



# Great Neck Union Free School District Fuel

## Report of Examination

Period Covered:

July 1, 2014 – October 31, 2015

2016M-82



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**

July 2016

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 Great Neck Union Free School District, entitled Fuel. 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 Great Neck Union Free School District (District) is located in the Town of North Hempstead in Nassau County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of District 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 District's day-to-day management under the Board's direction.

The District operates 10 schools with approximately 6,400 students. The District's budgeted appropriations for the 2015-16 fiscal year are \$216 million, which are funded primarily with real property taxes and State aid. The Director of Facilities (Director) is responsible for the District's fuel inventory management under the Board's direction. The District maintains a 4,000 gallon underground gasoline storage tank and a fueling station to fuel a fleet of 79 vehicles and heavy equipment. During our audit period, the District's gasoline expenditures were about \$140,000.

## Objective

The objective of our audit was to determine if the District has properly safeguarded its fuel inventories. Our audit addressed the following related question:

- Did District officials adequately monitor fuel inventories and maintain complete fuel inventory records to safeguard fuel assets?

## Scope and Methodology

We examined the District's fuel inventory procedures and records for the period July 1, 2014 through October 31, 2015. We extended our scope period to include the three-week period from November 19 through December 10, 2015 to examine fuel pump security.

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 relative population size and the sample selected for examination.

**Comments of  
District Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with 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

District officials are responsible for designing controls over fuel use to ensure fuel inventories are safeguarded and protected against the risk of loss, waste and misuse. The Board should establish policies and procedures to ensure that fuel purchases are appropriate, properly supported and fuel is used for legitimate District purposes. To accomplish this, inventory records should be properly maintained to account for the amount of fuel purchased and used. District officials should ensure that fuel records are periodically reconciled to delivery and use records and that material discrepancies are investigated and resolved. Consumable commodities, such as fuel, should be maintained in locked or controlled environments and access to fuel tanks and pumps should be restricted to authorized personnel.

The Board and District officials need to improve controls over fuel to ensure that fuel inventories are adequately monitored and complete fuel inventory records are maintained to safeguard fuel assets. The Board did not adopt a policy for fuel inventory accountability and there were no written procedures to provide guidance to employees. In addition, District officials need to improve oversight of fuel reconciliations and review of fuel inventory records. Inconsistencies and variances in fuel use records ranging from four to 18 gallons of fuel per day occurred but District officials did not investigate and resolve these discrepancies.

District officials also did not perform any vehicle-based reviews to determine whether District vehicle use was reasonable. We identified 16 different mile per gallon (mpg) readings that did not appear reasonable when compared with the vehicle performance records. Officials also did not investigate variances identified on the fuel inventory reconciliations. As a result, the building and grounds supervisor (supervisor) inaccurately calculated the allowable fuel tank volume variances,<sup>1</sup> exceeding the New York State Department of Environmental Conservation (DEC) allowable variance by a total of 275 gallons, which District officials did not investigate. We recalculated these variances and found that the actual variances exceeded the DEC allowable variance by a total of 76 gallons.

Additionally, the supervisor incorrectly calculated tank fuel volume conversions. As of October 31, 2015 the volume of fuel expected to be in the tank was 102 gallons less than gallons calculated by

<sup>1</sup> The allowable variance formula, established by the DEC, is the greater of the total gallons pumped or delivered or the total tank volume multiplied by 0.0075.

the supervisor. The number of gallons of fuel dispensed on January 7, 2016, as displayed on the pump, was about 10 percent more than the number of gallons actually dispensed. District officials need to improve security over the fuel station. As a result of these discrepancies, unauthorized removal of fuel from the tank could occur without detection and the Board and District officials do not have adequate assurance that fuel inventories are properly accounted for and fuel is being used for appropriate District purposes.

## **Fuel Records and Reconciliations**

The Board is responsible for establishing policies and procedures to provide reasonable assurance that fuel is used for its intended purpose and properly accounted for. District officials are responsible for designing controls over fuel to ensure fuel use and inventory records are properly maintained and reconciled. For pumps not using a computerized system, a manual record should be maintained for all fuel used that accurately details the time, date, specific vehicle, employee name and the number of gallons dispensed. It is also important for District officials to review fuel transaction reports to ensure that fuel is used for District purposes and the amount of fuel used by each vehicle is reasonable. District officials should investigate and resolve all variances and inconsistencies.

