



Town of Cortlandt

Internal Controls Over Selected Financial Activities

Report of Examination

Period Covered:

January 1, 2010 — April 5, 2011

2011M-161



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2011

Dear Town 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 the Town Council's 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 Town of Cortlandt, entitled Internal Controls Over Selected Financial Activities. 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 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Cortlandt (Town) is located in Westchester County and encompasses 34.5 square miles. The Town includes the incorporated villages of Croton-on-Hudson and Buchanan, and has a population of approximately 38,000 residents. The Town provides various services to its residents, including highway maintenance, water, sewer, recreation and garbage services, and general government support. The Town Board (Board), composed of four elected councilmen and an elected Town Supervisor (Supervisor), is the legislative body responsible for managing Town operations. The Supervisor also serves as the Town's chief executive and chief fiscal officer.

The Board appointed a Town Comptroller and a Deputy Comptroller to oversee the Town's daily financial operations. The Comptroller's duties include recording all monies received, paying bills, and investing surplus funds. The Comptroller also is responsible for all accounting and payroll information, all bonding for the municipality, and presenting the first draft of the budget based on estimates of revenue and expenses submitted by each department. Budgeted appropriations for all Town funds totaled approximately \$36 million for 2010.

Scope and Objective

The objective of our audit was to examine the Town's internal controls over selected financial activities for the period January 1, 2010 to April 5, 2011. Our audit addressed the following related questions:

- Has the Town established adequate internal controls over gasoline credit cards?
- Has the Town established adequate internal controls over the use of diesel fuel?

Audit Results

The Board did not establish policies and procedures governing the use of gasoline credit cards. The Town does not have a formal process for opening and closing gasoline credit card accounts. The Department of Environmental Services (DES) secretary opens and closes gasoline credit card accounts without prior approval from a supervisor, and has custody of gasoline credit cards and access to vendor statements. The Town did not limit the number of gasoline credit cards issued; therefore, an excessive number of gasoline credit cards were issued to employees and officials. In addition, Town officials do not require employees to submit gasoline receipts, and no one monitors gasoline credit card usage. As a result, there is limited assurance that the \$86,455 in gasoline purchases made by Town employees and officials were for proper Town purposes.

The Board did not adopt a policy that outlines how the DES Director should maintain diesel fuel inventory. Consequently, the DES Director did not develop comprehensive procedures to ensure that diesel fuel inventory was adequately safeguarded and accounted for. While DES maintains fuel disbursement logs that show quantities of fuel dispensed, Town staff did not use the disbursement logs for reconciling perpetual inventory to physical inventory. Moreover, no records were maintained to show the amount of fuel in the tanks at any given time. Because of these deficiencies in controls and record keeping, Town officials cannot reconcile perpetual inventory to physical inventory. Therefore, the risk is increased that Town diesel fuel could have been misappropriated for personal use.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our findings and indicated they planned to initiate corrective action. Appendix B includes our comments on issues in the Town officials' response.

Introduction

Background

The Town of Cortlandt (Town) is located in Westchester County and is a total of 34.5 square miles. The Town includes the incorporated villages of Croton-on-Hudson and Buchanan, and has a population of approximately 38,000 residents. The Town provides various services to its residents, including highway maintenance, water, sewer, recreation and garbage services, and general government support. The Town Board (Board), composed of four elected council members and an elected Town Supervisor (Supervisor), is the legislative body responsible for managing Town operations. The Supervisor also serves as the Town's chief executive and chief fiscal officer.

The Board appointed a Town Comptroller and a Deputy Comptroller to oversee the Town's daily financial operations. The Comptroller's duties include recording all monies received, paying bills, and investing surplus funds. The Comptroller also is responsible for all accounting and payroll information, all bonding for the municipality, and presenting the first draft of the budget based on estimates of revenue and expenses submitted by each department. Budgeted appropriations for all Town funds totaled approximately \$36 million for 2010.

Objective

The objective of our audit was to review the Town's internal controls over selected financial activities. Our audit addressed the following related questions:

- Has the Town established adequate internal controls over gasoline credit cards?
- Has the Town established adequate internal controls over the use of diesel fuel?

