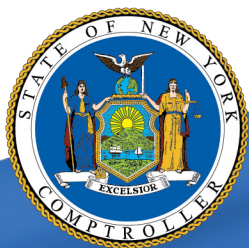


Oppenheim-Ephratah- St. Johnsville Central School District

Financial Management and Fuel Inventory

MARCH 2018



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

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Report Highlights

Oppenheim-Ephratah-St. Johnsville Central School District

Audit Objectives

Determine whether the Board adequately managed District finances by adopting realistic budgets and developing and implementing a long-term financial plan.

Determine whether the District officials adequately safeguarded fuel inventories and maintained accurate and complete records.

Key Findings

- The 2014-15 through 2016-17 budgets did not contain realistic estimates of appropriations.
- The District maintained fund balance in excess of the 4 percent statutory limit.
- The District used 973 more gallons of unleaded fuel and 341 more gallons of diesel fuel than it accounted for.

Key Recommendations

- District officials should ensure that all budget estimates are reasonable.
- The Transportation Supervisor should maintain accurate and complete fuel inventory records.
- The Transportation Supervisor should thoroughly investigate variances between fuel records and tank readings.

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

Background

The Oppenheim-Ephratah-St. Johnsville Central School District is located in the towns of Oppenheim, Ephratah, Johnstown and Stratford in Fulton County, the Town of Manheim in Herkimer County and the Town of St. Johnsville in Montgomery County.

A seven-member Board of Education is responsible for the general management and control of the District's financial affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Treasurer oversees the District's business operations. The Transportation Supervisor is responsible for oversight of District transportation, including the use of fuel.

Quick Facts

Total Enrollment	750
2017-18 Appropriations	\$18.6 million
Total Employees	156

Audit Period

July 1, 2016 – July 31, 2017

We extended our audit scope period back to July 1, 2014 to review budgeting trends.

Financial Management

The District began operating in 2013-14 as a result of the merger of the St. Johnsville and Oppenheim-Ephratah school districts. Prior to the merger, District officials, consultants and community members collaborated to address the sustainability of the newly reorganized District.

How Does a Board Effectively Manage District Finances?

When preparing the budget, District officials must estimate revenues, expenditures and the amount of fund balance that will be available at year-end, some or all of which may be used to fund the ensuing year's appropriations. Revenue and expenditure estimates should be based on prior years' operating results, past expenditure trends, anticipated future needs and available information related to projected changes in significant revenues and expenditures. Additionally, District officials should ensure the unrestricted fund balance does not exceed the amount allowed by law. New York State Real Property Tax Law limits the amount of unrestricted fund balance a school district can retain to no more than 4 percent of the subsequent year's budget appropriations.

The District Did Not Adopt Realistic Budgets

The adopted 2014-15 and 2015-16 budgets contained reasonable estimates for revenues, and actual revenues were within 2 percent of budget estimates. However, in 2016-17, the District realized approximately \$1 million (5 percent) more revenue than estimated because the District received an \$872,000 refund for prior year health insurance expenditures.¹ Although District officials were aware they would receive a refund, they did not include this revenue in the budget because they were unsure of the refund amount.

Additionally, in 2014-15, the District's actual expenditures were \$297,518 (2 percent) less than appropriations and \$1.3 million (7 percent) less in 2015-16. In 2016-17, the District expended \$3.2 million (17 percent) more than total appropriations, because the District made an unplanned transfer of \$4.2 million from the general fund to the capital projects fund for a building renovation and construction project. Had the District not made that transfer, it would have expended \$1 million (6 percent) less than appropriated.

¹ The District changed health insurance providers, which resulted in a refund from the District's former provider.

Figure 1: Appropriations vs. Actual Expenditures

	2014-15	2015-16	2016-17	Totals
Appropriations	\$18,510,847	\$18,785,271	\$18,824,930	\$56,121,048
Expenditures	\$18,213,329	\$17,524,173	\$21,976,702	\$57,714,204
Variance	\$297,518	\$1,261,098	(\$3,151,772) ^a	(\$1,593,156)
Variance Percentage	2%	7%	(17%)	

a Includes an unplanned transfer totaling \$4,196,194 to the capital projects fund.

