



# Kings Park Central School District Fuel Inventory

## Report of Examination

Period Covered:

July 1, 2014 – July 31, 2015

2015M-282



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	1
<b>INTRODUCTION</b>	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	2
<b>FUEL INVENTORY</b>	4
Recommendations	6
<b>APPENDIX A</b> Response From District Officials	7
<b>APPENDIX B</b> Audit Methodology and Standards	10
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	11
<b>APPENDIX D</b> Local Regional Office Listing	12

# State of New York Office of the State Comptroller

---

---

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

December 2015

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' 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 district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Kings Park Central School District, entitled Fuel Inventory. 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 district 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 Kings Park Central School District (District) is located in the Town of Smithtown in Suffolk County. The District is governed by the Board of Education (Board), which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational 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 Transportation Supervisor is responsible, along with other Transportation Department (Department) personnel, for ensuring that fuel inventory is accounted for and accurate records are maintained.

The District operates five schools with approximately 3,393 students and 670 employees. The District also operates a sixth building that houses the Business and Administration offices and maintains a separate facility for vehicle and fuel storage. The District's budgeted appropriations for the 2014-15 fiscal year were approximately \$83.6 million, funded primarily with State aid, real property taxes and grants.

## **Objective**

The objective of our audit was to evaluate the District's controls over its fuel inventory. Our audit addressed the following related question:

- Did the District ensure that all fuel was accounted for and records were accurate?

## **Scope and Methodology**

We examined the District's fuel records for the period July 1, 2014 through July 31, 2015. 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 relevant population size 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 planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. 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, 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, with a copy forwarded to 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 Board should make the CAP available for public review in the District Clerk's office.

## Fuel Inventory

District officials are responsible for establishing procedures to provide assurance that vehicle fuel is accurately accounted for and used for appropriate District purposes. The Department is responsible for overseeing the District's vehicle and fuel storage facility and ensuring that fuel supplies are adequately safeguarded, accounted for and protected against the risk of loss, waste and misuse. To accomplish this, fuel supply tanks should be measured<sup>1</sup> before and after fuel delivery to help ensure that the District pays for the correct number of gallons of fuel received. Inventory records should also be maintained to account for fuel purchased, used and the amount that remains in fuel tanks.

Inventory records must be kept for each fuel tank, which should be periodically reconciled with physical inventories, and any material discrepancies should be investigated and resolved. The New York State Department of Environmental Conservation (DEC) requires the operator of any facility with a combined underground storage capacity of more than 1,100 gallons to maintain daily inventory records to detect leaks.<sup>2</sup> Failure to maintain and reconcile such records could result in DEC-ordered tests and facility inspections at the District's expense.

District officials need to improve their recordkeeping for fuel inventory to ensure that all fuel is accounted for and records are accurate. District officials have not adopted a policy for fuel inventory accountability, and there were no written procedures to provide guidance to employees. Fuel records maintained by the Department were incomplete and did not provide sufficient accountability over fuel use and inventory. Officials did not reconcile fuel pump readings to physical inventory or require all employees to account for the fuel pumped.

The Department maintains two<sup>3</sup> underground fuel storage tanks, and there are four pumps that dispense fuel (two pumps for each tank). During our audit period, the District purchased 81,172 gallons of diesel fuel and 10,305 gallons of gasoline at a total cost of \$205,363. Department drivers and employees are authorized to use fuel to operate

<sup>1</sup> For example, via the use of a measuring stick

<sup>2</sup> The DEC also requires that records be maintained and available for inspection for a period of not less than five years.

<sup>3</sup> The District's transportation yard contains one 6,000 gallon diesel fuel tank and one 4,000 gallon gasoline tank.

approximately 62 vehicles. Other departments<sup>4</sup> are also authorized to use fuel to operate various District vehicles and equipment.

For the majority of our audit period, fuel use and inventory records consisted of hand-written notes to record fuel pump readings, fuel deliveries and measuring stick readings. To determine day-to-day use for each fuel pump, Department personnel subtract the previous day's pump reading from the current day's reading and note the gallons pumped. No reconciliation was performed to determine if the gallons pumped agreed with the change in stick reading from one day to the next.

In July 2015, the Department obtained a template form to record daily fuel inventory, deliveries and use. The template form also provided for a reconciliation process for leak detection purposes. Department personnel began using two template forms (one for diesel and one for gasoline) that month to record the daily gallons used, deliveries and subsequent changes in the Department's recorded inventory. Department personnel also took physical measurements, recorded the actual inventory on these forms and, at the end of the reconciliation period, compared the actual inventory to a calculated allowance for leak detection purposes.

We reviewed the July 2015 forms and found that Department personnel filled out the forms incorrectly. On both the diesel and gasoline forms, Department personnel entered the same beginning and ending inventory amount on multiple lines of the forms or entered the same beginning and ending inventory amount even when fuel use was recorded that day.

