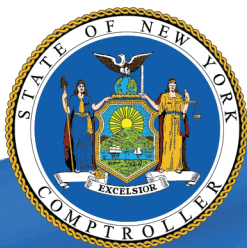


# Phelps-Clifton Springs Central School District

## Fuel Purchasing

APRIL 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

# Contents

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- Report Highlights . . . . . 1**
  
- Fuel Purchasing . . . . . 2**
  - How Can Officials Ensure the Economical Purchase of Fuel? . . . . 2
  - Officials Did Not Competitively Bid or Properly Reconcile Fuel Purchases . . . . . 2
  - What Do We Recommend? . . . . . 4
  
- Appendix A – Response From District Officials . . . . . 5**
  
- Appendix B – OSC Comments on the District’s Response . . . . . 8**
  
- Appendix C – Audit Methodology and Standards . . . . . 9**
  
- Appendix D – Resources and Services. . . . .10**

# Report Highlights

## Phelps-Clifton Springs Central School District

### Audit Objective

Determine whether Phelps-Clifton Springs Central School District (District) officials ensured the economical purchase of fuel.

### Key Findings

District officials did not purchase fuel in the most economical manner or seek competition when purchasing fuel, as required.

- During the 30 month audit period, the District could have reduced the District's fuel expenditures by at least \$124,428. The savings would have covered the District's average gasoline and diesel fuel purchases for almost 11 months. We found:
  - The District could have saved at least \$49,448 by using the Office of General Services (OGS) contract price.
  - Officials should not have paid \$74,980 to a local gas station. The erroneous payments comprised \$57,415 in taxes and \$17,565 in finance charges and other fees.

### Key Recommendations

- Procure fuel in a competitive manner by bidding for fuel purchases or using OGS contracts.
- Explore entering into an intermunicipal agreement to purchase fuel.
- Properly audit fuel invoices to ensure they do not include taxes and unnecessary fees and seek reimbursement for improper charges paid.

District officials agreed in part with our recommendations and indicated they will implement corrective action. Appendix B includes our comments on issues raised in the District's response letter.

### Background

The District serves the Towns of Hopewell, Manchester, Phelps and Seneca in Ontario County, the Town of Junius in Seneca County and the Towns of Arcadia and Lyons in Wayne County.

The District is governed by a seven-member Board of Education (Board) responsible for managing and controlling financial and educational affairs.

The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for managing day-to-day operations under the Board's direction.

The Business Administrator is responsible for the administration and supervision of financial activities.

#### Quick Facts

July 1, 2018 through December 30, 2020  
Average Annual Gallons of Fuel Purchased

<b>Gasoline</b>	15,445
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<b>Diesel</b>	31,351
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Average Annual Costs

<b>Gasoline</b>	\$38,420
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<b>Diesel</b>	\$94,222
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### Audit Period

July 1, 2018 – January 22, 2021

# Fuel Purchasing

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The District covers 90 square miles. The transportation department currently makes an average of 135 weekly bus runs to transport students to the District's campus, offsite learning locations and for sporting events, using a fleet of 33 buses and four smaller vehicles. Historically, before the COVID-19 pandemic, the transportation department covered approximately 450,000 miles annually. The facilities department has a fleet of three trucks, five riding lawn mowers and three tractors that it uses to maintain the District's various buildings and grounds.

## **How Can Officials Ensure the Economical Purchase of Fuel?**

A board is responsible for establishing policies and procedures to ensure that fuel purchases are appropriate, properly supported and fuel is used for legitimate purposes. Districts are required to solicit competitive bids for purchase contracts that aggregate to more than \$20,000 within a year. Because school districts are exempt from sales tax, motor fuel tax and State excise tax, officials must ensure that they do not inappropriately pay these costs.

The District's procurement policy requires officials to ensure the economical use of public money in the best interest of the taxpayer by facilitating the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances. The policy also requires documentation of actions taken with each method of procurement and justification of any purchases made other than the lowest responsible bidder.

District officials should regularly monitor and thoroughly audit fuel costs to ensure the district does not spend more on fuel than necessary.

