



Holland Patent Central School District

Fuel Inventory

2023M-141 | January 2024

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Report Highlights

Holland Patent Central School District

Audit Objective

Determine whether Holland Patent Central School District (District) officials safeguarded and accounted for fuel inventory.

Key Findings

District officials did not adequately manage and monitor fuel access and usage or account for fuel inventory. As a result, seven enabled fuel user accounts were not needed and authorized transportation department employees completed 117 usage transactions during our test period by sharing Personal Identification Numbers (PINs) and/or vehicle fobs to fuel buses. This reduces accountability and increases the risk that fuel could be stolen or misused without detection. Officials did not:

- Develop written procedures to help ensure fuel inventories were adequately managed.
- Review fuel usage reports to monitor user access and vehicle fuel use for reasonableness.
- Maintain perpetual fuel inventory records and periodically reconcile the records with the amount of fuel in the tanks.

Key Recommendations

- Establish a control system that safeguards the District's fuel from loss and misuse.
- Periodically review fuel usage reports and maintain and reconcile fuel inventory records.

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 Deerfield, Floyd, Marcy, Remsen, Steuben, Trenton and Western in Oneida County and the Town of Russia in Herkimer County.

The District is governed by an elected five-member Board of Education (Board) that is responsible for the District's educational and financial affairs. The Superintendent of Schools, along with other administrative personnel, is responsible for day-to-day operations.

The Transportation Supervisor (Supervisor) oversees the District's transportation department and is responsible for managing the District's fuel inventory. The Director of Facilities (Director) oversees the buildings and grounds department. Both officials report to the Assistant Superintendent for Business and Finance (Assistant Superintendent).

Quick Facts

Fuel User Accounts	45
Vehicles/Equipment Using District Fuel	65
2021-22 Fiscal Year	
Fuel Costs	\$289,912
Gallons Purchased	83,655

Audit Period

July 1, 2021 – July 11, 2023

Fuel Inventory

The District has two above-ground fuel tanks located at the District's bus garage: a 5,000-gallon tank for diesel and a 5,000-gallon tank for unleaded gasoline (Figure 1). Each fuel tank has a gauge that displays the tank's fuel level in feet and inches. The District has 65 vehicles such as buses, vans and trucks, and drivable equipment such as riding lawn mowers and tractors that use fuel.

FIGURE 1

Fuel Tanks



Diesel

Gasoline

This photo was taken by Office of the State Comptroller auditors. The District provided permission to take the photo on March 17, 2023.

In October 2021, the District began using a fuel tank monitoring system (monitoring system) and a separate electronic system that tracks data on fuel usage for individual vehicles and authorized users (usage system). To pump fuel from the District's storage tanks, a user must first scan a key fob at the fuel terminal and enter a PIN to activate the pumps.

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

School district officials (officials) should ensure PINs and key fobs assigned to authorized fuel users and/or vehicles and equipment are actively managed to minimize the risk of misuse. If not properly managed, unauthorized access to fuel could occur and go undetected. To minimize the risk of unauthorized access, officials should deactivate the PINs or 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 fobs are needed for the assigned vehicle or equipment.

In addition, officials should 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 equipment is reasonable. Any material discrepancies disclosed when the records are reviewed should be investigated and resolved.

Officials Did Not Adequately Manage Fuel User Access and Monitor Fuel Usage Reports

Adequate procedures were not in place to ensure fuel inventories were properly managed to safeguard fuel from loss or theft. Employees were not properly trained on using the fuel usage system to manage access to the fuel pumps and monitor the use of fuel for the transportation and buildings and grounds departments. We found seven enabled fuel user accounts were not needed and authorized transportation department employees completed 117 usage transactions from January 1, 2023 through May 30, 2023, by sharing PINs and/or vehicle fobs to fuel buses. This reduces accountability and increases the risk that fuel could be stolen or misused without detection.