Scope and Methodology

We examined the Town's internal controls over selected financial activities for the period January 1, 2010 to April 5, 2011.

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 C of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our findings and indicated they planned to initiate corrective action. Appendix B includes our comments on issues in the Town officials' response.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. 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 this plan available for public review in the Town Clerk's office.

Gasoline Credit Cards

A written gasoline credit card policy and procedures are necessary for establishing effective control over gasoline credit card usage. 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. A Board resolution authorizing gasoline credit cards issuance and usage, along with the adoption of a written gasoline credit card policy, provide for effective controls over the gasoline credit cards.

The Board did not establish a written policy and procedures for gasoline credit card usage and did not properly segregate gasoline credit card duties. In addition, gasoline credit card usage was not monitored. Further, the Board did not authorize, by resolution, Town officials who could obtain and use gasoline credit cards. As a result, there is limited assurance that the \$86,455 in gasoline purchases made by Town employees and officials were for proper Town purposes.

Authorization

Prior to making gasoline credit cards available to Town officials and employees, the Board should adopt a written gasoline credit card policy authorizing the use of the gasoline credit cards and determining which employees are authorized to use the gasoline credit cards. It is important that a supervisor approve gasoline credit card transactions to verify that the activity conforms to established policies and procedures. Further, duties should be segregated so that no individual controls all phases of a transaction. In general, the transaction approval function, the accounting function, and the asset custody function should be separated. When sufficient segregation of duties is not possible, it is imperative that the Board implements compensating controls, such as establishing procedures for reviewing documents on a monthly basis, to ensure that gasoline credit cards are properly authorized and accounted for.

The Board did not adopt policies and procedures relating to gasoline credit card usage. Town officials did not institute a process for authorizing new gasoline credit cards or canceling gasoline credit cards that were no longer needed. Further, the secretary of the Town's Department of Environmental Services (DES) has incompatible duties related to the gasoline credit cards, with no management oversight. The secretary is responsible for opening and closing credit card accounts, keeping track of all gasoline credit cards that are issued and canceled, and receiving and reviewing the gasoline vendor statements to ensure that the amount billed by the vendor is accurate.

In addition, the vendor issues all new gasoline credit cards directly to the DES secretary so that she can distribute them to Town employees. This means that she also has temporary custody of all gasoline credit cards issued by the vendor. Further, she is responsible for tallying all the vendor statements so that the accounts payable clerk can issue the vendor one check. The lack of formal authorization and the lack of segregation of duties have resulted in an excessive number of issued gasoline credit cards that are not monitored, which exposes the cards to abuse and the Town to incurring expenses for non-Town purposes.

The Town reported 147 active gasoline credit cards issued from two vendors, Vendor A (120 cards) and Vendor B (27 cards). None of these gasoline credit cards were authorized by the Board. The Town issued 63 of the 120 Vendor A cards in employees' names, 51 in departments' names, four in the Town's name, and two in vehicles' names. Fifteen of the 27 Vendor B cards were issued in vehicles' names, eight were issued in departments' names, and four were issued in employees' names. In addition, we reviewed Vendor A's billing statements from February 24, 2010 through March 23, 2011 and found that Vendor A reported that 63 cards had not been used in at least six months. Eight of the 63 cards had not been used since June 2009, and 55 had not been used since August 2010. The 27 active Vendor B cards were also used sparingly during the same period.

The DES secretary told us that the Vendor B cards are used by each division for seasonal help and for emergencies. She told us that seasonal workers change frequently, and the cards' use is monitored by the division leaders or department heads. The four gasoline credit cards issued in the Town's name were in the secretary's possession and have never been used. The fact that the cards were not used indicates that the number of cards is excessive, and many are not needed.

