



# Alden Central School District

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## Fuel Management

**2024M-90 | October 2024**

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# Report Highlights

## Alden Central School District

### Audit Objective

Determine whether Alden Central School District (District) officials properly managed fuel operations.

### Key Findings

District officials did not properly manage fuel operations. Specifically, the Superintendent of Schools (Superintendent) and Business Administrator (BA) did not establish clear written guidance or provide adequate oversight of fuel management including: verifying the quantity of fuel purchased and unit price charged, controlling fuel access, safeguarding fuel inventory, monitoring fuel usage, maintaining perpetual inventory records, performing inventory reconciliations and properly billing non-District users. As a result:

- The Transportation Supervisor did not update fuel prices in the system and the bills were calculated based on the outdated prices resulting in billing errors totaling \$9,176.
- Officials did not maintain physical (i.e., dip stick) tank readings or perform periodic inventory reconciliations and were not aware of fuel inventory shortages (424 gallons of diesel fuel and 750 gallons of unleaded fuel) valued at \$3,500. Therefore, they could not identify, investigate and correct the possible causes.
- Officials did not verify the accuracy of vendor charges therefore they did not identify fuel overcharges totaling \$1,498.
- Officials do not know how many employees and non-District fuel users from the Town of Alden (Town), the Village of Alden (Village), and the Crittenden Volunteer Fire Company (Fire Company) have keys to access the District's fuel tanks, potentially allowing individuals to access to fuel and the ability to bypass the fuel pump system.

### Recommendations

This audit report contains 25 recommendations to help District officials improve fuel operation management. District officials generally agreed with our findings and indicated they will initiate corrective action.

### Audit Period

July 1, 2022 – December 31, 2023.

We reviewed charges to non-District users for the period June 1, 2022 through November 30, 2023. See Appendix B for further information.

### Background

The District serves the Towns of Alden, Lancaster, Marilla and Newstead in Erie County, the Town of Darien in Genesee County and the Town of Bennington in Wyoming County.

The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent is the chief executive officer and is responsible, along with the BA, for the District's day-to-day management under the Board's direction.

The former Transportation Supervisor (Supervisor), who resigned in March 2024, oversaw the District's transportation department and was responsible for managing the District's fuel inventory. The Supervisor reported to the BA. The District purchases fuel using the Erie 1 Board of Cooperative Educational Services (BOCES) fuel contract and contracts with BOCES for claims auditor services.

### Quick Facts

Fuel Purchases July 1, 2022 – December 31, 2023			
Fuel Type	# Of Purchases	# of Gallons	Amount Paid
Unleaded	9	49,921	\$136,516
Diesel	16	64,776	\$225,582
Total	25	114,697	\$362,098

# Fuel Management

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The District has two above-ground fuel tanks located at the District's bus garage – a 7,000 gallon tank for diesel fuel and a 10,000 gallon tank for unleaded fuel. In addition to using fuel for District purposes, the District also allows the Town, Village and Fire Company to obtain fuel from the District and bills them for usage. The District uses a fuel pump system to manage District fuel use. To pump fuel from the system via the terminals, users must first scan a key fob at the fuel terminal and enter their employee personal identification number (PIN) to activate the pumps. Each key fob is generally associated with a certain vehicle, piece of equipment or fuel can, and each PIN is assigned to a specific individual.

## **How Should the District Bill Non-District Users for Fuel Usage?**

School district officials are responsible for and should have procedures in place to ensure that the correct quantity and price are billed to non-school district users for fuel usage.

## **District Officials Did Not Bill Non-District Users Accurately**

We reviewed the charges on all nine invoices the District issued to the three entities for fuel usage and determined that the District overbilled non-District users \$5,526 for diesel fuel and underbilled non-District users \$3,650 for unleaded fuel.

The District Treasurer prepared the invoices for these entities based on usage reports and unit price per gallon as indicated in the system at the time the invoice was generated. While the number of gallons billed to each entity was accurate based on what was reported in the system, the price per gallon charged had not been updated in the system to reflect the prices the District paid for the fuel. Because the Supervisor did not update the fuel purchase prices in the system accordingly, the District's charges to the non-District users were inaccurate by \$9,176.

These errors could have been avoided if the BA developed procedures to provide guidance to the Supervisor and exercised sufficient oversight of fuel management, including verifying the Supervisor input the correct fuel prices in the system.

## **How Should the District Account for Fuel Inventory?**

School district officials should periodically reconcile the fuel system's inventory records to physically measured fuel tank levels (i.e., periodic fuel tank dip stick measurements) and investigate and resolve any material discrepancies.

## **District Officials Did Not Reconcile Fuel Inventory**

The Supervisor did not perform fuel inventory reconciliations comparing the fuel inventory in the District's fuel tanks to the amount of fuel per the perpetual inventory records from the fuel tracking system. While the head mechanic told us that he measured the fuel tank inventory periodically with a dip stick, he told us he could not provide us with the readings because he did not record and retain the readings. We performed diesel and unleaded fuel reconciliations using fuel usage reports, vendor fuel

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invoices and fuel inventory records from the District's fuel monitoring system. We calculated total net shortages totaling 424 gallons of diesel fuel and 750 gallons of unleaded fuel.