User Accounts – We reviewed 45 enabled fuel user accounts and identified seven unneeded user accounts assigned to former and current District employees. Four of the user accounts were assigned to former bus drivers who left the District between June 2022 through February 2023. The remaining three user accounts were assigned to current employees – one employee who was on long-term leave, the Director whose job duties do not require fuel access, and an employee who had two user accounts but only needed one account.

The Supervisor is responsible for adding and deactivating user accounts and told us he did not receive training on how to add, modify or deactivate users or vehicles in the usage system. Therefore, the unneeded accounts had not been deactivated. In addition, although the usage system can produce an authorized user list, no one generated or reviewed the list to help ensure all users were current employees who required fuel access. After we brought the unneeded user accounts to the Supervisor’s attention, the Supervisor learned how to deactivate user accounts in the system and he deactivated all seven of the unneeded accounts during our fieldwork.

Usage Report Transactions – Fuel usage reports document each fuel transaction including:

- Vehicle number (for transportation department only);
- User’s first name and PIN;
- Pump number, gallons and fuel type pumped; and
- Date and time.

The Supervisor is responsible for adding and deactivating user accounts and told us he did not receive training on how to add, modify or deactivate users or vehicles in the usage system.

When the transportation department acquires a new vehicle, the Supervisor is responsible for assigning a vehicle number and a key fob and adding the associated vehicle information to the usage system. Fuel pumped using a transportation key fob is recorded based on the vehicle number, so the usage records reflect both the employee who accessed the pump (based on the PIN) and the vehicle that was fueled (based on the fob). However, the buildings and grounds department vehicles were not entered into the usage system and associated with a key fob. Instead, authorized buildings and grounds department employees were assigned a key fob to gain access to the fuel pumps and fuel usage records show the employee's name, but not the vehicle or equipment that received the fuel. This reduces the usefulness of the fuel usage reports for tracking and monitoring fuel used by the buildings and grounds department.

We reviewed 1,453 fuel usage transactions (1,283 transportation and 170 buildings and grounds department transactions) for the period January 1, 2023 through May 30, 2023 to determine whether they were reasonable. We identified 14 transactions that exceeded the vehicle or equipment tank capacity. This occurred because employees used the wrong key fob to fuel buses, which misstated fuel usage in the records:

- For 13 of these transactions, a buildings and grounds employee, who is also a substitute bus driver, used the assigned buildings and grounds key fob to fuel a bus instead of using the appropriate bus key fob. As a result, the fuel pumped for the bus incorrectly showed as buildings and grounds transactions in the usage records.
- For the remaining transaction, we found another employee used their assigned bus key fob to fuel their bus and fuel another employee's bus who did not have their own PIN to access the fuel pump. This resulted in inaccuracies in the fuel usage records because the correct key fob was not used when fueling the second bus.

Similarly, we found an additional 103 transactions where the transportation department employees used other authorized users' PINs or vehicle key fobs to fuel their assigned bus. Although these transactions did not exceed the fuel tank capacities, they resulted in inaccurate fuel usage records because the records do not properly identify the correct vehicle that actually received the fuel or who fueled the vehicle. When usage records are not accurate, it impairs District officials' ability to monitor fuel use and reduces accountability over fuel because officials may not identify instances where fuel is used for non-District purposes.

This occurred because the Supervisor did not properly monitor the District's fuel usage. According to the Supervisor, he did not receive proper training and guidance on how to manage the usage system and did not add new buses or employees to the system and assign key fobs and PINs when needed. As a result, the employees shared their PINs and fobs with new employees and when

new buses were acquired. For example, three employees who were hired in September 2022 continued to use other users' PINs until they were given their own credentials in May and June 2023, as a result of our audit.

Part of the reason these questionable transactions were not identified was because no one was monitoring and reviewing the fuel usage reports for reasonableness. The Supervisor said he did not know how to generate the reports from the usage system to review them. In addition, the Assistant Superintendent did not establish written procedures to convey the expectations and provide guidance for adding new District vehicles and employees who need fuel access to the usage system and assigning a key fob or PIN to allow access and track the related fuel usage. The lack of procedures and review contributed to user information not being updated and added in a timely manner and increased the risk that fuel could be stolen or misused without detection.