Although total expenditures were within 2 percent of appropriations in 2014-15, we found certain appropriations were overestimated from 2014-15 through 2016-17. For example, utility² appropriations totaled \$837,500 in 2014-15, \$854,500 in 2015-16 and \$754,500 in 2016-17. However, actual expenditures totaled only \$471,811 in 2014-15 (\$365,689 less than budgeted), \$323,417 in 2015-16 (\$531,083 less than budgeted) and \$373,358 in 2016-17 (\$381,142 less than budgeted). The Treasurer told us the District budgeted these appropriations conservatively due to the uncertainty of winter weather.

The District closed an elementary school building at the end of the 2014-15 school year, which was after the 2015-16 budget was adopted. This contributed to the District expending less than was appropriated in 2015-16. However, although the building remained closed in 2016-17, the District still did not appropriate a realistic amount for utilities. Specifically, the Board reduced 2016-17 utility appropriations by only \$100,000 to \$754,500, which was not realistic based on 2015-16 utility expenditures of \$323,417.

Additionally, health insurance appropriations totaled \$3.1 million in 2014-15 and \$2.5 million in 2015-16, but the District expended approximately \$300,000 less than appropriated each year. In 2016-17, the Board appropriated \$2.6 million for health insurance and expended \$2.5 million or \$100,000 less than planned.

The 2017-18 budget contains appropriations totaling \$18,655,925, a decrease of approximately \$200,000 from 2016-17. Similar to 2016-17, the District's appropriation for health insurance appears reasonable and is based on rate increases from the District's health insurance provider and the Treasurer's projections.

2 Including heating oil, electricity and gasoline

However, the utility appropriations were unchanged from the 2016-17 budget (\$754,500). District officials told us they did not reduce that appropriation because they plan to lease the elementary school that was closed at the end of 2014-15 and will be paying for utilities in the building as a part of the lease. However, the District expended \$471,811 for utilities in 2014-15 when the building was in use and, as a result, it appears that the District may still expend less than they appropriated for utilities in 2017-18.

The District expended less than was appropriated because the Board adopted budgets with overly conservative estimates for appropriations. As a result of this practice, the District realized operating surpluses that caused unrestricted fund balance to increase.

The District Retained Excess Fund Balance

As a result of combining funds from the Oppenheim-Ephratah School District and the St. Johnsville School District after the merger, the District began the 2014-15 fiscal year with fund balance in excess of the 4 percent limit. However in 2014-15 and 2015-16, the District's practice of overestimating appropriations caused the general fund to realize operating surpluses and fund balance to increase.

Because the combination of the two school districts created a new entity, it was prudent for the Board to budget conservatively for the first year of operations. However, after that first year, appropriations should have been budgeted realistically, and accumulated fund balance could have been used to reduce the tax levy, finance one-time expenditures, fund needed reserves or pay off debt.

Figure 2: Unrestricted Fund Balance at Year End

	2014-15	2015-16	2016-17
Total Beginning Fund Balance	\$10,009,161	\$10,091,424	\$11,058,840
Add: Operating Surplus/(Deficit)	\$82,263	\$967,416	(\$2,176,174)
Total Year-End Fund Balance	\$10,091,424	\$11,058,840	\$8,882,666
Less: Restricted Funds	\$7,313,492	\$9,463,494	\$7,254,082
Less: Encumbrances	\$227,832	\$85,871	\$98,732
Less: Appropriated Fund Balance for the Ensuing Year	\$465,090	\$0	\$60,268
Total Unrestricted Funds at Year-End	\$2,085,010	\$1,509,475	\$1,469,584
Ensuing Year's Budgeted Appropriations	\$18,785,271	\$18,824,930	\$18,655,925
Unrestricted Funds as Percentage of the Ensuing Year's Budget	11.1%	8%	7.9%

As of June 30, 2015, unrestricted fund balance was 11.1 percent of the ensuing year's appropriations, which was 7.1 percentage points more than allowed by law. Although the District realized an operating surplus in 2015-16, it funded reserves with \$2.2 million of unrestricted funds. This caused unrestricted fund balance to decrease to 8 percent of the ensuing year's appropriations, which is still 4 percent more than the amount permitted.