Diesel – There were diesel fuel shortages in 15 of 18 months totaling 460 gallons with an average monthly shortage of 31 gallons. The largest shortage was 60 gallons in one month. For the remaining three months, there were diesel fuel overages totaling 36 gallons. The largest overage was 22 gallons in one month. The net diesel fuel shortage calculated was 424 gallons, valued at approximately \$1,500.

Unleaded – There were unleaded fuel shortages in 14 of 18 months totaling 933 gallons with an average monthly shortage of 67 gallons. The largest shortage was 117 gallons in one month. For the other four months, there were unleaded fuel overages totaling 183 gallons. The largest overage was 53 gallons in one month. As a result, the net unleaded fuel shortage was 750 gallons, valued at approximately \$2,000.

While there are common causes for physical fuel shortages including delivery discrepancies, fuel pump meter drift,<sup>1</sup> theft, evaporation/temperature loss and storage tank leaks, District officials were not aware of the shortages until we brought them to their attention because the Supervisor was not performing fuel reconciliations. After we brought the shortages to officials' attention, the BA told us there was a small leak at the diesel tank pump handle during the audit period, and that the shortages could also be caused by inaccurate pump readings because the District fuel pumps had not been tested in a long time. However, the Erie County Department of Weights and Measures subsequently tested and approved the pumps at the District's request. Therefore, meter drift was not a contributing factor of the fuel shortages. Had the Supervisor performed reconciliations, these variances would have been identified and officials could have investigated and determined reasons for the variances.

### **Why Should District Officials Verify Fuel Purchases?**

School district officials should verify the quantities of fuel purchased and prices charged to ensure that the school district received the correct number of gallons and was charged accurately. The District's purchasing procedures require the purchaser to verify goods and services were received before a claim is paid. The procedures also require the claims auditor to verify the price charged was accurate and based on the terms of the contract.

### **District Officials Did Not Verify the Amount of Fuel Purchased or the Unit Price Charged**

The District made 25 fuel purchases totaling 114,697 gallons for \$362,098 during the audit period. The Supervisor did not verify the volume of fuel delivered. In addition, the Supervisor and the claims auditor did not verify that the unit price charged agreed with the terms of the BOCES contract. The Supervisor and claims auditor did not adhere to the District's purchasing procedures. As a result, District officials were overcharged \$1,498 for fuel because vendor bills were incorrect, and officials did not verify the accuracy of the charges or detect the billing errors.

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<sup>1</sup> Meter drift is a contributing source of variance in fueling systems that happens when components within the meter wear out over time.

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**Fuel Volume** – The fuel contract required charges to reflect gross volume delivered based on delivery truck meter readings, as opposed to net volume which represents the number of gallons or volume received but adjusted for a standard-assumed temperature.<sup>2</sup> Identifying whether fuel delivered was measured using gross or net volume is necessary for officials to verify the accuracy of fuel deliveries and bills. We reviewed all 25 purchases and determined the following:

- For four purchases totaling approximately \$73,000 for 17,000 gallons, the vendor did not indicate whether the number of gallons delivered and billed for was gross or net volume. Therefore, the Supervisor could not have verified the delivery amount and the Supervisor and the claims auditor could not have determined whether the District was billed for the correct number of gallons.
- For eight purchases, the other vendor indicated both gross and net volume delivered but billed the District based on net gallons instead of gross gallons. The Supervisor and the claims auditor did not verify the bill against the terms of the contract. As a result, the vendor overcharged the District 229 gallons totaling \$630 for five purchases and undercharged the District 53 gallons totaling \$157 for three purchases. Therefore, the District paid \$473 more than it should have for these eight fuel purchases.

For the remaining 13 purchases, the vendors billed for gross volume as defined in the contract.

**Fuel Price** – The District’s fuel contract also states that fuel price is made up of two components – weekly Oil Price Information Service (OPIS) average rack price<sup>3</sup> per gallon and a fixed differential factor based on the type and quantity of fuel delivered.

For all 25 purchases, the vendor did not provide, and officials did not request the fuel price components used. When we brought this to the Supervisor’s attention, the Supervisor requested this information from the fuel vendors. The vendor did not provide support for the OPIS average rack price per gallon used for any of the nine deliveries in 2022, and as a result, the Supervisor could not have verified whether the unit price charged was accurate. The other vendor provided fuel price components and support upon request during the audit for all 16 deliveries in 2023. The District’s current fuel vendor began providing the fuel price components upon request from the Supervisor during our audit.

We compared the OPIS average rack price per gallon to the actual price billed for all 16 deliveries made in 2023. We determined that for one purchase in October 2023, the vendor used an incorrect price component resulting in the District being overcharged \$1,025. Neither the Supervisor nor the claims auditor identified the error because they were not verifying the accuracy of prices charged. The vendor provided a credit for the amount overcharged to be used toward future purchases.

