



Wappingers Central School District Fuel Accountability

Report of Examination

Period Covered:

July 1, 2013 — November 6, 2014

2015M-135



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Wappingers Central School District, entitled Fuel Accountability. 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 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district 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*

Introduction

Background

The Wappingers Central School District (District) is located in the Towns of East Fishkill, Fishkill, LaGrange, Poughkeepsie and Wappinger, in Dutchess County, and the Towns of Kent and Philipstown in Putnam County. The District is governed by the Board of Education (Board) which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The District operates 15 schools with approximately 11,470 students and 2,290 employees. The District's budgeted appropriations for the 2014-15 fiscal year were approximately \$212 million, which were funded primarily with State aid, real property taxes and grants.

The District has approximately 300 vehicles, with about 260 used for student transport. The remainder are used for various support services, including mail couriers, foodservice and facilities and operations. The District's vehicle fuel expenditures were about \$1.4 million in 2013-14.

Objective

The objective of our audit was to review the District's maintenance of fuel inventories. Our audit addressed the following related question:

- Did District officials ensure that the District's fuel was accounted for?

Scope and Methodology

We examined fuel accountability of the District from July 1, 2013 through November 6, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of
District Officials and
Corrective Action**

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

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. 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. The Board should make the CAP available for public review in the District Clerk's office.

Fuel Accountability

District officials are responsible for designing internal controls over vehicle fuel inventories and monitoring adherence to these controls to ensure that fuel inventories are adequately safeguarded and protected against the risk of loss, waste and misuse. The Board should establish policies and procedures to provide reasonable assurance that diesel and gasoline fuel will be used only for District purposes. To accomplish this, inventory records should be maintained to account for the amount of fuel purchased and used.

Consumable commodities such as gasoline and diesel fuel should be maintained in locked or controlled environments, and the usage should be tracked by vehicle and by individual users. For pumps not using a computerized system, a manual record should be maintained of the dates and amounts of fuel used, the vehicle receiving the fuel and whom it was pumped by. It also is important for District officials to review fuel transaction reports to ensure that fuel is used only for District purposes and that all fuel is accounted for.

District officials need to improve their oversight of fuel use. Despite the use of a fuel management system, District officials do not review system activity reports to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees. We found eight instances where the fuel volume dispensed exceeded the vehicle's tank capacity or a reasonable volume given the amount of miles driven between fill-ups. We also identified 140 instances where fuel was dispensed without an odometer reading and 26 instances where the odometer readings for vehicles were less than the previous readings for those same vehicles. Further, District officials do not reconcile fuel purchases to fuel use and remaining fuel or maintain an accurate list of assigned fuel keys and vehicles. In some instances, fuel key and vehicle numbers are not unique and no logs are maintained to document the purpose each time a master key is used. Master fuel keys were used in 376 transactions to dispense 4,075 gallons of fuel. Finally, the Director of Facilities and Operations does not maintain a log of fuel usage for the 275 gallon diesel tank in his Department which had deliveries totaling \$6,326 during our period or have knowledge of who was reordering the fuel for that tank. As a result, the District cannot properly account for how much fuel is pumped into specific vehicles and by whom. This reduces accountability and places the District at unnecessary risk for loss of fuel.

The District's computerized fuel management system captures fuel transactions for five fuel pumps¹ through designated fuel keys assigned to vehicles. The Transportation Director oversees the fuel management system and assigns fuel keys to vehicles for use by the Transportation and other departments.² The activity data captured by the fuel management system includes key number, vehicle number, odometer reading, amount of fuel dispensed, date, time and pump number. The fuel management system also reports a department identifier associated with the key and vehicle, and calculates the vehicle mileage using the prior odometer reading. Each quarter, the Transportation Director prints the fuel transaction reports and sends them to the Business Office, where fuel expenses are allocated based on activity.

Report Distribution and Reconciliation – The Transportation Director primarily uses the fuel transaction reports to monitor inventory and daily fuel levels in the storage tanks for leaks. However, the Business office only uses the reports for expense allocation – the reports are not shared with the department heads when expenses are charged to them. As a result, District officials are not monitoring and reviewing usage for their departments. For example, the Director of Facilities and Operations told us that he has never seen a report of fuel activity for his department, nor had he requested one. In addition, the Board does not require a periodic reconciliation of fuel purchases, fuel use and remaining fuel. The current Transportation Director followed procedures in place when she assumed the position and did not know if the reports had ever been shared.

