

Canajoharie Central School District

Fuel Purchasing

JANUARY 2022



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

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Report Highlights

Canajoharie Central School District

Audit Objective

Determine whether Canajoharie Central School District (District) officials adequately managed fuel purchases and audited fuel claims.

Key Findings

District officials did not adequately manage fuel purchases by seeking competition and did not audit fuel claims, as required.

- The District could have reduced its fuel expenditures by at least \$10,929, including \$8,669 in unnecessary fees, if fuel was purchased through the Office of General Services (OGS) fuel card services contract during the audit period.
- The Board did not audit or ensure the monthly fuel claims were audited, as required. As a result, the District was unaware its fuel card vendor began to assess a high-credit risk fee in March 2019. While the District paid high-credit risk fees totaling \$1,321 for May and June 2021, the District's incomplete records prevented us from determining the total amount of high-credit risk fees paid.

Key Recommendations

- Solicit bids as required and in accordance with the purchasing policy.
- Thoroughly audit claims to ensure they reconcile to fuel receipts and do not include taxes and unnecessary fees.
- Determine total high-credit risk fees paid and request reimbursement.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The District serves the Towns of Canajoharie, Charleston, Minden, Mohawk, Palatine and Root in Montgomery County and the Towns of Carlisle and Sharon in Schoharie County.

The District is governed by a five-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 Director of Finance is responsible for the administration and supervision of financial activities.

The Transportation Director oversees the purchasing of fuel by reviewing monthly fuel statements and collecting fuel receipts. The Board delegated its claims auditing responsibility to a claims auditor.

Quick Facts

2021-22 Appropriations **\$23,125,725**

Average Annual Fuel Purchased
For Fiscal Years 2019-20 and 2020-21

Fuel Type	Gallons	Cost
Gasoline	18,435	\$52,640
Diesel	11,829	\$35,818

Audit Period

July 1, 2019 – June 30, 2021

Fuel Purchasing

Since 2003, the District used the same fuel card vendor to purchase fuel from gas stations in multiple counties. The District has 34 active fuel cards assigned to buses and vehicles. Three of the active cards are miscellaneous cards, with two used for equipment and the other is a spare fuel card. The District's fuel expenditures for the 2019-20 and 2020-21 fiscal years were \$78,818 and \$98,097, respectively.

How Should Officials Manage Fuel Purchases?

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 purchasing policy requires the Superintendent to follow normal bidding procedures in all cases when the accumulated costs of like items exceed the bidding threshold during each fiscal year. District officials should regularly monitor and reconcile fuel purchases to ensure the District does not spend more on fuel than necessary.

Officials Did Not Adequately Manage Fuel Purchases by Competitively Bidding or Reconciling Fuel Receipts

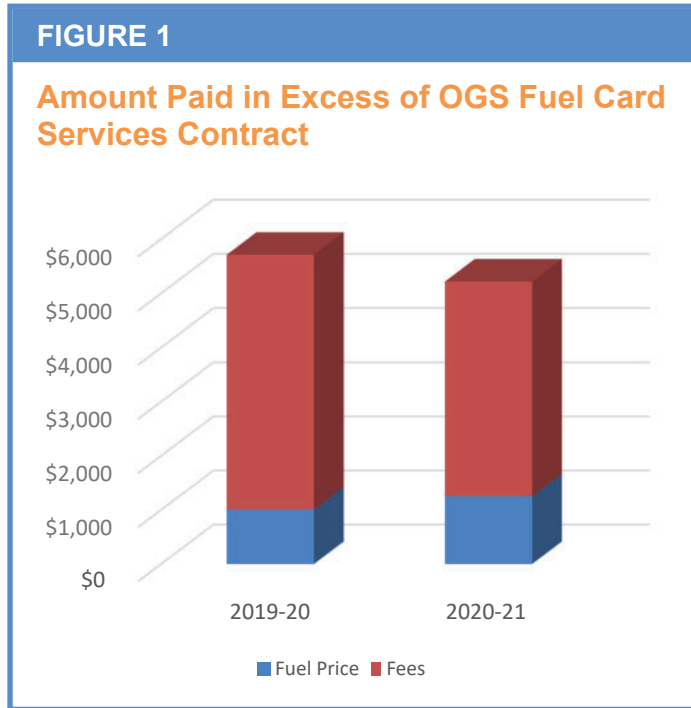
District officials did not competitively bid for gasoline and diesel fuel purchases, as required, even though aggregate purchases of each exceeded \$20,000 in each of the last two fiscal years. Instead, officials and employees purchased gasoline and diesel fuel to operate buses, vehicles and equipment from gas stations in various counties.¹ Drivers used assigned fuel cards to fill buses, vehicles or equipment after entering their driver PIN and vehicle mileage, if applicable. Although drivers obtained receipts at the pump and turned them over to the Transportation Director, he did not reconcile receipts to the monthly fuel statements.