In 2016-17, the District transferred \$4.2 million from the general fund to the capital projects fund to partially finance a newly initiated capital project. The transfer was comprised of approximately \$2 million of capital reserve funds and \$2.2 million of unrestricted funds. As of June 30, 2017, unrestricted fund balance was 7.9 percent of 2017-18 appropriations, or 3.9 percentage points more than allowed.

District officials told us they were aware that unrestricted fund balance exceeded the statutory limit. They said they budgeted conservatively to ensure that the District remained fiscally sound in future years when State aid the District will receive as a result of the merger is no longer available.³ Additionally, the District has not increased its \$4.8 million tax levy since the merger.

How Does Long-Term Financial Planning Help Manage Finances?

Planning on a multiyear or long-term basis allows District officials to identify developing revenue and expenditure trends, set long-term priorities and goals and consider the impact that current budget decisions may have on future fiscal years. It also allows District officials to assess the effects and merits of alternative approaches to address financial issues, such as the use of fund balance to finance operations and the accumulation of money in Board-authorized reserve funds.

Effective multiyear plans usually project operating and capital needs and financing sources over a three- to five-year period. These plans should be monitored and updated on an ongoing basis to provide a reliable framework for preparing budgets and to ensure that information used to guide decisions is current and accurate.

The District Has Established a Long-Term Financial Plan

The District officials developed and implemented a long-term financial plan (financial plan). The financial plan used the actual revenues and expenditures for 2014-15 and 2015-16 as a basis to project revenues and expenditures through 2020-21.

³ Refer to "The District Has Established a Long-Term Financial Plan" for further information.

As a result of the merger, the District has received and will continue to receive State aid totaling \$14 million over a 10-year period, which began in 2013-14 and will end in 2022-23. District officials told us they hope to maintain a real property tax levy during this period without any increases to prevent an unnecessary burden on the taxpayers. To accomplish this, the financial plan projects that the District will appropriate and use fund balance to finance operations, thereby gradually reducing its unrestricted funds to a more reasonable level.

The District also developed a comprehensive reserve plan that specifically designates expenditures for each reserve. For example, the District has created a bus reserve to purchase buses without having to use debt as a financing source.

With the development of the financial and reserve plans, District officials have established a realistic means for reducing the District's fund balance to a more reasonable level, helping avoid fluctuations in the annual tax levies and addressing future capital acquisition and improvement projects. We commend the District officials for developing these plans, but suggest they refine them to stay within the 4 percent fund balance limit.

What Do We Recommend?

The Board should:

1. Ensure appropriations are realistic, consistent with historical data and based on actual expenditures.
2. Reduce unrestricted fund balance to an amount permitted by law.

Fuel Inventory

To transport students and provide transportation services for noninstructional operations, the District maintains a fleet of 29 vehicles that use unleaded and diesel fuels. These vehicles traveled approximately 372,000 miles in 2016-17.

How Should Fuel Inventory Records Be Maintained and Fuel Inventories Safeguarded?

District officials are responsible for designing controls over fuel use to ensure fuel inventories are safeguarded and protected against the risk of loss, waste and misuse. To accomplish this, inventory records should be properly maintained to account for the amount of fuel purchased and used.

District officials should ensure that fuel records are periodically reconciled to delivery and use records and readings of fuel levels in the tanks, and that material discrepancies are investigated and resolved. Additionally, consumable commodities, such as fuel, should be maintained in locked or controlled environments, and access to fuel tanks and pumps should be restricted to authorized personnel.