...[N]o one was monitoring and reviewing the fuel usage reports for reasonableness.

Lastly, although the usage system permits users to enter odometer readings when fueling, the Supervisor did not enable this feature in the system because it was his understanding the fuel pump could shut down if incorrect odometer readings were entered by employees. However, the odometer reading parameters can be set to require more than one incorrect entry before the fuel pump would shut down. Requiring employees to enter vehicle odometer readings when pumping fuel could increase individual and vehicle accountability for fuel usage and the recorded readings could be another tool to help officials identify and follow up on questionable fuel usage.

How Should School District Officials Account for Fuel?

School district officials should maintain perpetual fuel inventory records that show the amount of beginning inventory, amount of fuel purchased, amount of fuel used and the balance of fuel remaining in the tanks. Because fuel is a valuable consumable commodity, school district officials should also periodically reconcile the perpetual inventory record balances to measured fuel tank levels and investigate and resolve any material discrepancies.

Officials Did Not Maintain Perpetual Fuel Inventory Records

The Supervisor did not maintain perpetual inventory records and therefore could not periodically reconcile inventory records with the amount of fuel on hand. We analyzed the District's fuel inventory using the monitoring system's beginning and ending balances of fuel in the tanks, deliveries from the vendor invoices, and usage records for the period October 18, 2021 through May 4, 2023. The calculated inventory balances were reasonable, with minimal variances, compared to the gallons of fuel on hand. However, it is still important to maintain

perpetual fuel inventory records and periodically reconcile them with the amount of fuel in the tanks to help detect discrepancies that could be caused by leaks or theft.

The Supervisor and Assistant Superintendent did not establish written procedures to ensure fuel use and perpetual inventory records were properly maintained, reviewed and reconciled. The Supervisor explained no one maintained perpetual fuel inventory records because he relied on the monitoring system and the tank gauges to track fuel inventory levels that he could observe to assess the fuel on hand. While the monitoring system can produce reports showing the gallons of fuel delivered and on hand in each tank at any given point in time, it does not serve as a perpetual inventory control record because it does not factor in fuel usage, which is tracked in a separate system. Without proper inventory records and reconciliations, there is an increased risk that fuel could be stolen without detection.

What Do We Recommend?

District officials should:

1. Establish written procedures to ensure fuel inventories are properly managed to safeguard fuel from loss or theft. At a minimum, such procedures should provide guidance on:
 - Adding and deactivating authorized users and assigning PINs,
 - Assigning key fobs to vehicles and equipment,
 - Periodically reviewing fuel usage reports to monitor activity, and
 - Maintaining perpetual inventory records and performing periodic reconciliations.
2. Train staff on the fuel usage system, as appropriate.
3. Assign key fobs to all buildings and grounds department vehicles and equipment and track the fuel usage separately for each.
4. Require employees to enter vehicle odometer readings into the usage system to provide additional fuel accountability.
5. Periodically review usage reports for reasonableness and investigate questionable fuel usages the reports identify.

The Supervisor should:

6. Add all new buses to the usage system and assign key fobs in a timely manner.

The Supervisor and Assistant Superintendent did not establish written procedures to ensure fuel use and perpetual inventory records were properly maintained, reviewed and reconciled.

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7. Add authorized users and assign PINs in the usage system in a timely manner and promptly deactivate user accounts when fuel access is no longer needed.
 8. Periodically review the authorized user list to ensure only current employees who require fuel access are included on the list.
 9. Maintain perpetual inventory records and perform periodic reconciliations comparing ending inventory balances to the amount of fuel in the tanks. Investigate and resolve any material discrepancies.