Monitoring

Monitoring gasoline credit cards helps to ensure that the cards are used properly. The Board should develop policies that clearly articulate its expectations for monitoring gasoline credit cards. The DES Director should develop procedures for monitoring gasoline credit cards, periodically assess the process in place, and institute corrective action as necessary. Neither the Board nor the DES Director developed a process to monitor gasoline credit card usage. As a result, vendor controls were not used to monitor the gasoline credit card accounts, there was confusion regarding who was responsible for monitoring gasoline credit card usage, and reconciliations were inadequate.

Vendor Controls — Controls such as limiting the amount, type, and dollar amount of fuel that can be purchased within a certain time can minimize the risk involved with supplying employees with gasoline

credit cards. We reviewed the Town's contract with the gasoline credit card vendors and found that the Town had the ability to set up these controls on its credit card accounts, but opted not to. The Director informed us that he did not implement these controls because the Town's operations needed flexibility. Because Town officials opted not to place vendor controls on the gasoline credit cards, there is a risk that purchases made with the cards could be for non-Town purposes, and the Town can incur unnecessary expenses.

Assigned Responsibility — An effective organizational structure includes the assignment of monitoring roles to people with appropriate capabilities, objectivity and authority. The assignment should be clearly articulated to Town officials and employees to prevent confusion.

The Board did not assign the responsibility of monitoring gasoline credit cards; therefore, neither the Director nor the department heads were monitoring how these cards were used. Department heads also told us that employees are allowed to use each other's gasoline credit cards to purchase gasoline. For example, the Highway Department Foreman allows seasonal employees to use his gasoline credit card and personal identification number (PIN) when they need to purchase gasoline. Allowing employees to use each other's gasoline credit cards and PINs takes away accountability and increases the risk that gasoline credit cards could be used for non-Town purposes. Department heads also explained that employees do not need to submit gasoline receipts because everything is recorded on the vendor's statement. The failure to require receipts for gasoline purchases makes it difficult to reconcile fuel purchases to the vendor statements, and increases the risk that inaccurate charges could be made without detection or correction.

Reconciliation — Reconciliation is a comparison of different sets of records to ensure the accuracy and completeness of transactions. Integral parts of the reconciliation process include identifying and investigating differences, and taking corrective action, when necessary, to resolve differences. Reconciliations should be performed in a timely manner, documented, and approved by management. Town officials should reconcile gasoline receipts for purchases made with gasoline credit cards to billing statements issued by the gasoline vendor.

The Town does not have an adequate process in place to reconcile gasoline vendor statements to gasoline receipts. The DES Director stated that he examines monthly billing statements, which show the driver's information, the vehicle, odometer readings at the time of refueling, and quantity of gasoline (in dollars and in gallons). He stated that he compares miles driven against the amount of fuel purchased to ensure that drivers are using Town vehicles and gasoline properly.

The DES Director's review was ineffective because employees used each other's gasoline credit cards and PINs; therefore, the PINs on the vendor's billing statements did not correspond to the people who were issued the gasoline credit cards. Furthermore, the DES Director has not implemented a system to use logs that show when gasoline is purchased, who made the purchase, and the vehicle's odometer readings. Employees are not required to submit receipts for comparison with the vendor's billing statement. Without this pertinent information, the DES Director cannot perform a proper review.

In addition, Town officials do not reconcile the number of gasoline credit cards issued against the vendors' statements; therefore, inconsistencies were not identified and resolved. For example, while the Town's master list of gasoline credit cards for Vendor A indicated a total of 120 active cards, Vendor A's master list indicated 150 active cards in total. Therefore, 30 active cards on Vendor A's list were missing from the Town's master list. Town officials were unaware that these 30 active gasoline credit cards existed. The DES secretary could not locate these cards but told us that the employees either retired or the Town had canceled their cards. We reviewed all of the 2011 vendor statements and found that none of the 30 gasoline credit cards had been used.

The failure to reconcile gasoline credit card accounts significantly increases the risk of unauthorized use or disposition of the cards and makes it more likely that Town officials will not detect errors and/or irregularities in a timely manner.