The District Did Not Maintain Accurate Fuel Inventory Records and Fuel Was Unaccounted For

The District maintains two 2,000 gallon, aboveground fuel tanks: one for unleaded fuel and one for diesel fuel. The unleaded fuel tank is secured with a padlock that drivers remove using a key stored in each vehicle and then turn on the electric power to operate the pump. The diesel fuel tank is located in front of the bus garage and is not secured with a padlock. However, drivers must go into the bus garage to turn on the diesel fuel pump.

Both pumps measure total gallons dispensed for each use and the cumulative total gallons dispensed since the pumps were installed. Additionally, both tanks have meters that read the number of inches of fuel in the tank. However according to the Transportation Supervisor, the District does not rely on these meters, but instead measures the gallons of fuel in each tank by taking stick readings.

Drivers are responsible for recording amounts of fuel dispensed on driver fuel use charts (charts) that are assigned to each vehicle. Every week, a District mechanic records the mileage for every vehicle, takes a stick reading of the fuel levels in both tanks and records the mileage and readings. However, the number of gallons dispensed according to the total reading on the pumps is not recorded.

At the end of each week, the Transportation Supervisor collects the charts, records the fuel dispensed on a summary chart and reconciles the gallons of fuel used according to the tank readings to the gallons recorded on the charts. But, the Transportation Supervisor did not investigate significant variances.

We reviewed six months (27 weeks)⁴ of fuel inventory records and found they did not reconcile with the amounts of fuel pumped according to tank readings.

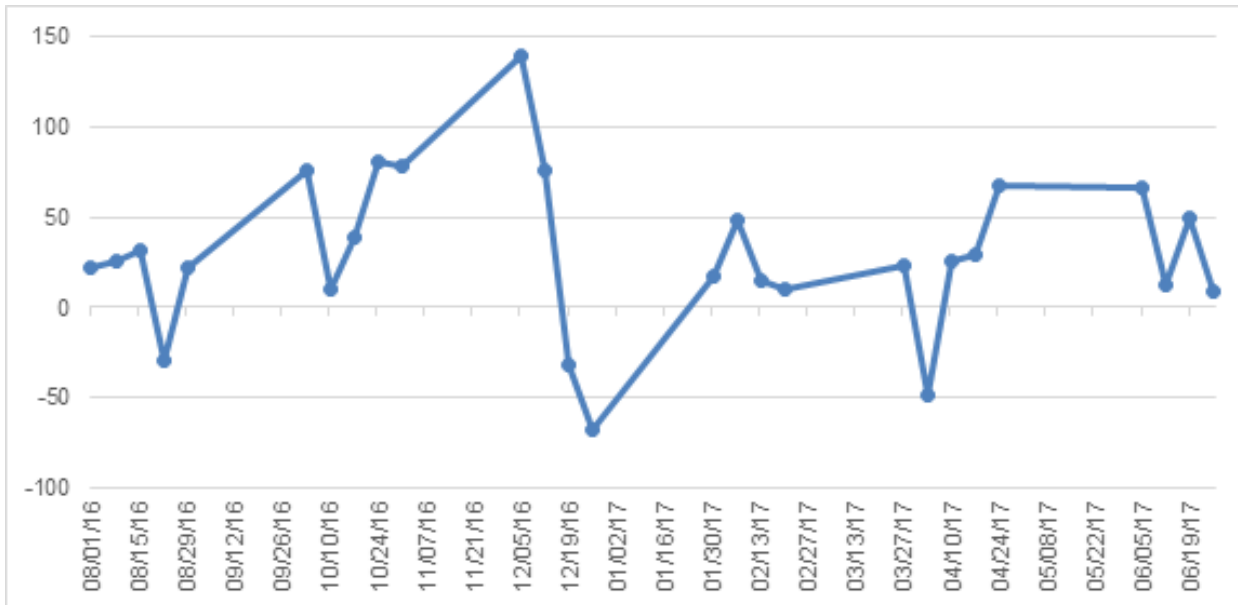
Unleaded Fuel – Based on the tank readings and fuel purchases, we found that 10,269 gallons of unleaded fuel were pumped from the tanks, but only 9,475 gallons were accounted for on the fuel use charts.