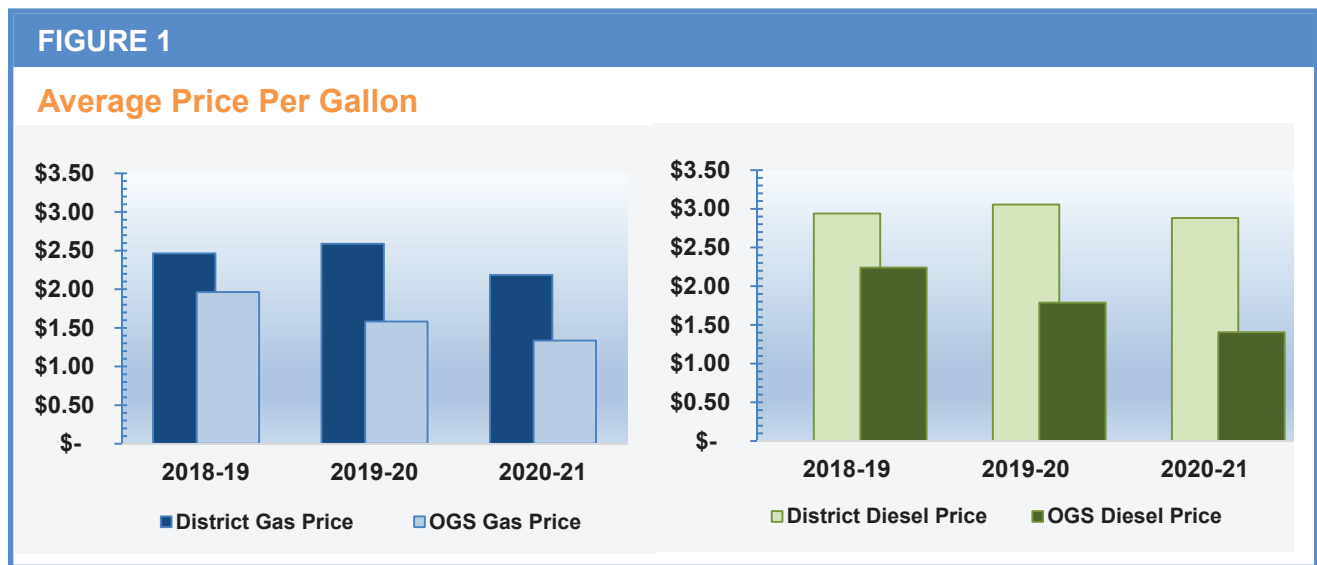
## **Officials Did Not Competitively Bid or Properly Reconcile Fuel Purchases**

District officials did not competitively bid for gasoline and diesel fuel purchases, as required, even though aggregate purchases of each far exceeded \$20,000 in each of the last two years. Instead, both the transportation and facilities departments purchased gasoline and diesel fuel to operate their fleets from a nearby gas station located approximately one mile from the District's campus. Each bus and vehicle has its own fuel card that the driver used to fill the vehicle after entering their driver code and vehicle mileage. Although the drivers obtained receipts at the pump and turned them in to their respective department head, they did not provide them to the business office for reconciliation with the monthly invoices and fueling report.

Officials told us that there were no alternatives because the only other gas station nearby did not want to do business with the District, but Officials could not provide documentation to support this representation and it does not negate the need to competitively procure gasoline and diesel.

Additionally, officials did not provide us with documentation to support their decision not to solicit fuel bids or that they explored an intermunicipal agreement with a local town or village that purchases fuel from OGS contracts. In December 2019, District voters approved a \$15.6 million capital project that included construction of a fueling station to begin in spring 2022. During our audit fieldwork, District officials said they would seek competitive bids for gasoline and fuel after the completion of the capital project. During the exit conference, District officials told us that in March 2020 they approached the Town of Phelps Board about the possibility of collaborating for future fueling needs once the District's fueling station was operational. Ultimately, it was decided the Town and the District could only act as backup fuel facilities for each other.

During the period July 1, 2018 through December 31, 2020 the District paid on average \$.94 more per gallon of gasoline and \$1.38 more per gallon of diesel fuel than the awarded OGS contract price (Figure 1).



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District officials could have saved at least \$49,448 by using the OGS contract for gasoline and diesel fuel purchases or soliciting competitive bids. As an alternative to fueling at a nearby gas station, District officials could have entered into an intermunicipal agreement with a nearby local government or school district that has its own fueling stations.

The District paid \$17,565 in incorrectly billed finance charges and other fees that were included on the monthly fuel card invoices, and \$57,415 in taxes that should not have been charged. These charges were incurred and paid because business office staff did not receive the fuel card receipts, thoroughly audit fuel charges and properly reconcile fuel card receipts with the monthly invoices and fueling report.

When we brought these charges to the attention of District officials, they took action to update the gas station with their tax exempt information and seek reimbursement for the tax overpayment and other incorrect finance charges.