Recommendations

1. The Board should establish policies and procedures for the use of gasoline credit cards that specify which employees are authorized to use the gasoline credit cards, when and how they can use the cards, what documentation is required, and what the employees' responsibilities are.
2. The Board should ensure that the DES secretary's duties are segregated or provide oversight of the secretary.
3. The Board should limit the number of gasoline credit cards to only those that are needed and ensure that employees only use the gasoline credit cards issued to them.
4. The DES Director should collect original, sufficiently itemized receipts from Town employees who purchase gasoline with a gasoline credit card.

5. The DES Director should institute vendor controls to limit the amount, type, and dollar amount of fuel that can be purchased within a certain time.
6. The DES Director should institute a process to reconcile gasoline receipts with the vendor's statement on a periodic basis, and investigate and resolve any discrepancies.

Diesel Fuel Inventory Controls

Establishing effective control procedures and maintaining accurate records are important elements of an internal control system over diesel fuel inventories. The DES Director is responsible for ensuring that fuel supplies are adequately safeguarded and accounted for to protect against the risk of loss, waste, and misuse. Additionally, it is essential that the Director and other DES supervisors ensure that this consumable inventory is used for its intended purpose. To accomplish this, they should maintain perpetual inventory records that show the amount of fuel purchased, the amount used, and the balance of fuel remaining in inventory. In addition, the fuel balances in the perpetual records should be periodically reconciled to physical inventories, and material discrepancies investigated and resolved. It also is important for Town officials to review fuel usage reports to ensure that fuel is used only for Town purposes and that all fuel is accounted for.

The Town purchased 98,599 gallons of diesel fuel at a cost of \$310,584 during the audit period. The Town purchases its diesel fuel through a State contract. The Town maintains three diesel fuel tanks located in the Sanitation Department, Materials Yard, and the Highway Department. Each has a capacity of 3,000 gallons. Diesel fuel is used primarily by the Highway, Sanitation, and Water Departments.

The Board did not adopt a policy that outlines how the DES Director should maintain diesel fuel inventory. Consequently, the DES Director did not develop comprehensive procedures to ensure that diesel fuel inventory was adequately safeguarded and accounted for. While DES maintains fuel disbursement logs that show quantities of fuel dispensed, the DES Director did not use the disbursement logs for reconciling perpetual inventory to physical inventory. Moreover, the DES Director did not maintain records to show the amount of fuel in the tanks at any given time. Because of these deficiencies in controls and record keeping, the DES Director cannot ensure that all diesel fuel has been used for appropriate Town purposes.

Inadequate Records

It is necessary for Town officials to keep accurate records to properly account for fuel inventories and to fulfill regulatory requirements.¹ To help ensure the accuracy of the fuel inventory records, the Town must have an effective system of internal controls in place to confirm that

¹ Tanks storing petroleum and hazardous chemicals must meet minimum standards established by the United States Environmental Protection Agency (EPA) and the New York State Department of Environmental Conservation (DEC). More information can be found on the DEC's website: <http://www.dec.ny.gov/chemical/287.html>

all fuel deliveries and usage are accurately recorded and supported, and that consumable inventory records are reconciled on a periodic basis.

The DES fuel disbursement logs for all three facilities display the date, vehicle number, driver name, odometer reading for the vehicle, and gallons of fuel pumped. When fueling their vehicles, drivers are supposed to enter all data so that DES officials can monitor drivers and compare miles driven to gallons used. However, we found instances where drivers neglected to input the required information, which made the comparison of miles driven to gallons used difficult. We found the following discrepancies:

- In logs provided by the Sanitation Department, 43 out of 208 entries (21 percent) did not have odometer readings. Therefore, 21 percent of fuel pumped could not be traced to a vehicle's usage.
- In logs provided by the Materials Yard, 19 out of 49 entries (39 percent) did not have odometer readings. Therefore, 39 percent of fuel pumped could not be traced to a vehicle's usage.
- In logs provided by the Highway Department, 23 out of 84 entries (25 percent) did not have odometer readings. Therefore, 25 percent of fuel pumped could not be traced to a vehicle's usage.

If gallons pumped cannot be traced to miles driven, the reconciliation of diesel fuel cannot be accurately completed, making it difficult to identify inappropriate fuel use.