- During 23 weeks, 973 more gallons were pumped than was accounted for on the charts. For example, during the week of December 5, 2016, the tank readings indicated that 624 gallons of fuel were pumped, but the charts accounted for only 484 gallons, leaving 140 gallons unaccounted for.
- During the other four weeks, the drivers recorded pumping 179 more gallons on the charts than was dispensed from the tank. For example, during the week of April 3, 2017, the drivers recorded that they had pumped 636 gallons, but according to the tank readings only 587 gallons were pumped, a difference of 49 gallons.

⁴ August 2016, October 2016, December 2016, February 2017, April 2017 and June 2017. Refer to Appendix B for further information on our sample selection.

FIGURE 3

Gallons of Unleaded Fuel Pumped from Tank But Not Accounted For



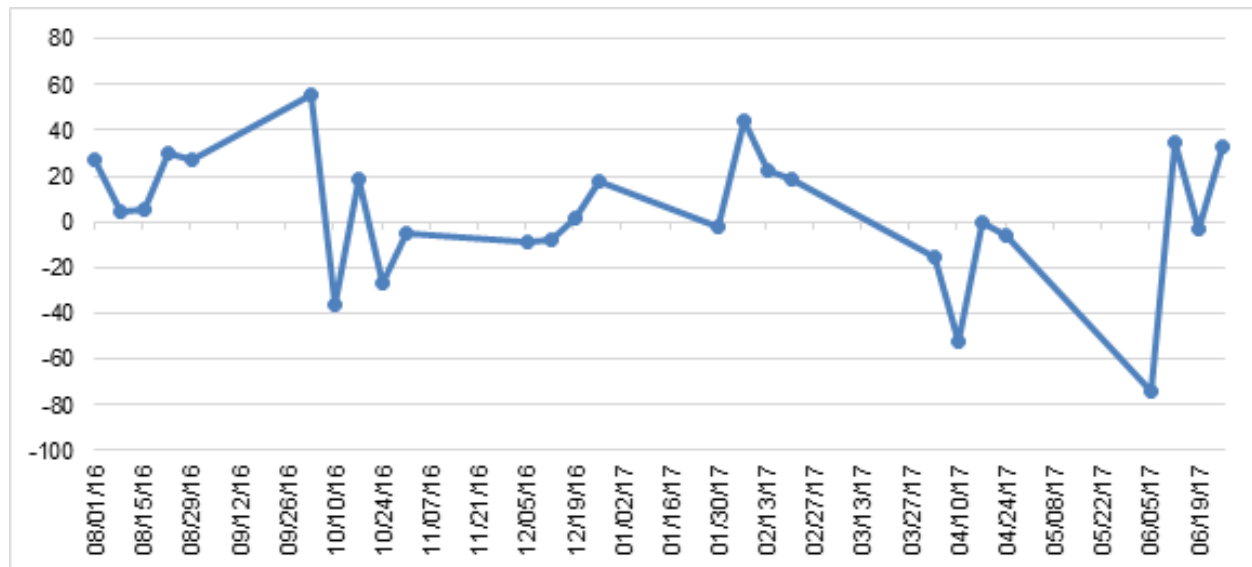
Diesel Fuel – We found that during 26 weeks,⁵ the drivers recorded that they pumped 8,855 gallons of diesel fuel, but the tank readings indicated that 8,961 gallons had been pumped from the tank.

- During 15 weeks, 341 more gallons were pumped from the tank than was accounted for on the charts. For example, during the week of October 3, 2016, 544 gallons were pumped according to the tank readings, but the drivers recorded only 489 gallons on the driver charts, leaving 56 gallons of diesel fuel unaccounted for.
- During the other 11 weeks, 236 fewer gallons were pumped from the tank than what was accounted for on the charts. For example, during the week of June 5, 2017, 529 gallons were pumped according to the tank readings, but the drivers recorded 603 gallons on the driver charts, a difference of 74 gallons.