Because officials did not competitively bid fuel purchases or seek alternative options such as using the OGS contract and thoroughly audit fuel claims, fuel purchases were not made in the most economical manner in the best interest of taxpayers.

### **What Do We Recommend?**

District officials should:

1. Solicit and document bids, as required, and in accordance with the procurement policy.
2. Explore an intermunicipal agreement until the fuel station is operational.
3. Thoroughly audit claims to ensure they do not include taxes and unnecessary fees.
4. Seek reimbursement for unwarranted finance charges.

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District officials could have saved at least \$49,448 by using the OGS contract for gasoline and diesel fuel... or soliciting competitive bids.

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# Appendix A: Response From District Officials

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## MIDLAKES DISTRICT OFFICE

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### PHELPS-CLIFTON SPRINGS CENTRAL SCHOOL DISTRICT

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PHONE: (315) 548-6420 | FAX: (315) 548-6439

April 1, 2021

Edward V. Grant, Jr.  
Chief Examiner  
Office of the State Comptroller  
Rochester Regional Office  
The Powers Building  
16 W Main Street, #522  
Rochester, NY 14614

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RE: Response to Preliminary Draft of Fuel Purchasing Audit Findings

Dear Mr. Grant:

On behalf of the Phelps-Clifton Springs Central School District, this letter serves as the District's response to the draft Fuel Purchasing Audit Report of Examination 2021M-19, for the audit period July 1, 2018 through January 22, 2021. We were presented with the Draft Audit Report on March 5, 2021 and attended the exit interview on March 11, 2021.

The District appreciates the work of the Office of the State Comptroller in reviewing Fuel Purchasing processes and procedures. The District also agrees with the spirit and intent of the audit recommendations and shares the Office of the State Comptroller's commitment to following standard procedures and best practices that protect the use of taxpayer funds. The District does wish to clarify and respond to the specific recommendations and identify the steps taken prior to and following the audit to improve our operations and make the most responsible and efficient use of taxpayer funds.

#### Audit Recommendations:

1. Solicit and document bids, as required, and in accordance with the procurement policy.

As noted during the exit interview, the District does not currently possess means to store fuel purchased via the competitive bidding process. The community approved a capital improvement plan in December 2019, which includes the installation of a fueling station. Once completed, this fueling station will enable us to competitively bid for fuel and store it on campus.

The construction of the fueling station is subject to approval by the NYSED Office of Facilities Planning, for which we are currently waiting. The District attempted to expedite the construction of the fueling station by submitting the capital improvement project in two phases. Phase I, which included in fueling station, was submitted to the NYSED Office of Facilities Planning in December 2020, with the intention of beginning construction in the summer of 2021. Delays at the NYSED Office of Facilities Planning and the District's need to prioritize summer academic programs to close academic gaps and the on-time opening of school in September 2021, have caused us to return to the original timeline. Construction of the fueling station is scheduled to begin in the spring/summer of 2022, with a projected completion date of early winter 2022.

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During the exit interview, it was noted by the audit team that competitive bidding could have been accomplished by installing a fuel tank on a temporary platform. However, the audit team also acknowledged that such an arrangement would be subject to the same approval process through the NYSED Office of Facilities Planning.

See  
Note 1  
Page 8

The audit team also noted during the exit interview that the District could have attempted to negotiate a better price with the local fueling station where we currently purchase our fuel. However, the audit team acknowledged that even had such a negotiation resulted in a cost savings, the practice would not have met the OSC's standards for competitive bidding and would have resulted in the same citation for failing to solicit and document bids. There is also no guarantee that an attempted negotiation would have resulted in a cost savings.

It is the position of the District that we have made a good faith effort, through the processes required by New York State Education Law, to facilitate future competitive bidding by constructing an on-campus fueling station as soon as possible.

2. Explore an intermunicipal agreement until the fuel station is operational.

As noted during the exit interview, the District engaged the Town of Phelps in discussion of an intermunicipal agreement for fuel purchasing on March 12, 2020. The content of that discussion is documented in the minutes of the public meeting of the Phelps Town Board, which was scheduled for the sole purpose of exploring the topic of an intermunicipal agreement. The discussion revealed that the interests of the two parties do not match, as the Town of Phelps is also in need of replacing its current fueling station. The location of the District's future fueling station is not conducive to the needs of Town of Phelps. Nor is the Town of Phelps' fueling station conducive to regular use by the District. The added mileage and labor costs associated with routinely sending buses and other District vehicles to the Town of Phelps' fueling station (three-mile round trip from the current fuel source) would offset a significant portion of the savings associated with competitive bidding, as projected by the audit team. It is estimated the additional cost of salary associated with driving to the Town of Phelps to fuel our school buses would be approximately \$50,000 annually, or \$125,000 for the thirty-month period covered by the audit. This cost of approximately \$125,000, when compared to the audit team's projected savings of \$124,428 through competitive bidding, would have had a net impact of no additional cost or savings to the District.