Fuel Keys and Vehicle Records – The Transportation Director does not have a complete and accurate record of all vehicles that use the fuel management system, showing vehicle number, fuel key, Department, and employee assigned to the vehicle. For example, there were 341 distinct vehicle numbers³ on the fuel transaction report, but there were 389 vehicle/key combinations on the report. Master fuel keys were available for use when vehicle fuel keys were inoperable, to fill gas cans or to fuel newly purchased vehicles; however, no logs were maintained to document the purpose each time the master key was used. Master fuel keys were used in 376 transactions to dispense 4,075 gallons of fuel. Further, we found that the assignment of key and vehicle numbers were not unique and that vehicle numbers could not be traced to District vehicles:

¹ Four diesel pumps and one unleaded gasoline pump

² Facilities and Operations, Foodservice, Audio-Visual and Purchasing (mail couriers)

³ Includes vehicles replaced and leased

- Key number 859 was assigned to two different vehicle numbers (116 and 841) in different departments, for the same period.
- Key numbers 1184, 1262 and 1275 were assigned as Transportation Department master fuel keys and assigned to District vehicle numbers 736, 689 and 763, respectively, for some or all of the same period.
- Key number 1266 was enabled as a master key for two days, but was not a replacement master key.
- Vehicle number 998 was assigned to vehicles in two different departments at the same time using two different types of fuel.
- Vehicle number 143 could not be traced to District records of owned or leased vehicles.

The duplicate fuel key numbers in use were not identified by the Transportation Director because she did not routinely analyze or review the activity on the fuel transaction report or reference activity to a complete list of employee's assigned key and vehicle numbers.

Quantities Dispensed and Fueling Times – We reviewed all transactions for reasonableness, including the amount of fuel dispensed in one day or on consecutive days, frequency of re-fuels, vehicle fuel capacity and fueling at unusual hours or on weekends. Although there was significant fueling frequency,⁴ and weekend fueling activity, the explanations received for the activity were reasonable. However, we found eight instances where fuel volume dispensed and recorded exceeded the vehicle's tank capacity or reasonableness for amount of miles driven between fill-ups. Variances included fueling transactions of 16 to 35 gallons of unleaded gasoline for a sedan with a 17 gallon gas tank. In addition, 30 gallons of diesel fuel were listed as dispensed for a trailer. The Director of Facilities and Operations was unaware of the activity, and told us that he would investigate the transactions.

Furthermore, the Transportation Director stated that Transportation Department mechanics unlock the fenced area surrounding the diesel fuel tanks at 5 a.m. (if working overtime), and lock them before the second shift ends at 10:30 p.m. However, the Director of Facilities and Operations did not ensure the gates surrounding the

⁴ Transportation Department had 4,067 instances in which 30 or more gallons of fuel were dispensed in a single transaction. Facilities and Operations had 80 transactions in which 30 or more gallons were dispensed in a single day or as a sum in consecutive days.

unleaded gasoline fuel tank were secured each night. We found 1,825 transactions after 10:30 p.m. and before or at 5 a.m. These anomalies were never reviewed for reasonableness. While these transactions could be for legitimate District purposes, there could be others after normal working hours that are not.

Odometer Readings – We reviewed transactions in which no odometer reading was entered or where the odometer reading entered was unreasonable, such as if it was less than the prior odometer reading for the vehicle. We found that odometer readings were not always entered when vehicles were being fueled, some odometer readings went backward, and some transactions were not reasonable. We identified 140 instances where fuel was dispensed without an odometer reading being entered. Almost half of the transactions (69 of 140) were originated by employees of Facilities and Operations. Furthermore, we found 26 instances involving 17 vehicles where the odometer reading went backward – fuel was dispensed with an odometer reading that was less than the prior odometer reading entered. Also, a review of calculated miles showed 355 instances where reported mileage between fueling exceeded 350 miles; the majority being over 1,000 miles, with the highest at 9,410 miles. The Transportation Director could offer no explanation for these anomalies.

Diesel Tank – Although the District has an electronic fuel management system it does not account for all fuel purchased and used. The District has a 275 gallon diesel tank used by the Facilities and Operations Department that is not part of the electronic system. There are no manual logs maintained to indicate the date, purpose, gallons and employee name when gallons are pumped. The Director of Facilities and Operations told examiners a manual log had never been kept and the tank was seldom refilled – suggesting maybe five times per year; however, Department records showed 11 fuel deliveries for the period with \$6,326 spent. The employee who ordered fuel for the Department was someone other than the employee whom the Director named.

The Transportation Director primarily uses the fuel transaction reports from the fuel management system to allocate fuel expenses to non-Transportation Department users and to monitor inventory and daily fuel levels in the storage tanks for leaks. However, the fuel transaction reports are not shared with department heads so they can identify anomalies regarding the quantities dispensed, fueling times and odometer readings. In addition, District officials do not reconcile fuel purchases to fuel usage or maintain an accurate list of assigned fuel keys and vehicles; in some instances fuel key and vehicle numbers are not unique and no logs are maintained to document the

purpose when a master key is used. Finally, the Director of Facilities and Operations does not log fuel usage for a 275 gallon diesel tank in the Department or have knowledge of who is reordering fuel for that tank. As a result, the District cannot properly account for how much fuel is pumped into specific vehicles and by whom. This reduces the accountability and places the District at increased risk for loss or theft of fuel.

