



# Wading River Fire District Gasoline Credit Cards

## Report of Examination

Period Covered:

January 1, 2015 – June 30, 2016

2017M-5



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

March 2017

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Fire Commissioner governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Wading River Fire District, entitled Gasoline Credit Cards. This audit was conducted 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.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Wading River Fire District (District) is a district corporation of the State, distinct and separate from the Towns of Riverhead and Brookhaven, in Suffolk County. The District covers approximately 9.8 square miles and maintains one headquarters building and one substation. Approximately 68 members provide fire protection and emergency rescue services to about 9,000 residents. The District's 2016 general fund budgeted appropriations totaled approximately \$2.3 million, which were funded primarily by real property taxes.

The Board of Fire Commissioners (Board) is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The Board appoints a Treasurer and a Secretary and employs a District Manager. The Treasurer is responsible for the receipt and custody of District funds, disbursing and accounting for those funds, preparing monthly and annual financial reports and meeting any other reporting requirements. The Secretary is responsible for keeping a complete and accurate record of each Board meeting and all Board-adopted rules and regulations. The District Manager oversees day-to-day operations throughout the District on behalf of the Board.

The District used a State contract to obtain gasoline credit cards. Gasoline purchases on the credit cards totaled \$19,225 during the audit period. The District Manager is responsible for obtaining and distributing gasoline credit cards and personal identification numbers.

## Objective

The objective of our audit was to examine the District's gasoline card purchases. Our audit addressed the following related question:

- Did District officials monitor gasoline card purchases to ensure that gasoline costs were appropriate and purchases were used only for District vehicles and equipment?

## Scope and Methodology

We examined the District's gasoline card purchases for the period January 1, 2015 through June 30, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of District  
Officials and Corrective  
Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. 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 Board should make the CAP available for public review in the Secretary's office.

## Gasoline Credit Cards

A comprehensive gasoline credit card policy and formal written procedures can help ensure that costs associated with gasoline purchases are appropriate, purchases are properly supported and gasoline is used only for District vehicles and equipment. It is important that the policy identifies the number of cards to be issued and individuals who are authorized to use the gasoline credit cards. The policy should describe the documentation to support the purchases and the types of purchases allowed and include procedures for monitoring gasoline credit card usage.

When used properly, gasoline credit cards can provide a level of accountability over gasoline purchases. Cards should be assigned in a manner that increases the District's ability to account for gasoline transactions. Vehicle cards assigned to particular vehicles and equipment cards assigned to individuals responsible for fueling equipment help to ensure that fuel is purchased only for District vehicles and equipment. In addition, controls such as personal identification numbers (PIN) can provide accountability over transactions by identifying the individuals responsible for transactions. Timely reconciliation of vendor transaction reports, gas receipts and vehicle logs can help prevent, detect and correct irregularities.

Although the Board has adopted a credit card policy, it did not establish written policies and procedures for gasoline credit card use and monitoring. The credit card policy does not identify the number of cards to be issued or the individuals authorized to use the cards. District officials did not always assign gasoline credit cards to particular vehicles, and when they did, the assigned cards were not required to be used only for particular vehicles. Also, one PIN was issued to a group of employees rather than unique PINs to individuals, and one PIN was issued for the District's boat. As a result, accountability over gasoline purchases is diminished and there is limited assurance that the \$19,225 in gasoline purchases made by District employees and officials was for proper District purposes.

The District obtained gasoline credit cards through a State contract which can be used at gasoline locations throughout New York State among multiple oil companies. When purchasing gasoline with the credit card, the user inserts the credit card which identifies the vehicle, enters a PIN which identifies the user and enters the current odometer reading for the vehicle. District officials indicated that any employee or member who uses a gasoline credit card is required to retain and submit the gasoline receipts to the District prior to the Board audit and

review of the gasoline card billing statement. In addition, the Chief, three Assistant Chiefs and the first responder vehicle are required to submit gasoline logs that document the dates of gasoline purchases, the gallons of gasoline pumped, the total cost of gasoline purchased and the vehicle's odometer reading.

The credit card company bills the District monthly for all gasoline transactions less the applicable sales tax<sup>1</sup> and the State discount. In addition to the summary statement, the credit card company provides a detailed report for each credit card that includes previous odometer reading, odometer reading entered for each transaction, grade of gasoline purchased, gallons, cost, exempt tax amount, period totals and year-to-date totals. The detail transaction report also includes period and year-to-date averages for all transactions for a particular card. Such details include the average miles per gallon, cost per gallon and cost per mile driven. This information is useful in monitoring vehicle and fuel usage when odometer readings are accurately entered.