While District’s purchasing procedures required the verification of goods received, the procedures were not specifically related to fuel and did not provide any guidance on how to verify the amount of fuel delivered or how to verify that fuel prices charged were accurate and in accordance with contract terms.

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<sup>2</sup> Gross gallons represent the volume at local temperatures while net gallons represent the volume adjusted based on an assumed average temperature of 60 degrees fahrenheit, which is the temperature at which fuel is considered normal weight in the United States. The relationship between fuel volume and temperature is caused by thermal expansion.

<sup>3</sup> Rack price is the price of gasoline or diesel fuel loaded onto a truck at the distribution terminal ready for delivery.

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## **How Should District Officials Manage Fuel Access and Usage to Safeguard Fuel Inventory?**

School district officials should restrict access to fuel tanks and pumps and should monitor and properly restrict fuel usage. Officials should ensure employee PINs and key fobs are actively managed to minimize the risk of unauthorized access or misuse. To minimize risk, officials should deactivate PINs and key fobs as soon as there is no longer a need for them. Also, officials should have accurate and complete lists of authorized users and key fobs assigned to vehicles and equipment. Officials should periodically review these records to ensure the users still need fuel access and key fobs for the assigned vehicle or equipment. Officials should also periodically review fuel usage records to help ensure that fuel is used for school district purposes and the amount of fuel used by each vehicle or piece of equipment is reasonable. Any material discrepancies discovered should be investigated and resolved.

### **District Officials Did Not Adequately Manage Fuel Access or Monitor Fuel Usage**

Fuel Access – The District’s fuel tanks are located in the bus yard and users need a key to unlock a gate padlock to access the tanks after school hours. The Superintendent, BA and the Supervisor did not know how many individuals had a key to the gate, but the Director of Facilities estimated that more than 50 people – all buildings and grounds staff, transportation mechanics and other transportation staff, District coaches and administration staff – had the padlock key. Non-District fuel users from the Town, Village and Fire Company also had keys to open the gate to access the fuel tanks. The same key that unlocked the gate also opened the fuel tank padlocks, potentially allowing individuals to access fuel and bypass the fuel pump system.

The Supervisor and the BA were unaware of the risks of using the same key for all padlocks including the fuel tanks, because they thought the pump system and surveillance cameras provided sufficient controls to prevent unauthorized access to the fuel. However, anyone with a padlock key could potentially access and siphon fuel without detection because the Supervisor did not periodically reconcile inventory records from the fuel tracking system to physical fuel inventory (discussed later in the report) or monitor video surveillance which officials told us is only maintained for two weeks and is not reviewed regularly.

To begin pumping fuel, an individual must scan a key fob and enter a PIN. If the individual is pumping gas using a key fob associated with a vehicle, they must also enter the vehicle odometer reading. The Supervisor did not monitor PINs and the key fobs issued. She also did not know how to and did not inquire how to run a system report containing that information and that information was not maintained anywhere else. When we requested this information, the Supervisor contacted the system vendor to obtain the information from the system. We reviewed the report and compared District individuals granted access to individuals who pumped fuel and compared key fobs issued to District departments per the fuel system to key fobs used during our audit period.

Of 62 key fobs issued to District departments at the time of our testing, 23 were issued to the buildings and grounds department for vehicles, equipment and fuel cans and 39 were issued to the transportation department – 38 for busses and other vehicles and one for emergencies. The key fob for emergencies



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was kept in the mechanic's office. The fuel usage report indicated that three of the key fobs issued to the buildings and grounds department for a tractor, a mower and a diesel fuel can were not used during our 18-month audit period suggesting that these key fobs might no longer be needed and should be deactivated. In addition, three other key fobs – one issued to the transportation department for emergencies and two issued to the buildings and grounds department – one for a utility task vehicle (UTV) and one for a gas can – were set up without fuel type or quantity restrictions and the key fob assigned to the UTV was not used.

The Supervisor told us that one of the unrestricted key fobs was set up that way so that buildings and ground staff could fill up multiple fuel cans at a time and another was set up as an “emergency” key fob and kept in the mechanic's office in the transportation department to be used to fuel transportation department vehicles if the key fob assigned to a vehicle did not work due to battery failure because it needed to be replaced. The Director of Facilities did not provide explanations for the remaining unrestricted and/or unused key fobs. Having key fobs set up that are not needed or have no restrictions, especially when usage reports and surveillance footage is not reviewed, significantly increases the risk that fuel could be used for other than District purposes without detection.

In addition, all 35 District employees set up as users in the fuel system were granted access with no restrictions. Therefore, they had the ability to pump unlimited gallons of either type of fuel using any of the three key fobs that also had no restrictions. Furthermore, the Supervisor did not know how to run a fuel system report and did not monitor individual users or key fobs issued which significantly diminished the controls over fuel that the pump system was intended to provide. Moreover, officials did not establish written procedures for granting access to and restricting usage of fuel pumps, which contributed to individuals being granted more access to fuel than was needed.

Fuel Usage – The District's fuel system has the capability to generate usage reports including the following information each time the pump is used: date, time, department, vehicle/equipment, vehicle odometer reading when applicable, number of gallons pumped and employee name. Periodically reviewing fuel usage records provides a way to identify abnormal fuel usage and can help District officials ensure that fuel is not used for other than District purposes.

