North Shore Central School District
Fuel Inventory

Report of Examination
Period Covered:
July 1, 2015 – December 31, 2016
2017M-89

Thomas P. DiNapoli
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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 North Shore 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
Background

The North Shore Central School District (District) is located in the Town of Oyster Bay in Nassau County. The District is governed by the Board of Education (Board) which is composed of seven elected members. The Board is responsible for the general management and control of the District’s financial and educational affairs. The Superintendent of Schools 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 and facilities Directors are responsible for managing the District’s fuel inventory.

The District operates five schools with approximately 2,650 students. The District’s budgeted appropriations for the 2016-17 fiscal year are $99.5 million, which are funded primarily with real property taxes.

Objective

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

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

Scope and Methodology

We examined the District’s fuel records for the period July 1, 2015 through December 31, 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 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 ensuring that fuel supplies are adequately safeguarded, accounted for and protected against loss, waste and misuse. Inventory records should be maintained for fuel purchased and used and the balance of fuel in the tanks. Inventory records should be periodically reconciled to physical inventories, and material discrepancies should be investigated and resolved.

The transportation department maintains two above-ground fuel tanks, a 4,000-gallon gasoline tank and a 10,000-gallon diesel tank. The facilities department maintains two below-ground fuel tanks, a 4,000-gallon gasoline tank and a 600-gallon diesel tank. From July 1, 2015 through December 31, 2016, the District purchased 41,913 gallons of gasoline and 19,677 gallons of diesel, at a cost of $91,856.

The transportation department purchased 37,883 gallons of gasoline and 18,756 gallons of diesel, primarily for the school buses. The department maintained manual inventory records that included the date, stick reading in inches, gallons of fuel in the tank (physical inventory), and a running analog meter showing gallons dispensed to date.\(^1\) Starting in March 2016, the department also began using an electronic fuel monitoring system that tracks the actual gallons dispensed. The transportation Director compares the fuel dispensed on the manual inventory records to the electronic monitoring system on a monthly basis. However, the department did not maintain a book inventory\(^2\) and reconcile it to the physical inventory for each type of fuel. We calculated a book inventory and performed a reconciliation to the physical inventory from March 3, 2016 through December 31, 2016 and noted no significant discrepancies.

The facilities department purchased 4,030 gallons of gasoline and 921 gallons of diesel fuel for vehicles and equipment used to maintain the buildings and grounds. The facilities department’s informal procedures require employees that dispense fuel to fill out a log sheet with the vehicle, odometer reading, gallons dispensed\(^3\) and their names. However, because employees did not record the meter reading showing the total gallons dispensed to date, officials

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\(^1\) District officials did not provide inventory records for February 2016. District officials stated they changed transportation Directors during this time so there was a break in record keeping.

\(^2\) A book inventory requires the recording of a beginning inventory, adding fuel purchased and delivered, and subtracting fuel dispensed over a period.

\(^3\) The logs indicate that 5,960 gallons of gasoline and 904 gallons of diesel were dispensed.
Recommendations

District officials should:

1. Ensure electronic or manual book inventory records of fuel are maintained, including the beginning inventory, and fuel purchased, delivered, dispensed and on hand.

2. Ensure that the fuel supplies are periodically measured and reconciled to book inventory records. Any differences should be promptly investigated and resolved.

3. Require employees in the facilities department to maintain a running record of gallons dispensed on the fuel log. Reconcile the fuel log to inventory records. Any differences should be promptly investigated and resolved.
APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials’ response to this audit can be found on the following page.
June 27, 2017

Mr. Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of State Comptroller
Hauppauge Regional Office
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,


On behalf of the North Shore Board of Education and the District’s Administration, we would like to thank the NYS State Comptroller’s Office for the above examination and recommendations to strengthen the system of internal controls over fuel inventory in the District. The examination was thorough and we appreciate the professionalism of the audit team. We welcome all the suggested recommendations both written and verbal as well as best practices and procedures that will assist us to deliver services to our residents in the most cost efficient and effective way. We accept the audit findings and are pleased that the District operations in the area that was reviewed, did not find evidence of fraud, theft and or professional misconduct.

The District’s Corrective Action plan shows the steps that have been implemented and those that will be instituted in the 2018-19 budget to automate the fuel inventory system district-wide. The plan is to strengthen the system of internal control by keeping real-time data of the District’s fuel inventories.

Please feel free to contact my office or the Assistant Superintendent of Business, Olivia T. Buatsi, should you require any additional information regarding this matter.

Respectfully submitted,

Dr. Edward Melnick
Superintendent of Schools

Cc: Olivia Buatsi
Board of Education
APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of this audit was to evaluate the District’s control over fuel inventory from July 1, 2015 through December 31, 2016. To accomplish our audit objective and obtain valid audit evidence, our procedures included the following:

- We interviewed District officials and staff to obtain an understanding of fuel usage and inventory records.

- We conducted onsite observations of fuel pumps and fuel tanks.

- We obtained and transcribed electronic fuel dispensing reports and fuel log sheets from the transportation and facilities departments to determine if fuel inventories were adequately documented and accounted for.

- For transportation, we reconciled the physical tank inventories to the book inventories from March 3, 2016 through December 31, 2016. We calculated the book inventories and compared them to the physical inventories as of December 31, 2016.

- For facilities, we obtained and reviewed log sheets from July 1, 2015 through December 31, 2016 to reconcile fuel purchases to usage, but there was insufficient information on the log sheets.

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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