District officials did not institute an adequate process for issuing gasoline credit cards and PINs. The District obtained 29 gasoline credit cards and 23 PINs from the card vendor to fuel 11 gasoline-powered vehicles, a rescue boat and various small pieces of equipment. We observed that 14 cards were assigned to District vehicles including four Fire Chief vehicles, the District Manager's vehicle, the first responder vehicle and a diesel powered vehicle. Five of the 14 cards were issued for various on-site District vehicles and two were maintained by the Senior Houseman for fueling small equipment and the rescue boat. The remaining 15 gasoline cards were in the District Manager's custody.

Twenty-one PINs were issued to four Chiefs, seven department officers, five department members, three District employees and two Board members. The remaining two PINs were not issued to individuals. Instead, one was issued to the District boat and one was shared by any of the 18 paramedics that use the first responder vehicle. When PINs are shared, the individual responsible for the transaction cannot be readily identified and accountability over gasoline credit cards is diminished. In addition, the District does not have adequate procedures in place for monitoring the use of gasoline credit cards.

We reviewed all 759 gasoline credit card transactions with a net cost of \$19,225 in our audit period and found the following:

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<sup>1</sup> School districts and local governments are exempt from paying sales tax, motor fuel tax and State excise tax.

- Sixteen (55 percent) of the 29 gasoline credit cards and nine (39 percent) PINs were not used during our audit period. This is an indication that the number of cards may be excessive and not necessary.
- Of the 759 transactions, 46 transactions totaling \$1,268, involving eight cards, were not supported with receipts. The first responder credit card accounted for 25 of the 46 missing receipts.
- The first responder PIN, which is shared by 18 paramedics, was used a total of 266 times totaling \$4,037. This accounted for approximately 35 percent of all gas card transactions and 21 percent of the total cost during the audit period. The PIN was used 257 times with the first responder vehicle gasoline credit card and nine times with a spare District vehicle's credit card. The first responder vehicle logs were not always submitted, and when they were submitted, they did not contain all of the transactions that appeared on the statement.

We reviewed the five first responder vehicle logs submitted with the claims packages during the audit period. During the period January 1, 2015 through August 4, 2015 (the last entry in the log), the gasoline credit card was used 97 times, but there were only 55 entries in the vehicle log. In addition, odometer readings were not always entered correctly, further diminishing accountability over the use of the card. We analyzed the fuel use for August 2015 — the month that this vehicle, a 2007 sport utility vehicle (SUV) used the most fuel — and determined that the vehicle averaged 6.8 miles per gallon. This average is less than the manufacturer's specifications, which state this type of vehicle typically averages 15<sup>2</sup> miles per gallon. This could be an indication that not all fuel purchased with this PIN was actually used to fuel this vehicle. District officials indicated that the car may be idling for periods of time, which could account for some of the low miles per gallon. However, without adequate records and monitoring, they cannot be sure what the cause is.

- The Senior Houseman has a card assigned to him to fuel gasoline powered equipment. The Senior Houseman's card was used 55 times totaling \$1,398 during our audit period. Four transactions totaling \$98 indicated they were for filling

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<sup>2</sup> Miles per gallon information was obtained from the US Department of Energy, [www.fueleconomy.gov](http://www.fueleconomy.gov), based on combined city and highway miles for vehicle make, model and year.

gas cans. The remaining 51 transactions indicated they were for fueling various District vehicles even though these vehicles had an assigned gasoline card that was located in the vehicle. For example, the Senior Houseman indicated on 24 receipts totaling \$496 that he was fueling the “spare Commissioner’s vehicle,” even though this vehicle had an assigned gasoline credit card. Because District staff did not always indicate on receipts which vehicles they were fueling and did not always use the cards assigned to the vehicles, District officials did not have sufficient documentation to determine whether the fuel purchased for this vehicle was reasonable.

- The Chief and three Assistant Chiefs<sup>3</sup> are provided a vehicle with an assigned gasoline credit card, and each Chief has a PIN. These vehicles and PINs accounted for \$9,548 (50 percent) of the total cost of gasoline. One Chief did not submit 14 receipts totaling \$604, and another Chief did not submit one receipt for \$22. Although they were required to submit gasoline logs, when the Chief or Assistant Chiefs fueled other vehicles, they used the credit cards associated with their own vehicles. In addition, odometer readings were not always entered correctly and the gasoline logs were not reviewed to determine if gasoline use was reasonable. We compared the mileage and gasoline purchased for each of the four Chiefs’ vehicles to determine miles per gallon. The miles per gallon ranged from six to 15 for the same model vehicle, an SUV. The manufacturer’s specifications indicate that this vehicle should get about 17 miles per gallon.
- The District Manager was also provided a District vehicle with an assigned gasoline credit card and a PIN. His vehicle credit card accounted for \$3,436 (18 percent) of the total cost of gasoline during the audit period. Although he maintained his own record of gasoline purchases and odometer readings, the gasoline use and mileage were not reviewed to determine if they were reasonable. We reviewed the gasoline purchases and odometer readings for the District Manager’s vehicle and determined they were reasonable.