For example, on July 9, 2015 Department personnel recorded the same beginning and ending inventory amount for diesel fuel, despite having documented fuel use from the pump readings. From July 8 through July 13, 2015,<sup>5</sup> Department personnel recorded the same beginning and ending inventory amount for gasoline despite having documented fuel use from the pump readings each day. The amounts recorded for beginning inventory on July 8 and July 14, 2015 were incorrect because these amounts differed from the prior day's ending inventory amounts. Department personnel also recorded fuel deliveries for both diesel and gasoline, which were received in June 2015. As a result, the July inventory records were not sufficient to comply with DEC's regulatory requirements because the available

---

<sup>4</sup> The Departments of Buildings and Grounds and Security

<sup>5</sup> A break in the dates occurred on July 11th and 12th due to a weekend where no personnel were present at the Department.

records did not allow for a periodic comparison between recorded inventory and actual on-hand fuel inventory in the fuel tanks for leak detection purposes.

Further, all District employees were not required to document their fuel use. Department drivers were required to complete a summary sheet which recorded the gallons pumped, vehicle filled and employee's signature. However, the Buildings and Grounds and the Security Departments' employees did not record or inform the Department of their fuel use, even though they used diesel fuel and gasoline for District vehicles and assorted pieces of equipment.<sup>6</sup> As a result, accountability over fuel use was insufficient.

Department officials did not review the fuel inventory records for accuracy or provide guidance to District personnel over fuel accountability. Even though District officials had sufficient information on fuel deliveries, fuel use and available inventory, they did not maintain accurate records or use this information to perform a proper reconciliation, which is essential for tracking fuel use.

Without proper controls over fuel inventory and appropriate recordkeeping, District officials have no assurance that fuel purchased by the District is properly accounted for and all fuel used is for appropriate District purposes.

## Recommendations

The Board and District officials should:

1. Adopt and implement written policies and procedures to ensure that fuel inventory is periodically measured and that adequate fuel inventory records are maintained, including the beginning inventory and quantities of fuel purchased and delivered, pumped and remaining on-hand.
2. Ensure that fuel inventory records are periodically reconciled to all fuel used and physical fuel tank measurements. Any differences should be promptly investigated and resolved.
3. Require that all employees who use fuel document the gallons pumped, vehicle and type of fuel.

---

<sup>6</sup> District officials told us that in September 2015 the Superintendent mandated fuel use be fully documented and recorded by all departments.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

KINGS PARK CENTRAL SCHOOL DISTRICT  
ADMINISTRATION BUILDING  
180 Lawrence Road, Room 208  
Kings Park, New York 11754  
631-269-3310 FAX 631-269-0750  
[www.kpcsd.org](http://www.kpcsd.org)

---

Timothy T. Eagen, Ed.D.  
Superintendent of Schools

Ralph J. Cartisano, Ed.D.  
Assistant Superintendent for Curriculum  
and Instruction

Shannon L. Meehan, C.P.A.  
School Business Administrator

John Craig  
Assistant Superintendent for  
Personnel and Administrative Services

Danielle Colby-Rooney, Ed.D.  
Administrator for  
Pupil Personnel Services

December 15, 2015

Ira McCracken, Chief Examiner  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

The purpose of any audit is to uncover areas of potential risk. The District appreciates the time that the representatives from the Office of the New York State Comptroller (OSC) spent working with district officials this past summer. The District is pleased that after a comprehensive and thorough review of all district-wide policies and procedures, operations, and finances, the sole area of focus was on fuel accountability. We respectfully request that this response also serve as the District's Corrective Action Plan (CAP). The Board will review the CAP after it receives the final report from the OSC.

Prior to the audit, the District maintained video monitoring of the fuel pumps and tanks located at the bus garage. This camera allows the district to maintain and review video of the pumps and tanks in this area for up to 60 days. The District also has on-site security personnel at the bus garage 24 hours per day, seven days per week. Lastly, the District incorporated two new digital pumps into the District's recently approved bond initiative. The pumps will be replaced, and a swipe card system will be installed to ensure that both diesel and regular fuel inventory is adequately safeguarded and tracked.

While there was no evidence of theft or fuel leakage, the district is appreciative of the recommendations that the OSC team made in the area of fuel accountability. The District has embraced the OSC findings and recommendations. The District has taken tremendous care and effort to develop and implement new policy and procedures to ensure that fuel inventory is adequately tracked and safeguarded. As this is both a response and the CAP, our response to each recommendation is listed below:

Recommendation 1: The Board and District officials should adopt and implement written policies and procedures to ensure that fuel inventory is periodically measured and that adequate fuel inventory records are maintained, including the beginning inventory and quantities of fuel purchased and delivered, pumped, and remaining on-hand.

District Response: New formal fuel accountability procedures were adopted and went into effect on December 14, 2015. Accountability for various tasks was written into the procedures, along with cross training and multiple layers of supervision. The Board of Education will conduct a

policy “first reading” of a new policy, #5760 Fuel Accountability, on December 15, 2015. It is anticipated that this policy will be adopted at a “second reading” in January 2016.

Recommendation 2: The Board and District officials should ensure that fuel inventory records are periodically reconciled to all fuel used and physical fuel tank measurements. Any differences should be promptly investigated and resolved.