District officials used two types of manual fuel management records, one to track District fuel use and another to track inventory and monitor fuel tank leaks. The fuel use records consisted of handwritten daily fuel sheets that provide information such as the transaction date, identifying vehicle information (i.e., license plate number, District vehicle number and vehicle description), the number of gallons disbursed and employee's signature.

The fuel inventory records consisted of handwritten 10-day inventory reconciliation worksheet forms (10-day form) that track daily fuel tank volume measurements and master pump meter readings obtained from the daily fuel sheets. However, officials relied on District employees to accurately record entries on these fuel management records without providing adequate reviews or additional oversight.

The supervisor recorded two master fuel pump meter readings on the daily fuel sheet to track the total number of gallons that have been used on each daily sheet. The first reading the supervisor recorded was the day's opening reading at the start of each day. The second reading posted to the daily sheet was a reading from the ensuing morning. This reading is used as the closing reading for the daily sheet and the opening reading for the next day's daily sheet. The difference in these readings provides the total number of gallons distributed during the course of the day to serve as a control number to be reconciled with the total number of gallons of gasoline pumped as shown on the manually entered transactions that are recorded on the daily sheets.

The supervisor did not record fractions of a gallon for either reading. The supervisor provided the daily sheets to a buildings and grounds clerk (clerk), who prepared a reconciliation by comparing these two readings. The clerk identified and indicated any differences on the daily sheets and filed them without any further review.

The supervisor took physical inventory of fuel in the tank each day by using a measuring stick to determine the number of inches of fuel in the tank (including fractions of an inch) and compared this measurement to a conversion chart to obtain the number of gallons remaining in the tank. He then recorded this information on the 10-day form indicating the date, physical inventory (tank level in inches and gallons) and the gallons pumped based on the daily fuel sheets. He also recorded any variance between the expected amount of fuel available based on the amount of fuel used from the daily sheet and the physical inventory.

The aggregate variances over the previous 10 days was compared to a calculated allowable variance based on the DEC allowable variance formula. The supervisor submitted the inventory forms to the clerk who reviewed the forms for accuracy and subsequently filed them.

Daily Fuel Sheets – Despite buildings and grounds’ employees preparing reconciliations to identify differences between the daily master pump meter readings recorded by the supervisor and the total gallons of fuel dispensed and recorded by employees, District officials did not investigate and resolve these differences. We reviewed the October 2015 daily fuel sheets that listed 39 individual District vehicles that were fueled 335 times over the course of 21 days.<sup>2</sup>

We identified differences on 19 days totaling 41 gallons between the amount of fuel dispensed and recorded by employees and master pump readings recorded by the supervisor. While most of these variances were two gallons or less and could be attributed to the supervisor not recording fractions of a gallon, three of these variances totaling 32 gallons ranged between four to 18 gallons of fuel per day. District officials did not investigate and could not explain these differences.

We also reviewed the daily fuel sheets from November 19 through December 10, 2015 and available security video<sup>3</sup> in an effort to identify the reasons for these variances. We identified two successive days with the most significant variances between the recorded gallons of fuel dispensed on the daily fuel sheets and the master pump readings. On the first day, the recorded gallons of fuel dispensed was

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<sup>2</sup> See Appendix B for information on our sampling methodology.

<sup>3</sup> Ibid.

17.4 gallons (42 percent) less than the master reading. On the next day the recorded gallons dispensed was 19.4 gallons (6 percent) more than the master reading.

During our review of security video for these days, we observed a District school bus that was fueled approximately 45 minutes before the supervisor recorded the master pump reading. However, the bus driver did not record the 12.1 gallons dispensed on the daily fuel sheet until the following morning (on the next day's daily fuel sheet), resulting in a recorded 12.1 gallon timing difference for these days. We were unable to identify a reason for the remaining variances that occurred on these days.

Vehicle Use – District officials told us they did not perform any vehicle-based reviews, such as an mpg review, to determine whether fuel use was reasonable. We calculated the actual mpg for the 39 vehicles that were fueled during October 2015 and identified 16 mpg readings that did not appear reasonable when compared with vehicle performance records maintained throughout that month.