Officials did not explore alternative fuel purchasing options such as obtaining fuel through a New York State (NYS) Office of General Services (OGS) fuel card services contract or an intermunicipal agreement with a local town or village until we brought this matter to the Superintendent's attention. During our audit fieldwork, the Superintendent applied to and was approved by the vendor awarded the OGS fuel card services contract.

¹ Fulton, Monroe, Montgomery, Ontario and Schenectady counties

During the two-year audit period, the District paid \$10,929 more than the OGS fuel card services contract price (Figure 1). This includes at least \$8,669 in unnecessary fees included on the monthly fuel statements and \$2,260 representing the 1.5 percent discount offered by the OGS fuel card services. Without the discount, the District paid an average of \$0.04 more per gallon of fuel purchased.

During the two-year audit period, the District paid \$10,929 more for fuel than the OGS fuel card services contract price.



Specifically, the District paid the following fees:

- \$4,211 for the Accelerator Rewards Elite fee, \$6 per fuel card per month as of June 2021, which allowed the District to accumulate points for each gallon and redeem them periodically. However, officials were not aware of the rewards program and did not periodically redeem the accumulated points which expired after one year. When the Superintendent contacted the vendor in April 2021, they sent two fuel gift cards to the District totaling \$650. As of June 30, 2021, officials had not used the fuel gift cards.
- \$2,259 for the Clean Advantage Program fee which was charged per gallon to offset the carbon emissions.
- \$1,794 for the Fraud Protector fee which was charged per fuel card and waived the liability for transactions on lost or stolen cards occurring five days prior to notifying the vendor.

-
- \$405 for Convenience Network Surcharge fee which was charged per transaction when fuel was purchased from out-of-network gas stations.

Because officials were not aware of the fees being charged, they were also not aware that the cost of the rewards fees outweighed the benefit for the amount of fuel the District typically purchased each year. In addition, the District ultimately paid for rewards that were never used to reduce fuel costs. In April 2021, the Superintendent contacted the vendor and negotiated removing two fees going forward (Fraud Protector fee removed in April 2021 and Clean Advantage Program fee in May 2021). The District paid a total of \$4,053 for these two fees during our audit period.

In addition, the monthly fuel statements included \$26,990 in taxes. The Transportation Director appropriately submitted tax refund requests to NYS Department of Taxation and Finance for the taxes paid each month. However, by using the OGS fuel card service, these taxes would have been deducted on the invoices instead of being paid and needing to request a refund. The Director of Finance received deposit information and recorded the refund check amounts as revenue without reconciling the amounts with the refund request forms or monthly statements. Except for minor discrepancies due to calculation errors which we discussed with officials, the refund amounts agreed to the requested refunds and taxes paid.

Because officials did not competitively bid fuel purchases or seek alternative options such as using the OGS fuel card services contract, fuel was not purchased in the most economical manner in the best interest of taxpayers.

How Should Officials Audit Fuel Claims?

The board is required to audit all claims before they are paid or to appoint a claims auditor to assume the board's powers and duties to examine and approve or disapprove claims. An effective claims auditing process ensures every claim against the district is subjected to an independent, thorough and deliberate review. The claims auditing process ensures that claims contain enough supporting documentation to determine whether each claim complies with statutory requirements and district policies and the amounts claimed represent actual and necessary expenditures.