Based on the District's fuel usage report for the audit period July 1, 2022 through December 31, 2023, 63,672 gallons of diesel and 47,117 gallons of unleaded fuel were pumped from the tanks. See Figure 1.



**Figure 1: Fuel Usage (Gallons) for January 1, 2022 – December 31, 2023**

	Diesel Volume (Gallons)	Diesel Transactions	Unleaded Volume (Gallons)	Unleaded Transactions
<b>District Users</b>				
<b>District Buildings &amp; Grounds</b>	787	90	4,591	394
<b>District Bus Garage</b>	41,930	1,629	25,446	1,979
<b>Total for District Users</b>	<b>42,717</b>	<b>1,719</b>	<b>30,037</b>	<b>2,373</b>
<b>Non-District Users</b>				
<b>Village of Alden</b>	10,696	394	8,192	413
<b>Town of Alden</b>	9,367	272	6,886	303
<b>Fire Company</b>	892	34	2,002	141
<b>Total for Non-District Users</b>	<b>20,955</b>	<b>700</b>	<b>17,080</b>	<b>857</b>
<b>Grand Total</b>	<b>63,672</b>	<b>2,419</b>	<b>47,117</b>	<b>3,230</b>

We reviewed the report and identified instances where a fuel usage entry did not include an employee name. Specifically, there were 46 instances where no employee name was associated with a District employee fuel transaction. The Supervisor told us she did not know why employee names were not indicated for certain entries in the report.

After further investigation, the BA explained that if an individual was deleted from the system, the individual's name would not appear in usage reports. However, District officials were unable to tell us which individuals were removed, when they were removed or why. Without individual names indicated and a key fob that was not associated with a particular vehicle or equipment, the Supervisor cannot determine who pumped the fuel and what the fuel was used for. To maintain the integrity of fuel usage data, the names of individuals that no longer need fuel access should be disabled, not deleted.

Fuel Tank Capacity – We compared the fuel tank capacities for the vehicles, equipment and cans that were associated with the key fobs to the gallons pumped for each transaction associated with the respective key fobs. We determined that each fuel transaction for the transportation department was less in quantity than the respective fuel tank capacity. However, fuel transactions associated with eight vehicles, pieces of equipment or cans – three tractors, three UTVs, one mower and one gas can – in the buildings and grounds department were more than the vehicle or equipment fuel tank capacity. While the fuel pumped for five of them minimally exceeded the equipment fuel capacity – a collective total of 13 gallons over six transactions – the fuel transactions for three other pieces of equipment exceeded the equipment fuel capacity more significantly (Figure 2).

**Figure 2: Fuel Transactions Exceeded Fuel Tank Capacity (Gallons)  
Buildings and Grounds Department**

Type of Equipment	Tractor	UTV	Gas Can <sup>a</sup>
Fuel Type	Diesel	Unleaded	Unleaded
<b>Fuel Capacity</b>	13	5	5
<b>Transactions Over Capacity</b>	12	9	18
<b>Maximum Fuel Capacity</b>	156	45	90
<b>Total Fuel Pumped (Transactions Over Capacity)</b>	<b>198</b>	<b>69</b>	<b>141</b>
<b>Total Pumped that Exceeded Capacity</b>	<b>(42)</b>	<b>(24)</b>	<b>(51)</b>
a) This gas can had a key fob assigned to it that did not have any restrictions on the type or quantity of fuel that could be pumped.			

Of the 39 transactions that exceeded the fuel tank capacity, 37 were attributable to two buildings and grounds employees and two were attributable to a maintenance mechanic. The Supervisor was unaware that transactions exceeded tank capacity and was unable to provide an explanation for the discrepancies because she was not reviewing the fuel usage reports. While the Director of Facilities told us he was unaware of these discrepancies, because he did not receive a fuel usage report for his department, he subsequently stated that employees at times fueled vehicles, equipment and cans together on one transaction. This practice defeated the purpose of issuing one key fob for each vehicle, piece of equipment and fuel can intended to track fuel usage and to strengthen internal controls. Because of this practice, officials cannot properly monitor fuel usage or be certain that District fuel was not used for other than District purposes.

## What Do We Recommend?

The Superintendent and BA should:

1. Establish clear written procedures for fuel management including:
  - Verifying the volume purchased, delivered and unit price charged;
  - Controlling fuel access and deactivating key fobs and employee PINs as soon as they are no longer needed;
  - Safeguarding fuel inventory;
  - Monitoring fuel usage;
  - Reviewing fuel tank video surveillance;
  - Maintaining perpetual inventory records and performing inventory reconciliations; and
  - Ensuring that the non-District users are billed based on the correct quantity and price per gallon.