Recommendations

The Board should:

1. Ensure reconciliation of fuel purchases, fuel use and remaining fuel is performed periodically.

The Director of Facilities and Operations should:

2. Research the fueling variances cited and seek recovery for the value any fuel taken for personal use.
3. Ensure the gates surrounding the unleaded gasoline fuel tank are secured each night.
4. Review fuel transaction activity on a monthly basis to identify unusual transactions.
5. Maintain a log for fuel dispensed from the diesel fuel tank listing date, purpose, gallons and employee name.
6. Ensure that no individual can order fuel for delivery without approval.

The Transportation Director should:

7. Provide fuel transaction reports to all department heads on a monthly basis so they can review fuel transaction activity to identify unusual transactions within their departments.
8. Establish a comprehensive record of fuel key numbers, vehicle numbers and employees to whom vehicles are assigned, updating the record as required.
9. Maintain a log of master key transactions capturing the date, vehicle number, employee and purpose for master key use.
10. Review fuel transaction activity on a monthly basis to identify unusual transactions.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

WAPPINGERS

Central School District



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August 14, 2015

Tenneh Blamah
Chief Examiner of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Blamah:

The District would like to thank the Office of the State Comptroller for the time and effort of the team assigned to the Wappingers Central School District in reviewing the internal controls. The result of this District-wide operational review is the report related to Fuel Accountability. This response is offered based upon the District's receipt of the document and discussion held upon its review with the NYS audit team. Fuel Accountability

When discussions occurred in mid-May 2015 pertaining to this report the District immediately took any necessary actions based on the team's recommendations. During this discussion in May 2015, the work revealed a weakness in the fuel accountability process that was disappointing to District officials. One recommendation in particular pertained to a specific vehicle and the amount of fuel that was logged as being pumped. At the May 2015 when the District learned of this from the audit team, the District immediately reviewed this situation and found that there was no theft or fraud. However this information was not shared timely with the NYS audit team and as such the recommendation remains in the report.

In effort to meet the expectations of District official's as well as the Board of Education and the community, a specific and formal process has been put in place to address each of these recommendations. Additionally, prior to the release of the report and in no way related, the District purchased a new fuel monitoring system that will assist in adequate record keeping with an additional level of oversight by supervisors.

The District has completed a corrective action plan for each of the recommendations and is pleased to report that each has already been implemented or is a work in process by the Transportation and Facilities and Operation Departments.

We thank you for your time and attention throughout this process. Wappingers Central School District will continue to look for ways to improve and find efficiencies and appreciate the comments and recommendations from New York State.

Sincerely,

Jose Carrion
Superintendent of Schools

Sincerely,

Peggy Kelland
President - Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls and accountability over the use of vehicle fuel from July 1, 2013 through November 6, 2014. To accomplish our audit objective and obtain valid audit evidence, we performed the following procedures:

- We interviewed District officials and employees of the Transportation Department and Facilities and Operations Department to obtain an understanding of the fuel management system, including fuel key authorization and fuel dispensing procedures.
- We interviewed the School Business Manager to determine if fuel purchases were reconciled to fuel use. We obtained and reviewed financial records of fuel purchases made and gallons delivered.
- We interviewed Business Office employees to gain an understanding of the fuel expense allocation process.
- We compared vehicle numbers from the District's fixed asset list and the Departmental list of cars to the fuel transaction report to identify vehicles fueled that were not recognized District assets.
- We obtained the fuel transaction report during the audit period consisting of 29,161 transactions. Using data sorting and data filters, we reviewed all the transactions by fuel key number, vehicle number and Department number.
- We performed reasonableness testing associated with the reconciliation of fuel use to purchases, frequency of fueling, gallons dispensed per transaction, fueling times and the odometer readings.
- We tested fuel key numbers to identify duplicate fuel key numbers and fuel key numbers used with more than one vehicle. We also sorted the data to identify the use of master keys.
- We sorted the transactions by Department and filtered the data by frequency of access and the number of gallons of fuel pumped per transaction and in one day. We also compared the volume of gallons pumped to vehicle tank capacity to identify potentially fraudulent transactions.
- We sorted the fuel transaction report by time of day and day of week to identify unusual transactions. We also sorted the data to identify transactions in which no odometer reading was entered, and reviewed activity to identify instances where the odometer reading entered was less than the prior odometer reading for the vehicle.

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.

APPENDIX C

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