⁵ During one week, the District did not measure the diesel tank level and, as a result, we could not compare the amount diesel fuel gallons pumped from the tank to the amount recorded on the drivers' charts that week.

FIGURE 4

Gallons of Diesel Fuel Pumped from the Tank But Not Accounted For



The Transportation Supervisor was unsure what caused these discrepancies. He told us they might have been due to recording errors or the fuel pumps not having been calibrated. Therefore, District officials cannot be sure they measure fuel dispensed accurately.

In addition, because vehicle mileage is recorded weekly rather than at the time fuel is pumped into each vehicles' fuel tank, it is not possible to determine how much fuel was in each vehicles' tank at the time the mileage was recorded. Therefore, is not possible to analyze the fuel usage per vehicle to identify recording errors or other discrepancies in the fuel usage for each individual vehicle.

Because District officials did not look further into these discrepancies, the cause is unclear, and officials cannot ensure that fuel was used only for appropriate purposes. Furthermore, when fuel is not properly secured or accounted for, the District has an increased risk that fuel could be lost through theft.

What Do We Recommend?

The Transportation Supervisor should:

3. Ensure that staff maintains accurate fuel inventory records and record vehicle mileage at the time that fuel is pumped into each vehicle.
4. Investigate all significant discrepancies between fuel tank readings and fuel use recorded in the charts.

Appendix A: Response From District Officials

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District Treasurer
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Relationships-Rigor-Relevance

Unit Name: Oppenheim Ephratah St. Johnsville School District
Audit Report Title: Financial Management and Fuel Inventory
Audit Report Number: 2017-240

The Oppenheim Ephratah St. Johnsville Central School District is in receipt of the draft audit report of financial condition for the period July 1, 2014-July 31, 2017. The Board of Education and the District Administration of the school district would like to begin by thanking the examiners for their patience and help through the process.

We are pleased to note that no fraud or mismanagement was identified through this process. The report noted that "When preparing the budget, District officials must estimate revenues, expenditures and the amount of fund balance that will be available at year-end, some or all of which may be used to fund the ensuing year's appropriations." We are pleased that we share the same philosophy with the Comptroller's office. In addition, the Comptroller's Local Government Management Guide, Financial Condition Analysis, defines the financial condition on page 2, as the ability of a school district to balance recurring expenditure needs with recurring revenue sources, while providing services on a continuing basis. It goes on to state that a community in good financial condition generally maintains adequate service levels during fiscal downturns, identifies and adjusts to long-term economic or demographic changes, and develops resources to meet future needs. The district takes this responsibility seriously.

The Board of Education and the District Administration work diligently to plan budgets, to estimate actual expenditures and revenues, to anticipate future alterations in school aid, to establish reserves to meet long-term obligations, to balance recurring expenditures with recurring revenue sources as well as decreases in those revenues, to maintain all programs that benefit children and to anticipate long-term economic changes.

We also agree with the Comptroller's definition of financial condition and are proud that we have taken these roles seriously and have continued to offer a high quality educational experience to the students of the Oppenheim Ephratah St. Johnsville Central School District while remaining good stewards of the taxpayer's money. We are pleased that the District has received unmodified external audits with no significant deficiencies or material weaknesses.

As cited in the Comptroller's report, "The District began operating in 2013-14 as a result of the merger of the St. Johnsville and Oppenheim-Ephratah school districts. Prior to the merger, District officials, consultants and community members collaborated to address the sustainability of the newly reorganized District." The report goes on to say, "As a result of the merger, the District has received and will continue to receive State aid totaling \$14 million over a 10-year period, which began in 2013-14 and will end in 2022-23. District officials told us they hope to maintain a real property tax levy during this period without any increases to prevent an unnecessary burden on the taxpayers. To accomplish this, the financial plan projects that the District will appropriate and use fund balance to finance operations, thereby gradually reducing its unrestricted funds to a more reasonable level."