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2. Ensure that the Supervisor follows the established fuel management procedures.
  3. Ensure the claims auditor is aware of their responsibilities and verifies the accuracy of fuel prices charged before approving fuel claims for payment.
  4. Ensure the Supervisor is provided with sufficient training related to fuel management and the District's fuel system and its capabilities.
  5. Provide sufficient supervision and oversight of the Supervisor to ensure fuel is properly managed.
  6. Instruct and require employees to use only the key fob associated with a vehicle, piece of equipment or fuel can for that item in order to increase fuel accountability and to reduce the risk that fuel may be used inappropriately.
  7. Rectify inaccurate fuel bills generated for non-District fuel users.

The Supervisor should:

8. Thoroughly review the fuel purchase contract and ensure vendors provide appropriate and accurate delivery and billing information so that the volume delivered and price charged can be verified.
9. Compare the volume of each delivery per the District's fuel system to the volume billed to identify variances and investigate variances in accordance with established thresholds and procedures.
10. Require vendors to provide fuel price components charged, including the OPIS average rack price per gallon and support for the amount used and the fixed differential factor.
11. Review fuel tank surveillance footage regularly.
12. Grant individuals access and issue key fobs with appropriate restrictions and deactivate any key fobs issued without proper fuel type or quantity restrictions.
13. Review individuals issued keys to the fuel gate and pumps to determine whether access is still needed and collect keys from users that do not need to access the fuel gate and pumps.
14. Review all PINs and active key fobs, determine whether they are still needed and disable or deactivate PINs and key fobs rather than deleting them as soon as access or key fob is no longer needed.
15. Review fuel usage reports to identify and investigate unusual transactions such as fuel pumped per transaction being more than the fuel tank or can capacity and document the results of the review.
16. Provide the Director of Facilities with building and grounds department fuel usage reports to review.

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17. Attend training related to fuel management and the District's fuel system to become better familiar with the system's capabilities and available reports.
  18. Perform fuel inventory reconciliations between physical inventory and fuel system perpetual inventory records to identify variances. Establish an acceptable variance threshold with the BA and investigate variances exceeding the established threshold to determine the reasons for fuel inventory discrepancies and to take corrective action.
  19. Have the fuel pumps tested and approved by the Erie County Department of Weights and Measures accordingly.
  20. Measure or ensure the head mechanic measures the physical fuel level/volume in the two tanks periodically (i.e., monthly and after each fuel delivery) and maintain records of the measurements.
  21. Update unit prices for each delivery in the District fuel system and bill non-District users accurately using the appropriate unit prices.

The claims auditor should:

22. Verify the accuracy of fuel prices charged prior to approving related claims for payment.

The Director of Facilities should:

23. Obtain and review fuel usage reports for the buildings and grounds department and investigate unusual transactions.
24. Consider reducing the number of padlock keys in circulation, rekeying or issuing new keys to the padlocks on the fuel gate and fuel tanks.
25. Require employees to use only the key fob assigned to a particular vehicle or equipment to fuel it and fuel each as separate transactions to avoid using a single key fob to fuel multiple vehicles or pieces of equipment.

# Appendix A: Response From District Officials

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**Alden Central School District**

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October 22, 2024

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**REF: Alden Central School District Response to the Fuel Management Report of Examination 2024M-90**

On behalf of the Alden Central School District, I would like to thank the State Comptroller's Office for the thoughtful and insightful findings and audit report. Our staff was impressed by the attention to detail and professionalism of the auditors.

As we discussed, the OSC audit process was a great opportunity for us to learn and improve our current procedures. I truly appreciate the auditors' willingness to take a "deep dive" into our fueling procedures as we requested in our pre-audit meeting.

In both the initial and closing meetings with OSC representatives, we mutually acknowledged that the purpose of the OSC audit was to review District practices and to identify areas that are recommended for improvement. As you know, the District immediately began updating procedures, expectations and practices as the on-site auditor brought various findings to light, including, but not limited to, changes in department personnel responsible for adhering to District procedures, protocol, and contracts the District entered into.

This District agrees with the key findings:

1. The Transportation Supervisor did not update fuel prices in the system and the bills were calculated based on the outdated prices resulting in billing errors totaling \$9,176; which consisted of the District overbilling non-District users \$5,526 for diesel fuel and underbilling non-District users \$3,650 for unleaded fuel.

**District response:** The District is in the process of reviewing the calculation provided by the comptroller. Once verified and confirmed, the District will provide the Town, Village and fire departments with revised statements and issue any necessary bills or refunds.



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2. Officials did not maintain physical (i.e., dip stick) tank readings or perform periodic inventory reconciliations and were not aware of fuel inventory shortages (424 gallons of diesel fuel and 750 gallons of unleaded fuel) valued at \$3,500. Therefore, they could not identify, investigate and correct the possible causes.

**District response:** While transportation personnel did not maintain physical (i.e. dip stick) tank reading records, they did share that readings were conducted and were compared to the fuel management system readings at various times throughout the year. We immediately implemented a regular reading schedule within the department.

3. Officials did not verify the accuracy of vendor charges therefore they did not identify fuel overcharges totaling \$1,498.