The Town's diesel fuel tanks have gauges on them, which would allow DES officials to determine the level of fuel in the tank at any given time. However, DES officials only use the gauges for the purpose of ordering more fuel to refill the tank, and do not maintain a running record of tank readings to reconcile with the fuel disbursement logs. As a result, DES officials did not reconcile perpetual inventory records to physical inventories.

Due to these internal control weaknesses, diesel fuel could be misappropriated and the shortage of fuel could go undetected. Furthermore, Town officials cannot reasonably ascertain whether fuel pumped by employees was accounted for and used for authorized Town purposes.

Claim Vouchers

With few exceptions, Town Law requires the Town Comptroller (Comptroller) to audit and approve each claim voucher before making payment. The Comptroller should determine whether each claim voucher is properly authorized and accurate, and represents a valid Town expense for goods or services that were actually received. As part of an effective audit, the Comptroller also should review each claim voucher for compliance with the Town's purchasing policy and procedures.

The Town's claims approval system requires employees to obtain department-level approval to indicate that the materials, goods, or services were received. The Comptroller's office will then audit the claim and approve the payment for the purchase.

The Comptroller did not ensure that claims for diesel fuel purchases were properly approved for payment before payment was made. We examined 46 claims totaling \$132,117 from 106 claims totaling \$302,543 that were paid during our audit period.² While all 46 claims examined contained department-level approval, there was no evidence that any of the 46 claims were audited and approved for payment by the Comptroller. The 2010 sample selection had no signature to signify that the claims had been audited. While the 2011 sample selection had a stamp that the Comptroller's office uses to indicate that the office received the claims packet, these claims were not signed by the Comptroller. The Comptroller told us that this stamp serves as evidence of approval of payment. However, without a proper signature, there is no indication that these claims were adequately supported and should have been approved for payment. This raises doubt as to whether the claims were properly audited before payment was made.

Without a proper audit of claims prior to payment, the Town is at an increased risk of paying for purchases that were not Town-related.

Recommendations

7. Town officials should ensure that employees maintain records of tank readings to properly reconcile diesel fuel purchases with on-hand fuel inventory.
8. Town officials should ensure that employees enter all data accurately into fuel usage records to ensure maximum accuracy of fuel reconciliation.
9. The Comptroller should sign all claims requiring his signature indicating that there was a proper auditing of claims before approval for payment.

² The 2010 population consisted of 80 claims. We randomly selected every 4th claim to get to a sample of 20 claims. The 2011 claims consisted of 26 claims. We selected all 26 claims for testing.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



LINDA D. PUGLISI
OWN SUPERVISOR

TOWN OF CORTLANDT

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FRANCIS X. FARRELL
ANN LINDAU
JOHN E. SLOAN

Mr. Christopher J. Ellis
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, N.Y.

December 19, 2011

Dear Mr. Ellis:

This letter is in response to the draft audit findings conducted by your office for the Town of Cortlandt – 2011M-161.

I met with representatives from your office on Tuesday, December 13, 2011 to discuss the draft report and recommendations in regard to fleet gasoline credit cards and diesel fuel inventory control.

As indicated to [REDACTED] and [REDACTED] from your office I would request the following be clarified in the report:

- 1) any references to credit cards throughout the report should specify gasoline credit cards and
- 2) it should be made clear this bid was made through the formal bid process and awarded by the Town of Cortlandt's Purchasing director.

See
Note 1
Page 19

See
Note 2
Page 19

The Town Board and I concur with your findings and to that end we have adopted Town Board Resolution 185-11, which directs the Director of Environmental Services and the Town Comptroller to develop and prepare a formal policy with respect to fleet gasoline purchases. (see attached)

Please accept this letter also as our corrective action plan to implement various recommendations some of which include:

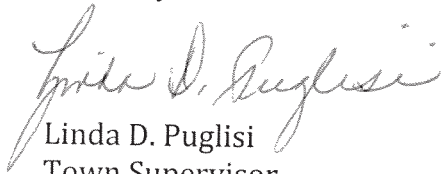
- 1) The establishment of the policy and procedure itself.
- 2) Separation of duties for those who issue the cards and reconcile the billing.
- 3) Recall all cards and limit the re-issuing of new cards
- 4) Require PIN codes, receipts and vehicle numbers to be entered when fueling vehicles.
- 5) Periodic reconciliation of receipts with vendor statements.