Officials Did Not Audit Fuel Claims

The Board appointed a claims auditor to examine and approve or disapprove claims. However, the monthly fuel claims did not go through the claims auditing process. The Transportation Director printed the fuel statement each month and gave it to the Director of Finance who logged into the vendor's online application and processed a direct withdrawal from the District's bank account to pay the fuel

claims without any review. The Director of Finance did not provide a reasonable explanation for the lack of audit or review. Additionally, the claims auditor, Superintendent and Board President were not aware these payments were processed without audit and approval because the Director of Finance's monthly report provided to the Board did not itemize them as non-audited payments. Although the Transportation Director received fuel receipts from drivers, he did not compare them to the itemized monthly fuel statements to ensure amounts agreed and all transactions were appropriate. Instead, he discarded the receipts at the end of each month.

We reviewed the 225 available fuel receipts totaling \$21,360 from May and June 2021. The Transportation Director could not provide 13 fuel receipts for these two months, totaling \$1,356 on the fuel statements. Except for one receipt that was understated by \$3, all these receipts were overstated on the monthly fuel statements by a total of \$1,321. Because officials did not reconcile and thoroughly audit the fuel statements, they were unaware of these overstatements. A representative from the vendor told us that there was an additional fee for high-credit risk for each transaction since March 2019, but he was unable to explain how the fee was calculated and why the District was charged this fee. The vendor also could not provide the amount of high-credit risk fees the District paid. Without receipts for the rest of our audit period and more information on how the additional fee was applied, we could not estimate the additional fees charged and paid by the District for our audit period.

Because officials did not thoroughly audit fuel claims, they were unaware of the additional fee charged by the vendor. Additionally, without properly auditing fuel claims and reconciling monthly statements to individual receipts, officials do not have assurance that all charges on the statements are accurate. As a result, there is an increased risk that if erroneous charges occur, they could remain undetected and improper claims could be paid.

What Do We Recommend?

District officials should:

1. Comply with bidding statutes and the District's purchasing policy for the purchasing of fuel.
2. Ensure fuel gift cards obtained from the previous fuel card vendor are used to purchase fuel for District buses, vehicles or equipment.
3. Thoroughly audit claims to ensure they reconcile to fuel receipts and do not include taxes and unnecessary fees.
4. Obtain additional information from the vendor to determine total high-credit risk fees paid and request reimbursement.

... [O]fficials
did not
reconcile and
thoroughly
audit the fuel
statements ...

Appendix A: Response From District Officials

CANAJOHARIE

CENTRAL SCHOOLS
CANAJOHARIE, NEW YORK 13317

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www.canajoharieschools.org
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January 7, 2022

Office of the NYS Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, NY 12236
Attn: Mr. Gary G. Gifford, Chief Examiner

Dear Mr. Gifford,

The following letter is in response to the risk assessment and subsequent Fuel Purchasing audit that was conducted in 2021. The corrective action plan is also included.

The Canajoharie Central School district agrees that a risk assessment was performed from April through August of 2021 relating to all of our financial operations, policies and procedures. The conclusion of the risk assessment produced an audit on only Fuel Purchasing. This consisted of an audit of our fuel purchasing over two years and found that approximately \$5,465 a year was additionally expensed due to pricing and additional charges. The district agrees with the audit findings and has already put a corrective action plan in place to address the recommendations and in turn decrease any additional expense moving forward. The district appreciates bringing this matter to our attention to ensure that we can efficiently monitor our fuel costs and procedures now and in the future.