For all 25 purchases, the vendor did not provide, and officials did not request, the fuel price components used. When we brought this to the Supervisor's attention, the Supervisor requested this information from the fuel vendors. The vendor did not provide support for the OPIS average rack price per gallon used for any of the nine deliveries in 2022, and as a result, the Supervisor could not have verified whether the unit price charged was accurate. The other vendor provided fuel price components and support upon request during the audit for all 16 deliveries in 2023.

**District response:** As indicated in the OSC report, the District's current fuel vendor began providing the fuel price components upon request from the Transportation Supervisor during their audit. Additionally, the District updated its procedures and has implemented an additional level of review to ensure the invoices are accurate prior to paying.

4. Officials do not know how many employees and non-District fuel users from the Town, Village and Crittenden Fire Company have keys to access the District's fuel tanks, potentially allowing individuals access to fuel and the ability to bypass the fuel pump system.

**District response:** While the District accepts this finding and has implemented changes, it is important to note that while the potential did exist for an individual with a gate/tank key to gain access to fuel by siphoning, it is highly unlikely that this has occurred. An individual would need to climb atop the fuel tank with a 30-50-foot hose while feeding the hose into the tank prior to beginning the siphoning process. Furthermore, while District officials could not give a definitive number of keys issued, we do know which employees have keys assigned to them as they are required to sign for all keys issued Districtwide. As for keys issued to non-District fuel users (Town, Village and fire company), the District cannot confirm whether additional keys have been made and distributed by these entities or exchanged between its members. Non-District fuel users' bills are based upon assigned vehicle "fobs" and individual codes that are required at the pumps. Furthermore, the District has changed out the padlocks specifically for the fuel tanks, and only the Transportation Supervisor and Head Mechanic have access to the keys.

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Included in this response is the corrective actions that will be taken in response to the OSC recommendations (Attachment A).

Once again, we appreciate the thoroughness of your audit and are committed to improving our controls surrounding fuel operations while continuing to partner with our local municipalities as encouraged by the New York State Comptroller's Office.

Sincerely,

Adam Stoltman  
Superintendent of Schools



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## **ATTACHMENT A**

This attachment represents Alden Central School District's corrective action plan in regard to the recommendations made by the Office of the New York Comptroller in the Fuel Management Report of Examination 2024-90.

### **Superintendent and Business Administrator Recommendations:**

1. **Observation** – Establish clear written procedures for fuel management including: verifying the volume purchased, delivered and unit price charged; controlling fuel access and deactivating key fobs and employee PINs as soon as they are no longer needed; safeguarding fuel inventory; monitoring fuel usage; reviewing fuel tank video surveillance; maintaining perpetual inventory records and performing inventory reconciliations; and ensuring that the non-District users are billed based on the correct quantity and price per gallon.

Corrective Action – District has already updated and/or will develop written fuel management procedures for all areas identified.

*Implementation Date:* June 30, 2025, or sooner (majority already completed).

2. **Observation** – Ensure that the Supervisor follows the established fuel management procedures.

Corrective Action – Updated procedures will require regular oversight by the Business Administrator of the fuel management system. The Business Administrator will meet regularly with the Transportation Supervisor to ensure compliance.

*Implementation Date:* Already implemented.

3. **Observation** – Ensure the claims auditor is aware of their responsibilities and verifies the accuracy of fuel prices charged before approving fuel claims for payment.

Corrective Action – Business Administrator discussed the concerns with the Erie 1 BOCES claims auditors.

*Implementation Date:* Already implemented.

4. **Observation** – Ensure the Supervisor is provided with sufficient training related to fuel management and the District's fuel system and its capabilities.

Corrective Action – The Transportation Supervisor and Head Mechanic have a copy of the most recent fuel management system operating manual and have approval to contact the District's fuel management system contractor for additional training and for questions when they arise.

*Implementation Date:* Already implemented.

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5. **Observation** – Provide sufficient supervision and oversight of the Supervisor to ensure fuel is properly managed.

Corrective Action – Updated procedures require regular oversight by the Business Administrator of the fuel management system. The Business Administrator will meet regularly with the Transportation Supervisor to ensure compliance.

*Implementation Date:* Already implemented.

6. **Observation** – Instruct and require employees to use only the key fob associated with a vehicle, piece of equipment or fuel can for that item in order to increase fuel accountability and to reduce the risk that fuel may be used inappropriately.

Corrective Action – The Business Administrator has directed the Transportation Supervisor and Director of Facilities to direct their staff to use the proper key fob associated with the vehicle, piece of equipment, or fuel can. Staff will be sent a reminder, at minimum, on an annual basis.

*Implementation Date:* Already implemented.

7. **Observation** – Rectify inaccurate fuel bills generated for non-District fuel users.

Corrective Action – The Business Administrator is working with the Transportation Supervisor and District Treasurer to review prior fuel bills. Any discrepancies will either be billed or refunded to the Town, Village, and Fire Department.

*Implementation Date:* October 2024.

**Transportation Supervisor Recommendations:**

8. **Observation** – Thoroughly review the fuel purchase contract and ensure vendors provide appropriate and accurate delivery and billing information so that the volume delivered, and price charged can be verified.

Corrective Action – The Transportation Supervisor will follow the procedures implemented for fuel purchases and will confirm the volume delivered and price per gallon per the bid documents to the billing information prior to approving all invoices.