As a direct result of the merger, the district must study ways to maintain the fiscal integrity of the district, seek economies of scale and efficiencies during these critical transitional years. The district has made every attempt to do just that, knowing that the timing of each initiative will never be perfect to neatly fit within each budget development cycle. To that end, the district has made changes and alterations to finances as conditions change, opportunities arise and at the first occasion as to when sound and thoughtful decisions can best be made. For instance:

- In the 2015-16 budget year, the district changed health insurance programs saving the district approximately \$300,000. Due to the collective bargaining and negotiation process for the new insurance the timing was such that the change had to be made after the budget had been approved.
- The district decided to close an elementary school at the beginning of the 2015-16 school year which the district saw savings in heating fuel, and electric. With the closing of that building the district had to reconfigure bus routes which would mean an increase in gasoline & diesel for the buses. That winter was also a very mild winter with prices lower than previous years. The decision was an important one and could not be rushed, thus it occurred after the budget was approved
- Additionally, in the 2016-17 budget year, the elementary school that was closed in 2015-16 was going to be rented to HFM BOCES for an AG-P-tech program. However, at the time of the budget process the district was not sure how many rooms would be rented so it was hard to budget the fuel and electric from the 2015-16 usage. The district provided its best estimate of utility costs with plans still uncertain.
- Further, in the 2016-17 school year, the district agreed mid-year to an LED lighting project which was not anticipated at budget time. This project saved the district on electric costs for half the year. Moreover, it was also another mild winter with low fuel & gasoline/diesel costs.
- Interestingly after all attempts at saving in utility costs and fuel costs, heating fuel, gasoline/diesel have seen a significant increase in costs the 2017-18 year due to rate changes beyond our control and building usage for programs and the community.
- Our electric costs will increase in 2017-18 over costs for 2016-17 due to the fact HFM has rented special education classrooms from the district and during the budget development process the district was not sure how many rooms as the amount of BOCES special education enrollment was in flux.

The “merging” of school districts is a difficult and complicated phenomenon. The district has done its best to study, research, and define opportunities for savings and efficiencies as those opportunities arise regardless of the timing, but always for the benefit of the district and taxpayers.

There is no doubt that our goals are aligned with that of the Comptroller. However, as a newly merged district, with significant changes in facilities use, policies, procedures and personnel, transitional activities continue to be a learning experience and as issues arise we attempt to address them in a thoughtful way.

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Relationships-Rigor-Relevance

Corrective Action Plan

Unit Name: Oppenheim Ephratah St. Johnsville School District
Audit Report Title: Financial Management and Fuel Inventory
Audit Report Number: 2017-240

Audit Recommendation #1:

Ensure appropriations are realistic, consistent with historical data and based on actual expenditures.

Implementation Plan of Action(s):

1. Reassess its budget development process to develop budgets that closely align to recent expenditure and revenue patterns and yet secure the district against unforeseen circumstances.
2. Reassess and develop a practice and procedure to the determination of appropriate reserves by category and their use to support the district's educational plan, fiscal plan and secure financial stability against unanticipated cost drivers.
3. Work with the district's auditors to ensure fiscal compliance.

Implementation Date:

1. The reassessment of expenditure categories will begin immediately and be used in the creation of the district's 2018-19 budget brought before the voters on May 2018.
2. This will be an on-going process each year as we work on our annual budget. Specifically, utility bills, and related expenses will be examined, and a continuous long-range evaluation guided by annual ST-3 documents to record progress toward great accuracy.

Persons Responsible for Actions:

David Halloran, Superintendent and Karen Mettler, School Business Official

Audit Recommendation #2:

Reduce unrestricted fund balance to an amount permitted by law.

Implementation Plan of Action(s):

1. Reassess the historic data between revenues and expenditures and adjust the use of revenues and expenditures according to our long-range plan to increase compliance to the amount of unappropriated fund balance as permitted by law as is possible and reliable.
2. Reassess need for and use of funds for cashflow based on the district's needs moving forward.
3. Opportunities for the use of funds will be examined that will result in a use of funds to advantage the district's financial stability in future years and that will also yield a benefit to taxpayers.