Regards,

Dr. Nick Fitzgerald
Superintendent of Schools

Superintendent
Dr. Nick Fitzgerald
136 Scholastic Way
Tel: 518/673-6302
Fax: 518/673-3177

Director of Finance
Leah S. Schaffer
136 Scholastic Way
Tel: 518/673-6340
Fax: 518/673-4131

High School Principal
Nicholas Bottino
136 Scholastic Way
Tel: 518/673-6330
Fax: 518/673-3177

Middle School Principal
Christopher R. DePaolo
25 School District Rd
Tel: 518/673-6320
Fax: 518/673-5557

Elementary Principal
Alicia D'Ambrosio
25 School District Rd
Tel: 518/673-6310
Fax: 518/673-3887

Director of Special
Education
Jennifer Schwabrow
136 Scholastic Way
Tel: 518/673-6307
Fax: 518/673-4131

BOARD OF EDUCATION

Mark Brady, President
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 Heidi Meka, Member
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 Patricia Prime, Member

www.canajohariefschools.org
 Twitter: @CanajoharieCSD
 Instagram: @Canjoschools



Corrective Action Plan

The district has implemented the following corrective action plan for the following recommendations pursuant to the Fuel Purchasing Audit:

1. Comply with bidding statutes and the District's purchasing policy for the purchasing of fuel.

District Action: The district is now using the Office of General Services recommended fuel program, WEX. This is a state regulated program and does not need to go out for bid.

2. Ensure fuel gift cards obtained from the previous fuel card vendor are used to purchase fuel for District buses, vehicles or equipment.

District Action: The district used all of the gift cards received to fuel buses, vans and trucks.

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

District Action: The district is using the OGS WEX program and there are no taxes or fees. The payment is now paid by check and must go through the claims auditor and Board of Education for approval. The receipts are reconciled with the WEX transaction report weekly and a file is saved with the results.

4. Obtain additional information from the vendor to determine total high-credit risk fees paid and request reimbursement.

District Action: The district has contacted the prior vendor in order to possibly secure high-credit risk fees that were paid during the time we were billed. As of January 7 that process is still ongoing.

 Superintendent of Schools

 Board of Education President

 Signature

 Signature

12/21(2)
 Date

Superintendent
 Dr. Nick Fitzgerald
 136 Scholastic Way
 Tel: 518/673-6302
 Fax: 518/673-3177

High School Principal
 Nicholas Bottino
 136 Scholastic Way
 Tel: 518/673-6330
 Fax: 518/673-3177

Middle School Principal
 Christopher R DePaolo
 25 School District Rd
 Tel: 518/673-6320
 Fax: 518/673-5557

Elementary Principal
 Alicia D'Ambrasio
 25 School District Rd
 Tel: 518/673-6310
 Fax: 518/673-3887

Director of Special
 Education
 Jennifer Schwabrow
 136 Scholastic Way
 Tel: 518/673-6307
 Fax: 518/673-4131

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

- We interviewed officials and employees and reviewed the purchasing policy to gain an understanding of how the District purchased fuel.
- We reviewed all fuel statements for the audit period and calculated how much the District paid in excess of the OGS fuel card services contract prices. We verified the OGS contract pricing from the OGS award contracts.
- We reviewed all 225 available fuel receipts from May and June 2021 totaling \$21,360 and traced them to monthly fuel statements. We interviewed District officials and vendor representatives to determine the cause for the identified variances. We also reviewed all transactions for this period and October 2019 that occurred on weekends or after school business hours. We analyzed all transactions with significant fluctuations in odometer readings and miles per gallon figures to determine if they were appropriate.
- We reviewed all transactions flagged with exceptions codes from the monthly fuel statements for October 2019 and May 2021. We selected these two months because they had the highest dollar amount in each fiscal year.
- We reviewed all fuel payments recorded in the accounting system and traced them to monthly fuel statements and bank statements for our audit period.
- We reviewed all monthly fuel tax refund requests submitted to NYS Department of Taxation and Finance and compared them to refunded amounts and taxes paid on the monthly fuel statements.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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

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 2116-1(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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.state.ny.us/local-government/publications

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

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

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

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/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.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

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

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

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

GLENS FALLS REGIONAL OFFICE – Gary G. Gifford, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396

Tel (518) 793-0057 • Fax (518) 793-5797 • Email: Muni-GlensFalls@osc.ny.gov

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