Appendix A: Response From District Officials

HOLLAND PATENT CENTRAL SCHOOL DISTRICT

9601 Main Street
PO Box 306
Holland Patent, New York 13354

Dr. Cheryl Venettozzi
Superintendent of Schools
(315) 865-7221

Nicholas Panuccio, Jr.
Assistant Superintendent
Business & Finance
(315) 865-7200

Nancy Nowicki
Assistant Superintendent
Curriculum & Instruction
(315) 865-7200

James DeAngelo
Pupil Personnel &
CSE Chairperson
(315) 865-4148

High School
(315) 865-8154
Russell Stevener
Principal

Kelly Healey
Assistant Principal

HS Guidance Dept.
(315) 865-4102

Middle School
(315) 865-8152
Lisa Gentile
Principal

Melissa Lowell
Learning Loss Coordinator
(315) 865-7580

MS Guidance Dept.
(315) 865-7204

**Gen. Wm. Floyd
Elementary School**
Kristin Casab
Principal
(315) 865-5721

**Holland Patent
Elementary School**
Sarah Vergis
Principal
(315) 865-8151

Michael Deuel
Director of Health, PE
and Athletics
(315) 865-7283

Kenneth Smith
Director of Facilities II
(315) 865-7213

Christopher Roberts
Transportation Supervisor
(315) 865-4103

Clifford Casab
Cafeteria Director
(315) 865-7242

January 2, 2024

Office of the New York State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear Office of the State Comptroller;

The Holland Patent Central School District has received and reviewed the draft Fuel Inventory Report of Examination (2023M-141) for the audit period July 1, 2021 to July 11, 2023. On behalf of Holland Patent CSD's Board of Education and administrative team, we appreciate the hard work and professionalism exhibited by the audit team while they were in Holland Patent.

Holland Patent CSD accepts the recommendations made in your draft report and a Corrective Action Plan (CAP) to achieve compliance with stated recommendations will be submitted within 90 days from the release of the final report.

Sincerely,

Dr. Cheryl Venettozzi
Superintendent of Schools

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. 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 Board meeting minutes to gain an understanding of any procedures in place regarding the District's fuel inventory and operations.
- We observed the District's bus garage including the two above-ground fuel storage tanks and associated security features, the fuel pumps and their operation. We observed how users obtained fuel from the tanks.
- We compared 45 fuel users on the authorized user list to the employee master list, in the payroll records as of March 2, 2023, and a list of bus drivers as reported to the New York State Department of Motor Vehicles as of April 27, 2023, to determine whether there were any District users who were not current employees or whether any bus drivers were not on the authorized user list and assigned a PIN. We followed up on any differences.
- We selected and reviewed all 1,453 fuel usage transactions for the period January 1, 2023 through May 30, 2023 to determine whether the transactions and usage records appeared reasonable. We judgmentally selected the five most recent months so that we could review available camera footage, as needed, for any recent questionable transactions (occurring within 45 days up to May 30, 2023). We selected high-risk transactions such as weekend fueling and fueling that took place between 5 p.m. and 5 a.m. We obtained a list of the transportation department buses, the associated fuel tank capacity, and assessed the reasonableness of gallons pumped compared to the buses fuel capacity. Because the buildings and grounds department vehicles are not entered in the usage system, we compared the gallons pumped for each transaction to the department's vehicle with the largest fuel tank for diesel (20 gallons) and gasoline (36 gallons). From our review, we also selected transactions that had at least two fueling activities occurring within five minutes apart that were for the same bus driver and/or vehicle number. We reviewed supporting documentation such as time sheets, daily routing sheets, camera recordings (if available) and followed up with the Supervisor and Director for explanations.
- We performed a reconciliation for the period October 18, 2021 through May 4, 2023 using fuel usage reports, vendor fuel invoices and records from the monitoring system to determine whether fuel was properly accounted for. We interviewed District officials and determined that the monitoring system's

beginning inventory was zero when the monitoring system and fuel tanks were installed in October 2021. We selected the ending inventory date based on the date we obtained the inventory balance from the monitoring system. 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 expected fuel inventory amounts. We compared expected fuel amounts to the monitoring system's actual fuel amounts and calculated the differences. We interviewed District officials about the potential causes for the identified variances.

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.

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 on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

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

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

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

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

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

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

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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

<https://www.osc.ny.gov/local-government>

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

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

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