is not practicable, it is essential for the board to implement compensating controls, such as having someone review monthly bank statements, reconciliations and canceled checks to ensure revenues are properly recorded and deposited and expenditures are made as authorized.

The Board Did Not Adequately Oversee the District's Finances

The Board did not establish an adequate system of internal controls including the adoption of adequate written financial policies and procedures to properly oversee the District's financial operations or provide guidance to the Treasurer in her duties, which led to the deficiencies described throughout this report.

¹ The piggybacking exception allows a district to benefit from the competitive process already undertaken by other local governments provided that the contract was awarded in a manner consistent with the exception set forth in GML Section 103(16).

The Board-adopted one-page “Policy and Procedures” document with 10 bullet points (Appendix A) was inadequate. It did not establish internal controls over key financial areas such as: cash receipts and deposits; disbursements; claims processing, audit and approval; required financial records and reports; and budgeting. It provided limited guidance related to expenditures incurred for meetings, mileage for training, training classes, flowers, monthly utilities (e.g., electric, phone, Internet, fuel, heat, etc.) and items ordered or pre-approved during a meeting with the claim voucher to be signed at the next meeting. Absent policies to segregate financial duties and establish ongoing review procedures, the Board allowed the Treasurer to develop her own procedures and perform all key financial duties including maintaining the financial records and reconciling bank accounts without sufficient oversight or guidance.

As a result, the Treasurer did not maintain financial records or provide written financial reports to the Board. Instead, a community member prepared and maintained a spreadsheet to record receipts and disbursements from the bank statements and monitor budget expenditures. While the bank statements did not contain any anomalies and the community member accurately recorded bank transactions in the spreadsheet and shared it with the Treasurer and Secretary monthly, it was not provided to the Board. The Treasurer gave verbal reports about the District’s bank account and certificate of deposit (CD) balances during each monthly Board meeting. Although the community member performed monthly bank reconciliations, the Board did not review them. Furthermore, the Treasurer has not filed the District’s 2023 AFR and the Board did not conduct an annual audit of the Treasurer’s records.

In addition, the Treasurer, assisted by the community member, prepared the annual budget by making minor adjustments to the previous year’s budget, instead of considering historical actual expenditures. Because the Board did not require or receive monthly or annual financial or budget-to-actual reports, it was unaware the budget it adopted was unrealistic. As a result, the District had an operating surplus totaling \$45,374 in 2023. Furthermore, the Board did not formally adopt resolutions to establish reserves,² opting instead to purchase CDs with any excess funds throughout the year. The Treasurer stated that the budget-to-actual information is always available to the Board upon its request.

The Board and District officials also could not demonstrate that they obtained the best available prices on the taxpayers’ behalf for all purchases we reviewed because the Policy and Procedures document did not address procurement. Although a sample of 14 claim vouchers totaling \$31,774 were all approved by the Board, none included adequate documentation, such as applicable quotes, invoices and proof of receipt of goods to help ensure that District funds were spent in a prudent and economical manner. In addition, District officials could not support that the District competitively bid, or, in the alternative, properly used a valid exception to the competitive bidding requirements set forth in New York State (NYS) General Municipal Law (GML) to purchase a brush truck.³ Instead, the Board purchased a used brush truck for \$175,000 from an out-of-state, used fire truck dealership. The Treasurer and Secretary stated that they were unaware of the competitive bidding requirements for purchases. Had the Board used competitive bidding or “piggybacked” off another governmentally awarded contract, the Board may have procured a similar used truck for significantly less money. For

² Fire district capital reserves are subject to voter approval.

³ Brush trucks are typically described as being small, agile vehicles designed for wildland firefighting with 200-to-500-gallon water tanks and pumps that deliver water at high pressure.

example, we compared the price of similar used trucks for resale by vendors with group purchasing contracts and determined it could have purchased a used truck (Figure 2) with similar specifications (Figure 3) for less than half the cost of the used truck that was purchased (Figure 1). While we acknowledge the District purchased its truck on October 6, 2023 and we conducted our search in June 2024, we believe it is reasonable to conclude that market conditions did not significantly change during the seven month period between our search and the District’s purchase as our search found several other comparable trucks were also available at prices similar to our example.



Figure 3: Comparison of Specifications^a

	Purchased Non-Competitive	Alternate Used Truck
Year	2008	2006
Mileage	16,200	15,031
Chassis	Ford F-550 XL Super Duty	Ford F-550 XL Super Duty
Engine	Diesel	Diesel
Seating	4 (3 SCBA ^b seats)	5 (1 SCBA seats)
Pump	500 Gallons Per Minute (GPM)	500 GPM
Tank	250 gallons	300 gallons
Foam Tank	25 gallons	25 gallons
Other	5KW generator	none
Amount	Paid \$175,000	Offered At \$70,000
Potential Savings	\$105,000	
a) The use of any brands and/or the mention of any commercial products or services herein is solely for informational purposes and is not meant to imply any endorsement, criticism, or other commentary thereon by the Office of the New York State Comptroller.		
b) SCBA: Self-Contained Breathing Apparatus		

The Board also did not adopt a code of ethics, increasing the risk that District resources could be used for personal gain and misconduct by District officers and the Department’s officers and members.