The lack of formal authorization and written policies and procedures has resulted in an excessive number of gasoline credit cards and PINs. In addition, because District officials were not required to use cards only with the assigned vehicles, input the correct odometer readings when purchasing fuel and submit vehicle logs, District officials cannot be sure that fuel is purchased only for District vehicles.

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<sup>3</sup> There were two Assistant Chiefs in 2015 and three Assistant Chiefs in 2016.

Finally, the use of the same PIN by 18 paramedics further diminishes the accountability over gasoline credit card purchases.

## **Recommendations**

The Board should:

1. Develop and implement written policies and procedures for the use of gasoline credit cards that specify which District officials are authorized to use the gasoline credit cards, when and how they can use the cards and what documentation is required.
2. Limit the number of gasoline credit cards to only those that are needed and ensure that District officials use the credit cards issued to them.
3. Ensure that all original gasoline credit card receipts are submitted.
4. Reconcile transaction reports to gasoline receipts and vehicle logs to prevent, detect and correct irregularities.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following page.



# WADING RIVER FIRE DISTRICT BOARD OF FIRE COMMISSIONERS

1503 North Country Road, Wading River, NY 11792

Phone: (631) 929-3753 • Fax: (631) 929-4362

March 22, 2017

Office of the New York State Comptroller  
Division of Local Government & School Accountability  
PSU – CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

RE: Wading River Fire District  
2017M-005

Gentlemen:

This communication represents the Wading River Fire District's response to the preliminary draft findings prepared by your office dated February 21, 2017. Initially, the Board would like to commend the staff assigned to this audit for their professionalism.

The Board would note that after reviewing the entire scope of financial operations of the Fire District the audit centered solely on the use of gasoline credit cards by Fire District and Fire Department officials. The Board is confident that all of the expenditures for fuel by Fire Department and Fire District officials utilizing gasoline credit cards during the audit period were for appropriate government uses. The Board has reviewed the recommendations in the draft report and believes the suggestions will enhance accountability relating to the use of gasoline credit cards. Based on this fact, the Board as a corrective action has amended its credit card policy pertaining to the use of gasoline credit cards to implement the recommendations contained in the draft report. The amended credit card policy was adopted by the Board of Fire Commissioners on March 13, 2017. A copy of the amended policy is enclosed for your reference. In addition, the Board is in the process of implementing the procedures required under the new credit card policy.

If you require any additional information, kindly contact the Fire District Secretary at (631) 929-3753 extension 101.

Yours truly,

Signature Redacted  
Glenn Erick  
Chairman of the Board  
of Fire Commissioners

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Board members and District officials to determine what controls and procedures are in place to ensure that gasoline costs are appropriate and made for legitimate District purposes.
- We examined the District's policies to determine whether the District has policies and procedures concerning the use of gasoline purchase cards; e.g., who can use gasoline purchase cards, when and where gasoline purchase cards can be used, safeguarding of gasoline cards, account/card limits and what kind of documentation is required of the card holders.
- We reviewed 18 claims voucher packets containing billing statements from the gasoline purchase card vendor, consisting of 759 gasoline transactions totaling \$19,225, to determine whether the Board audited the claims prior to approving them for payment and to determine whether receipts were attached to the claims to show that all gasoline card transactions were actual and necessary.
- We reviewed billing statements dated February 1, 2015 through July 31, 2016 to examine all purchase card activity for the audit period.
- We obtained a list of gasoline purchase cards issued to the District by the vendor. We compared the list of gasoline cards to the billing statements to determine how much activity was evident for each card. We physically verified the location of each card from the list.
- We obtained a list of employees and officials issued PINs. We also reviewed PIN code usage to determine whether usage is reasonable and whether any PIN cross over onto other gasoline cards.
- We reviewed the supporting documentation from the claims vouchers and other information provided by District officials to determine whether odometer readings were accurately recorded when gasoline was purchased and to determine whether the amount of gallons pumped per vehicle, amount of miles traveled and miles per gallon were reasonable.

We conducted this performance audit in accordance with 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.

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Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
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