The Town will also implement the following controls and procedures for the disbursement of diesel fuel from Town owned facilities:

- 1) Reconcile fuel purchases with on-hand fuel inventory
- 2) Require employees to provide all information required by said policy to insure accurate reconciliation
- 3) Insure all claim vouchers are signed at the department level then audited by the Town Comptroller's office and then subsequently approved for payment.

I would like to thank your team of auditors for their field work, analysis, and recommendations to implement further controls and policies for the benefit of the Town of Cortlandt.

Sincerely,



Linda D. Puglisi
Town Supervisor
(attachment)

RESOLUTION

NUMBER: 185-11

(DIRECTING A FLEET CARD GASOLINE PURCHASE POLICY)

WHEREAS, the Town has advertised for competitive bidding with respect to providing gasoline for its Town vehicles; and

WHEREAS, the current bid is a Fleet Card system wherein the Town is provided with credit cards for use at the gas stations and then the billing comes directly to the Town; and

WHEREAS, it is the desire of the Town Board to establish a formal policy with respect to the distribution of these cards and the rules of use;

NOW, THEREFORE, BE IT RESOLVED, that the Town Comptroller and the Director of Environmental Services be and hereby is authorized and directed to prepare a policy with respect to the use of the gasoline fleet cards; and

BE IT FURTHER RESOLVED, that said policy shall be prepared and sent to the Town Board for approval.

**BY ORDER OF THE TOWN BOARD
OF THE TOWN OF CORTLANDT
JO-ANN DYCKMAN, TOWN CLERK**

Adopted July 19, 2011
At a Regular Meeting
Held at Town Hall

APPENDIX B

OSC COMMENTS ON THE LOCAL OFFICIALS' RESPONSE

Note 1

We amended the report to specify that the credit cards used were gasoline credit cards.

Note 2

We acknowledge that the Town used a bidding process to obtain the gasoline credit card vendors. However, this fact is not relevant to our findings, which were related to the Board not establishing a written policy and procedures for gasoline credit card usage, not properly segregating gasoline credit card duties, and not monitoring gasoline credit card usage. Further, the Board did not authorize, by resolution, Town officials who could obtain and use gasoline credit cards.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine the adequacy of the internal controls put in place by officials to safeguard Town assets.

We interviewed appropriate Town officials and staff to gain an understanding of the controls in place to account for purchases made with gasoline credit cards and safeguard the diesel fuel inventory. We also obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the Town's financial transactions as recorded in its databases. Further, we reviewed the Town's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

To accomplish the objectives of our audit, we performed procedures that included the following:

For our gasoline credit cards audit, we interviewed appropriate Town officials and staff to gain an understanding of the process for accounting for and monitoring purchases made with gasoline credit cards. We reviewed the Town's gasoline credit cards master list, and vendor's billing statement for March 2011. We obtained and reviewed the Town's contract with the vendor, the Town's claims voucher for the vendor, and the Town's vendor history report.

For our diesel fuel inventory audit, we interviewed appropriate Town officials and staff to gain an understanding of the process for accounting for the diesel fuel inventory and to determine whether Town officials performed an adequate reconciliation of the fuel inventory. We obtained and reviewed fuel logs at the three locations where the Town's fuel tanks were located and assessed the fuel tanks' security. We reviewed vendor reports to determine how much the Town spent on fuel in the 2010 calendar year. We obtained and reviewed claims vouchers to determine if they were properly approved for payment. We obtained a list of Town vehicles to determine what vehicles used diesel fuel and their fuel tank capacity. We also obtained a list of machines that used diesel fuel.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX D

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Steven J. Hancox, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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