Without an effective system of internal controls, the Board cannot protect the District and Department from potential liability and cannot effectively oversee financial operations or provide guidance to the Treasurer. As a result, the Board did not ensure that taxpayer funds are safeguarded and spent in a prudent and economical manner.

What Do We Recommend?

The Board should:

1. Adopt written financial policies and procedures to help ensure that taxpayer funds are managed and spent in a prudent and economical manner and in compliance with GML and competitive bidding requirements.
2. Perform an annual audit of all District financial information.
3. Adopt other statutorily required policies, such as a code of ethics and provide all policies to District officers and Board members.
4. Review monthly bank reconciliations.
5. Ensure that all claim vouchers have adequate supporting documentation prior to approving them for payment.
6. Formally establish, subject to voter approval, capital reserves through Board resolution to accumulate funds for future capital equipment purchases.

The Treasurer should:

7. Include more realistic estimates of expenditures when developing the annual budget.
8. Prepare and maintain financial records and monthly Treasurer's reports – including periodic budget-to-actual reports and cash balances of bank accounts and CDs.
9. Prepare and provide bank reconciliations to the Board monthly.
10. Timely prepare and file the AFR.

Appendix A: Board “Policy and Procedures” Document

Policy and Procedures

1. If an expense is needed between meetings and cannot wait till next meeting then need 3 commissioners to be called and ok given.
2. Mileage to training is not approved unless the class is approved ahead of time with the mileage pre-approved also.
3. We will pay for training classes as long as it is pre-approved.
4. Flowers may be purchased for Commissioners if it is their spouse, child or parent. Approval by 3 commissioners and cost is generally split with Fire Dept.
5. Doyle Security, electric, phone, internet, cable, fuel, heat, gas, and post office bills may be paid immediately then the voucher presented at the next meeting. This is to prevent any late fees these are necessary bills that occur monthly and the Treasurer will monitor them for accuracy.
6. Once an item is purchased or ordered during a meeting or pre-approved the Treasurer has permission to pay that bill as long as it is in line with agreed upon amount and the item has been received. The voucher to be signed at next meeting.
7. Kids can ride in the trucks during parades as long as the truck is out of service and the child is in a car seat or seat belt at all times.
8. Trucks may go to parades locally such as Hammondsport, Avoca, Bath, and Cohocton as long as we are notified of their attendance. They may also travel to funerals as needed with Commissioner approval.
9. The President of the Fire Dept has control of the building and or tables and chairs being loaned out. Money earned goes to the Fire Dept and person borrowing them signs the paper.
10. Pools may be filled and Chief is in control of that as long as agreement is signed to release us from any damages. Appreciated donation to cover expenses goes to the Fire dept. Pool fills are to be used as a drill for training on equipment.

Appendix B: Response From District Officials

Wallace Fire District

Nicholas Kowalczyk, Chairman
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Phone: 607-237-3675
Nrkowalczyk2011@gmail.com

March 26, 2025
Office of the State Comptroller
Local Government & School Accountability
16 West Main Street
Rochester, NY 14614
585-454-2460
Attn: Stephanie Howes

Dear Ms. Howes,

Regarding the draft findings of the Wallace Fire District audit, I am in agreement with your findings. We will begin to take the recommended corrective action.

Sincerely,

Nicholas Kowalczyk
Chairman

Appendix C: Audit Methodology and Standards

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. 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 policies and procedures, to gain an understanding of the District's internal controls, budgeting process and financial condition.
- We obtained and reviewed bank statements from January 1, 2023 through July 31, 2024 and reviewed deposits and disbursements to identify any anomalies.
- We reviewed and compared the 2023 and 2024 spreadsheets prepared by the community member to the bank statements to determine whether transactions were recorded accurately.
- We selected a judgmental sample of 14 vouchers totaling \$31,774 based on dollar amount to determine whether adequate supporting documentation was included to help ensure that District officials procured items in a prudent and economical manner.
- We selected 100 percent of purchases subject to competitive bidding requirements which included one purchase totaling \$175,000 to determine whether District officials adhered to all requirements per GML. We compared the price of similar used trucks for resale by vendors with group purchasing contracts to determine potential cost savings by entering the District's brush truck specs into the vendors' website search option to identify a comparable brush truck.

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.

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 New York State 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 D: 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

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

Contact

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