*Implementation Date:* Already implemented.

9. **Observation** – Compare the volume of each delivery per the District’s fuel system to the volume billed to identify variances and investigate variances in accordance with established thresholds and procedures.

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Corrective Action – The Transportation Supervisor will follow the procedures implemented for fuel purchases. The supervisor will confirm the volume billed per the invoice to the amount delivered and recorded in our fuel management software at the time of delivery. Any variances greater than 1% will be investigated.

*Implementation Date:* Already implemented.

10. **Observation** - Require vendors to provide fuel price components charged, including the OPIS average rack price per gallon, and support for the amount used and the fixed differential factor.

Corrective Action – The Transportation Supervisor will follow the procedures implemented for fuel purchases. The Transportation Supervisor will obtain the OPIS average rack rate from the vendor and the fixed differential factor from the bid documents to confirm the proper price per gallon on the invoice.

*Implementation Date:* Already implemented.

11. **Observation** - Review fuel tank surveillance footage regularly.

Corrective Action – A video monitor will be installed in the Transportation Supervisor's office to view the fuel tank surveillance camera during regular work hours. The Transportation Supervisor will occasionally review after-hours surveillance footage to make sure there is no abuse, including the filling of personal vehicles, equipment, or fuel cans. In the event of possible suspicious activity, the Transportation Supervisor shall notify the Business Administrator and investigate until resolved.

*Implementation Date:* June 30, 2025.

12. **Observation** - Grant individuals access and issue key fobs with appropriate restrictions and deactivate any key fobs issued without proper fuel type or quantity restrictions.

Corrective Action – The Transportation Supervisor will:

- Continue to review individual access to the fuel management system on a regular basis and will restrict individual access as appropriate.
- Review key fobs for all vehicles, equipment, and fuel cans regularly, including deactivating all key fobs for vehicles, equipment, or fuel cans no longer in service, and limit access based on fuel type and size of the fuel tank/can.
- Review employee access, including the PIN number assigned to the employee, on a regular basis. Individual access will be assigned or disabled by the Transportation Supervisor based on their employment status with the District or as directed by the Town, Village, or Fire Department supervisors.

*Implementation Date:* November 30, 2024.



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13. **Observation** - Review individuals issued keys to the fuel gate and pumps to determine whether access is still needed and collect keys from users that do not need to access the fuel gate and pumps.

Corrective Action – The gate and associated padlock to the transportation lot is an added security safeguard and limits outside individuals from even accessing the secure fuel pumps. Many State DOT facilities' fuel tanks are open and not fenced in. With that being said, the District has changed out the padlocks for the fuel tanks, and only the Transportation Supervisor and Head Mechanic have access to the keys.

*Implementation Date:* Already implemented.

14. **Observation** - Review all PINs and active key fobs, determine whether they are still needed, and disable or deactivate PINs and key fobs rather than deleting them as soon as access or key fob is no longer needed.

Corrective Action – Please see the corrective action for item 12 above. The Transportation Supervisor will block (aka disable) fobs instead of deleting them as soon as it is no longer needed.

*Implementation Date:* Already implemented.

15. **Observation** - Review fuel usage reports to identify and investigate unusual transactions such as fuel pumped per transaction being more than the fuel tank or can capacity and document the results of the review.

Corrective Action – The Transportation Supervisor will review the key fobs for each vehicle, piece of equipment, and fuel can, and adjust the limit on the fob associated to the tank capacity. The Transportation Supervisor will review the fuel usage reports to identify any unusual or frequent fob transactions monthly.

*Implementation Date:* November 30, 2024.

16. **Observation** - Provide the Director of Facilities with building and grounds department fuel usage reports to review.

Corrective Action – The Transportation Supervisor will provide the Director of Facilities with a fuel usage report for all buildings and grounds department employees monthly.

*Implementation Date:* November 30, 2024.

17. **Observation** - Attend training related to fuel management and the District's fuel system to become better familiar with the system's capabilities and available reports.

Corrective Action – The District's new Transportation Supervisor is familiar with the District's current fuel management system, capabilities, and available reports. She also has a good

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relationship with the vendor if issues arise. The vendor has been out to rechart and calibrate the fuel management system and assist with making changes to access controls. Additionally, the Business Administrator has given the Transportation Supervisor approval to request assistance from the vendor when needed during the year.

*Implementation Date:* Already implemented.

18. **Observation** - Perform fuel inventory reconciliations between physical inventory and fuel system perpetual inventory records to identify variances. Establish an acceptable variance threshold with the BA and investigate variances exceeding the established threshold to determine the reasons for fuel inventory discrepancies and to take corrective action.

Corrective Action – Written procedures will be developed to reconcile the fuel inventory monthly. The Transportation Supervisor will work directly with the Head Mechanic to do a fuel inventory reconciliation and any discrepancies greater than 1% will be communicated to the Business Administrator and investigated in a timely manner.

*Implementation Date:* November 30, 2024.

19. **Observation** - Have the fuel pumps tested and approved by the Erie County Department of Weights and Measures accordingly.