District Response: The new formal fuel accountability procedures require that tank fuel levels be measured (morning and afternoon) and reconciled both daily and every 10 days. The procedures also require that any significant reconciliation issues be submitted in writing to the Superintendent of Schools.

Recommendation 3: The Board and District officials should require that all employees who use fuel document the gallons pumped, district vehicle and type of fuel.

District Response: The District has always documented fuel usage including gallons pumped by vehicle for all buses through the submission of daily pre and post-trip cards. Our new procedures require that these records are collected and monitored daily for each vehicle and piece of equipment. In addition, a digital fuel monitoring system for our two existing fuel tanks was placed into the 2016-2017 District budget. This system will replace the manual “stick” system that is currently used. The digital system will remove the possibility of human error and ensure constant and consistent fuel tank readings.

Again, thank you for your time and insight into our District’s finances and internal controls. We are always looking to tighten internal controls and reduce risk, and we appreciate your assistance.

Respectfully submitted,

Timothy T. Eagen, Ed.D.  
Superintendent of Schools

cc: Board of Education

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials, Department officials and employees and officials from other departments to obtain an understanding of the District's procedures for providing accountability over fuel inventory and use and determine if procedures for reconciliation of fuel inventory were sufficiently being performed and complied with regulatory requirements.
- We obtained an understanding of Department policies, fuel pumping procedures and authorizations necessary to pump fuel.
- We obtained and reviewed financial records of fuel purchases made and gallons delivered from original invoices for the audit period. We compared the financial records to the invoices, to determine the accuracy of the financial data.
- We interviewed District officials and staff to obtain an understanding of how fuel usage is recorded and how inventory records are maintained and to determine if fuel inventory was being reconciled to the amounts used and delivered.
- We obtained applicable records such as hand-written pump reading cards, daily summary sheets and 10-day reconciliation forms for July 2015 to determine their sufficiency, completeness and accuracy.

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.

## APPENDIX C

### HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller  
Public Information Office  
110 State Street, 15th Floor  
Albany, New York 12236  
(518) 474-4015  
<http://www.osc.state.ny.us/localgov/>

**APPENDIX D**  
**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Tracey Hitchen Boyd, Assistant Comptroller

**LOCAL REGIONAL OFFICE LISTING**

---

**BINGHAMTON REGIONAL OFFICE**

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
State Office Building, Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313  
Email: [Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)

Serving: Broome, Chenango, Cortland, Delaware,  
Osego, Schoharie, Sullivan, Tioga, Tompkins Counties

**BUFFALO REGIONAL OFFICE**

Jeffrey D. Mazula, Chief Examiner  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510  
(716) 847-3647 Fax (716) 847-3643  
Email: [Muni-Bufferalo@osc.state.ny.us](mailto:Muni-Bufferalo@osc.state.ny.us)

Serving: Allegany, Cattaraugus, Chautauqua, Erie,  
Genesee, Niagara, Orleans, Wyoming Counties

**GLENS FALLS REGIONAL OFFICE**

Jeffrey P. Leonard, Chief Examiner  
Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, New York 12801-4396  
(518) 793-0057 Fax (518) 793-5797  
Email: [Muni-GlensFalls@osc.state.ny.us](mailto:Muni-GlensFalls@osc.state.ny.us)

Serving: Albany, Clinton, Essex, Franklin,  
Fulton, Hamilton, Montgomery, Rensselaer,  
Saratoga, Schenectady, Warren, Washington Counties

**HAUPPAUGE REGIONAL OFFICE**

Ira McCracken, Chief Examiner  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788-5533  
(631) 952-6534 Fax (631) 952-6530  
Email: [Muni-Hauppauge@osc.state.ny.us](mailto:Muni-Hauppauge@osc.state.ny.us)

Serving: Nassau and Suffolk Counties

**NEWBURGH REGIONAL OFFICE**

Tenneh Blamah, Chief Examiner  
Office of the State Comptroller  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553-4725  
(845) 567-0858 Fax (845) 567-0080  
Email: [Muni-Newburgh@osc.state.ny.us](mailto:Muni-Newburgh@osc.state.ny.us)

Serving: Columbia, Dutchess, Greene, Orange,  
Putnam, Rockland, Ulster, Westchester Counties

**ROCHESTER REGIONAL OFFICE**

Edward V. Grant, Jr., Chief Examiner  
Office of the State Comptroller  
The Powers Building  
16 West Main Street, Suite 522  
Rochester, New York 14614-1608  
(585) 454-2460 Fax (585) 454-3545  
Email: [Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us)

Serving: Cayuga, Chemung, Livingston, Monroe,  
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

**SYRACUSE REGIONAL OFFICE**

Rebecca Wilcox, Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, New York 13202-1428  
(315) 428-4192 Fax (315) 426-2119  
Email: [Muni-Syracuse@osc.state.ny.us](mailto:Muni-Syracuse@osc.state.ny.us)

Serving: Herkimer, Jefferson, Lewis, Madison,  
Oneida, Onondaga, Oswego, St. Lawrence Counties

**STATEWIDE AUDITS**

Ann C. Singer, Chief Examiner  
State Office Building, Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313