Implementation Date:

1. The reassessment of revenue, expenditure and cashflow will begin immediately and be used in the creation of the district's 2018-19 budget brought before the voters on May 2018.
2. This will be an on-going process each year as we work on our annual budget. Specifically, trend data and realistic assessments of financial condition will be examined, and a continuous long-range evaluation guided by annual ST-3 documents to record progress toward great accuracy.

Persons Responsible for Actions:

David Halloran, Superintendent and Karen Mettler, School Business Official

Audit Recommendation #3:

The Transportation Supervisor should: Ensure that staff maintains accurate fuel inventory records and record vehicle mileage at the time that fuel is pumped into each vehicle.

Implementation Plan of Action:

1. Determine the hardware and software available to school district transportation departments that will provide a system to monitor and record fuel usage.
2. Reassess and develop a practice and procedures to ensure that accurate fuel inventory is created and maintained.
3. Develop and implement a professional development experience for the supervisor of transportation and district transportation department employees so that they can comply with newly instituted procedures that result in accurate fuel inventory records and vehicle mileage each time fuel is pumped.
4. Procedure to ensure compliance will be developed.

Implementation Date:

1. A software and hardware order has been commenced to secure the technology for the fuel use and mileage record system.
2. Professional development based on area of responsibility will commence upon the arrival and installation of the required software to ensure that staff maintains accurate fuel inventory records and record vehicle mileage at the time that fuel is pumped into each vehicle.
3. The entire system will be operational by July of 2018

Persons Responsible for Actions:

David Halloran, Superintendent; Karen Mettler, School Business Official, and Bruce LaQuay, Transportation Supervisor

Audit Recommendation #4:

The Transportation Supervisor should: Investigate all significant discrepancies between fuel tank readings and fuel use recorded in the charts.

Implementation Plan of Action:

1. The staff will be interviewed to determine the reason for all significant discrepancies between fuel tank readings and fuel use recorded in the charts.
2. Professional development and oversight will be implemented to diminish any evidence of human error in all significant discrepancies between fuel tank readings and fuel use recorded in the charts.
3. Equipment will be upgraded, repaired or new equipment installed that would hinder the attempt to end all significant discrepancies between fuel tank readings and fuel use recorded in the charts.
4. New procedures will be monitored continuously to ensure compliance with this initiative.

Implementation Date:

1. This initiative has already begun. Interviews are completed.
2. The district will have equipment upgrades and procedures in place no later than July 2018.

Persons Responsible for Actions:

David Halloran, Superintendent; Karen Mettler, School Business Official, and Bruce LaQuay, Transportation Supervisor

The Board of Education and District Administration appreciate the recommendations in this audit and have already spoken with independent financial advisor about them. The financial advisor has agreed to work with the district continuing to improve the financial plans of the district.

Once again, we thank you for your professionalism and for the suggestions. We will use this as an opportunity to reexamine our long range fiscal plan, practices and procedures.

David Halloran, Superintendent of Schools
Oppenheim Ephratah St. Johnsville Central School District

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, we performed the following audit procedures:

- We gained an understanding of the District's budget process by interviewing the Treasurer, Superintendent and other District employees regarding the budget process.
- We reviewed financial reports and accounting records to evaluate the results of operations.
- We compared estimated revenues and appropriations to actual results to determine whether the Board adopted realistic budgets and to identify significant variances. We discussed significant variances with District officials to determine the basis for those estimates and the reasons for variances.
- We gained an understanding of the District's long-term financial planning by interviewing the Treasurer and Superintendent and reviewing the Board-approved long-term financial and reserve plans.
- We gained an understanding of the fuel inventory process by interviewing the Transportation Supervisor and observing the District's fuel tanks.
- We judgmentally selected six months of fuel inventory records, by selecting every other month during the 2016-17 school year, and reviewed all tank readings and all fuel use recorded on the driver charts for those months. We interviewed the Transportation Supervisor about the potential causes of any 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 objectives.

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 District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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