Corrective Action – The Erie County Department of Weights and Measures is not required to certify the District’s fuel pumps annually; however, they did certify the District’s pumps at the District’s request in January 2024. Additionally, the District had its fuel system recharted and recalibrated by the fuel system vendor over the summer. The District intends to do this annually moving forward.

*Implementation Date:* Already implemented.

20. **Observation** - Measure or ensure the head mechanic measures the physical fuel level/volume in the two tanks periodically (i.e., monthly and after each fuel delivery) and maintain records of the measurements.

Corrective Action – As part of the monthly fuel reconciliation, the Transportation Supervisor will require the Head Mechanic to physically stick the fuel tanks and record the readings. These readings should then be compared to the amount reported in the fuel management system. Any significant discrepancies of greater than 1% will be investigated.

*Implementation Date:* November 30, 2024.

21. **Observation** - Update unit prices for each delivery in the District fuel system and bill non-District users accurately using the appropriate unit prices.

Corrective Action – The Transportation Supervisor will update the unit price in the fuel management system after each delivery and will bill the Town, Village, and Fire Department

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accurately using the appropriate unit prices. The District Treasurer will also verify the unit prices prior to billing all non-District users.

*Implementation Date:* November 30, 2024.

**Claims Auditor Recommendations:**

22. **Observation** - Verify the accuracy of fuel prices charged prior to approving related claims for payment.

Corrective Action – The claims auditor will verify the accuracy of the fuel prices charged prior to approving related claims for payment.

*Implementation Date:* Already implemented.

**Director of Facilities Recommendations:**

23. **Observation** – Obtain and review fuel usage reports for the buildings and grounds department and investigate unusual transactions.

Corrective Action – The Director of Facilities will receive a copy of the fuel usage report for all buildings and grounds employees monthly. The Director will review the fuel usage reports to identify any unusual or frequent fob transactions and will investigate, if needed.

24. **Observation** – Consider reducing the number of padlock keys in circulation, rekeying or issuing new keys to the padlocks on the fuel gate and fuel tanks.

Corrective action – Please see the response to item 13. The gate and associated padlock to the transportation lot is an added security safeguard and limits outside individuals from accessing secure fuel pumps. The padlocks for the fuel tanks have been changed out, and only the Transportation Supervisor and Head Mechanic have access to the keys.

*Implementation Date:* Already implemented.

25. **Observation** - Require employees to use only the key fob assigned to a particular vehicle or equipment to fuel it and fuel each as separate transactions to avoid using a single key fob to fuel multiple vehicles or pieces of equipment.

Corrective action – The Director of Facilities will direct employees to use only the key fob assigned to a particular vehicle, piece of equipment, or fuel can when fueling. This procedure will be communicated to all buildings and grounds staff annually.

*Implementation Date:* November 30, 2024.



## Appendix B: 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed fuel related documents and records such as contracts, invoices and fuel reports to gain an understanding of the District's fuel management practices including monitoring fuel usage, reviewing fuel purchases, restricting access to District fuel, safeguarding fuel and maintaining inventory records.
- We compared all 25 vendor fuel deliveries made during the audit period to District fuel tanks system records to determine whether vendors delivered the same quantity of fuel as invoiced using the correct type of fuel volume defined in the fuel contract and to determine whether the price vendors charged were supported and accurate based on the contract. We quantified and investigated differences and interviewed District officials about the potential causes for the identified variances.
- We compared fuel usage records for all fuel key fobs and PINs issued to District fuel users to fuel pump records to determine the amount of fuel pumped, the key fobs used to pump fuel and to assess whether District fuel user active key fobs were being used and still needed.
- We summarized fuel usage information during the audit period and reviewed all usage that occurred outside normal business hours such as late in the evening or early morning or on weekends. We traced these events to supporting documentation such as employee time sheets or associated trip/travel information to determine whether the time at which fueling occurred was reasonable. We also summarized District vehicles/equipment that were filled during the audit period and compared amounts pumped to each vehicle's tank capacity to determine whether the amount pumped was more than tank's capacity. We estimated fuel usage for District bus garage vehicles using average unleaded mileage per gallon to determine reasonableness.
- We performed a reconciliation for the audit period of July 1, 2022 through December 31, 2023, using fuel usage reports, vendor fuel invoices and records per the inventory system to determine whether fuel was properly accounted for. We added gallons of fuel purchased per the vendor fuel invoices to our beginning inventory and subtracted fuel used per the usage reports to determine the approximate remaining fuel inventory. We compared expected fuel amounts to the system's ending inventory balances and calculated the difference. We used average unleaded and diesel fuel prices during the audit period to calculate the approximate value of the respective fuel shortages. We interviewed District officials about the potential causes for the identified variances.
- We obtained written contracts between the District and non-District users and reviewed the latest three invoices covering the period of June 1, 2022 through November 30, 2023 to determine whether the District billed these users accurately using the correct price and quantity pumped based on usage reports.



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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.

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 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 CAP should be posted to District's website for public review.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

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

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

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

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

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

## Contact

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