Mpg readings for four vehicles were higher than their monthly averages, seven readings (for five vehicles) were lower than their monthly averages and five readings (for two vehicles) appeared to be the result of inaccurate or erroneous mileage recording by employees. For example, one vehicle that was fueled 20 times during the month and otherwise averaged 9.5 mpg was recorded in two instances as having vehicle performance of less than 4 mpg. Because this vehicle's mpg performance was significantly less than expected, there is an increased risk that District fuel was not used for this vehicle, as recorded.

Without investigating identified variances and performing vehicle-based reviews of fuel performance, District officials cannot be reasonably assured that fuel is being used for proper District purposes and the amount of fuel used by each vehicle is reasonable.

Inventory Reconciliations – District officials did not investigate variances identified on the fuel inventory reconciliation 10-day forms. We reviewed three 10-day forms from October 2015. On two reconciliations, the supervisor inaccurately calculated the allowable variances, resulting in DEC allowable variances that were 275 gallons more than they should have been. We recalculated these variances and found that the actual tank variances exceeded the allowable variance by 76 gallons. On the remaining reconciliation, the supervisor accurately calculated the allowable variance but the resulting variance exceeded the allowable variance by 26 gallons. District officials did not investigate any of these variances.

We reviewed these reconciliations for accuracy by verifying the supervisor's stick measurement tank volume conversion calculations. The supervisor measures the tank depth in inches and converts the inches to volume using a tank volume conversion chart and calculates the expected volume based on the daily fuel log.

We identified approximately 40 gallons of fuel the supervisor incorrectly converted because he referenced the wrong line on the conversion chart. During October 2015, buildings and grounds' employees found the volume of fuel in the tank to be 62 gallons less than the volume expected because the supervisor made conversion errors. However, we recalculated the volume conversions for the month and found that the volume of fuel expected to be in the tank was 102 gallons less than the supervisor's volume conversions.

To determine if the fuel pump was providing accurate readings, we conducted a physical volume test in January 2016 and found that the number of gallons of fuel dispensed, as displayed on the pump, was approximately 10 percent more than the number of gallons actually dispensed. Assuming this error occurred uniformly throughout the month, the projected volume difference could be significantly more than the 102 gallons we identified.

The clerk subsequently reviewed these reconciliations. However, the mathematical errors in both stick measurement and allowable variance were not identified and the reconciliations were filed without any further review. As a result, District officials did not initiate investigations into potential leaks or missing fuel and they cannot be assured that fuel inventory is properly accounted for.

## **Fuel Station Security**

District employees should be issued keys to gain access to fuel inventory and District officials should provide and clearly communicate guidelines on appropriate fuel use. Officials should maintain a list of employees who are provided with this access. Good controls could also include using video surveillance cameras as both a theft deterrent and a tool to review and verify fuel records. If used, security video cameras should clearly show all access points to fuel inventory, including the pumping station and access to the in-ground fuel tank.

The District's fueling station has a single fuel pump and an in-ground fuel tank with a surrounding fence to restrict access to the area around the fueling station. However, the fence was normally left open for easy access. Although the District has video security and the fuel pump is secured with a locked cage, District officials need to improve security to protect the tank's fill pipe and better control access to fuel pump keys to prevent unauthorized fuel use.

While District officials maintain a list of vehicles authorized to pump fuel at the fuel station, they were unable to provide us with a list of employees authorized to fuel District vehicles who were issued a key to the fuel pump cage. Officials told us that any employee who may need to use a District vehicle is provided with a key to the fuel pump cage. As a result, there is a risk that keys may be lost or stolen and that unauthorized vehicles may be fueled at the District pump.

Although District officials used a security camera that provides a view of vehicles and equipment being fueled, the camera did not clearly show vehicle license plates or the individuals pumping fuel, especially when visibility was reduced by poor lighting or darkness. Additionally, the camera's field of view did not include the in-ground fuel tank's fill pipe. As a result, unauthorized removal of fuel from the tank could occur without detection.

## **Recommendations**

The Board should:

1. Ensure policies and written procedures are in place to adequately control the District's fuel assets.
2. Request and review fuel reconciliations on a periodic basis.