See  
Note 2  
Page 8

Still, the District and the Town of Phelps remains committed to pursuing a mutually beneficial intermunicipal agreement for purchasing fuel that complies with the OSC's standards. Unfortunately, those discussions have been delayed by the COVID-19 public health crisis.

3. Thoroughly audit claims to ensure they do not include taxes and unnecessary fees.

The District has developed and implemented procedures, in collaboration with the Wayne-Finger Lakes BOCES Central Business Office, to routinely audit District fuel bills and payments to eliminate the payment of unnecessary taxes and fees. The Director of Transportation will review the accuracy of the charges and then forward the bill to the Central Business Office for payment. The Accounts Payable Clerk will also review the bill for accuracy prior to making the payments. The District's Internal Auditor will complete a final review before payment is sent to the vendor.



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4. Seek reimbursement for unwarranted finance charges.

The District has successfully arranged for the reimbursement of all fuel taxes paid in error. The District has submitted the required documentation to the fueling company to request and support reimbursement for the taxes paid. The fuel company has confirmed that the taxes will be refunded to the District within the next month.

The District is actively working to recoup the unwarranted finance charges assessed for late payment, even when the payments were mailed well in advance of the deadlines. The District has also eliminated the potential for recurrence of these finance charges by arranging for the direct payment of all fuel charges. Payment is now made through an electronic funds transfer initiated by the District once the billing charges have been approved through the internal audit process. Prior to the period of this audit and the sale of the gas station to a new owner with different billing practices, the District did not pay taxes on fuel purchases.

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The Phelps-Clifton Springs Central School District is appreciative of the feedback gained from this audit process. We have always and will continue to strive for efficient operations and responsible use of taxpayer funds. The District is committed to protecting the community's investment in the school system and will improve our internal processes to realize this goal. We will also move forward with our plans for the construction of a fueling station on-campus, so we are appropriately equipped to engage in competitive bidding in the purchase of fuel for District vehicles and equipment. We understand and agree with the need for fiscal responsibility and financial transparency and will continue to look for ways to engage in organizational improvement in pursuit of those goals.

Sincerely,

Matthew H. Sickles  
Superintendent of Schools

## Appendix B: OSC Comments on the District's Response

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### Note 1

During the exit conference, the audit team and District officials discussed various competitive methods for procuring fuel. District officials did not explore any of the potential options discussed and chose to remain with the status quo, even though they previously stated they would seek competitive bids for fuel and gasoline, and fuel costs were more than necessary. The continued delay of the fuel station explained in the District's response illustrate the continuing need to explore alternatives.

### Note 2

After raising this point at the exit conference, we confirmed this representation with Town records and revised our report to reflect this action. However, District officials did not pursue all potentially available options for an intermunicipal agreement, such as the Village of Phelps fueling station, which is located across the street from the Town's and already serves the Village Fire and Police Departments.

Further, District officials did not perform a cost benefit analysis or provide support for their calculated additional costs of the current two mile round trip vs. three mile round trip for using one of the existing municipal fueling stations. Due to the lack of documentation, we were unable to determine whether the District's estimates are reasonable or if officials incorporated fueling stops into the bus routes, where possible, to limit any additional mileage and labor costs.

Our analysis of projected savings did not include amounts for mileage and labor necessary to make the two mile round trip to the current fueling location. By adding such costs to our savings calculation it would offset most of the concerns the District raised on the net savings being reduced.

## Appendix C: Audit Methodology and Standards

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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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed officials and employees and reviewed Board minutes and policies to gain an understanding of how the District procured fuel.
- For the period July 1, 2018 through December 31, 2020 we reviewed and analyzed all fuel invoices and reports prepared by the gas station vendor to determine the total gallons and cost of gasoline and diesel fuel purchases.
- We determined the OGS gasoline and diesel fuel contract prices for the audit period and calculated the potential cost savings to the District.

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. 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, 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. To the extent practicable, implementation of the CAP must begin by the end of the 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 CAP should be posted to the District's website for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

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[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

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