The Director should:

3. Require employees to accurately complete fuel daily entries.
4. Review fuel daily sheets and investigate all variances.
5. Perform a vehicle-based review of vehicle performance, such as mpg, and investigate all variances.
6. Require employees to accurately identify the time of fueling and pump readings on the daily fuel sheets to avoid timing differences.
7. Address any physical fueling station security concerns, such as relocating or adjusting camera angles.
8. Implement controls over issued fuel keys, including maintaining a list of authorized individuals that were issued access to fuel inventory.
9. Require the buildings and grounds supervisor to accurately record master pump readings.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

**GREAT NECK PUBLIC SCHOOLS**

345 Lakeville Road  
Great Neck, New York 11020

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Telephone (516) 441-4001  
FAX (516) 441-4994

**Teresa Prendergast, Ed.D.**  
*Superintendent of Schools*

May 26, 2016

Mr. Ira McCracken, Chief Examiner  
Division of Local Government and  
School Accountability  
Office of the State Comptroller  
Hauppauge Regional Office  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Re: Great Neck Union Free School District  
Report of Examination – Fuel Inventories  
2016M-82

Dear Mr. McCracken:

The Great Neck Public School District would like to thank the Office of the State Comptroller for their time and effort in performing a very detailed and thorough review of our fuel inventory and management. We understand the rationale for an audit and appreciate the guidance obtained from an independent outside agency well versed in the rules and regulations governing the operation of a New York State public school district. The Office of the State Comptroller is a resource that assists us in continuing to develop strategies that aid in maintaining the trust of the taxpayers of the Great Neck Public School District community.

We welcome your suggested recommended practices to strengthen our internal controls, as well as procedures that will assist us in delivering services in the most cost efficient and effective way possible. Your audit findings and recommendations will be of great assistance in establishing better procedures to monitor our fuel assets, and we are gratified to note that there were no findings of fraud, waste or mismanagement.

The District appreciates the professionalism provided to us through this audit process, as your staff was knowledgeable, courteous and respectful of our employees. We accept the results of your findings and are actively researching additional solutions to the practices we are currently employing that gave rise to those comments.

In our Corrective Action Plan we will detail the steps we have already implemented and those that will be instituted in the next few weeks. Our plans are to strengthen the internal controls around the monitoring of fuel inventories and to improve the safeguarding of fuel assets. We look forward to the finalization of your draft report and shall submit a complete and comprehensive Corrective Action Plan addressing your findings.

Please feel free to contact John T. Powell, our Assistant Superintendent for Business, at (516) 441-4020 with any additional concerns you may have regarding your examination.

Respectfully submitted,

Teresa Prendergast, Ed.D.  
Superintendent of Schools

C: Members of the Board of Education

[REDACTED]  
[REDACTED]

John T. Powell, Assistant Superintendent for Business  
Terry Hood, Director of Business Services  
Michele Domanick, District Clerk

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We interviewed District officials and transportation and buildings and grounds department employees to obtain an understanding of the manual fuel inventory system, including fuel dispensing, recording and reconciliation procedures.
- We interviewed District security personnel to obtain an understanding of the security camera system.
- We interviewed District information technology personnel to obtain an understanding of security camera video storage.
- We reviewed server file permissions for security camera video.
- We obtained vehicle inventory lists for the 2015-16 fiscal year.
- We obtained fuel conversion charts for the District's 4,000 gallon fuel tank.
- We obtained a list of authorized vehicles used by the District.
- We reviewed fuel entries from October 2015, to select relevant and recent fuel use data that was not affected by school closings or winter months. Fuel entries were reviewed to identify daily variances from recorded pump readings and perform an mpg test on individual vehicles. Individual vehicle mpg readings were compared with the vehicle's average mpg for the month and reviewed those with differences greater than five mpg. We also reviewed fuel inventory reconciliations to verify the accuracy of tank measurement conversions and related variance calculations.
- On January 7, 2016, we tested the accuracy of the fuel pump readings by comparing the fuel volume dispensed from the fuel pump with the volume reported on the fuel pump.
- We observed available security camera video for two days and traced fueling events to fuel daily sheets, to further investigate significant variances identified on dates when video was available. To perform this test we extended our scope period to include the three-week period from November 19 through December 10, 2015.
- We performed an on-site fuel station inspection including the surrounding area to identify and document security concerns.

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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