

Jamesport Fire District

Gasoline Inventory

APRIL 2019



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

Contents

- Report Highlights 1**

- Gasoline Inventory 2**
 - How Should District Officials Account For and Safeguard the Gasoline Inventory? 2
 - Policy Lacks Sufficient Details and Is Not Being Followed 2
 - Gasoline Was Not Properly Accounted For or Safeguarded. 3
 - Gasoline Purchases Are Not Properly Procured. 4
 - What Do We Recommend? 5

- Appendix A – Response From District Officials 6**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services 10**

Report Highlights

Jamesport Fire District

Audit Objective

Determine if District officials adequately account for and safeguard the gasoline inventory.

Key Findings

- The delivery and use of gasoline has not been monitored or reconciled leading to unaccounted for gasoline with a value of about \$930.
- Because officials did not follow the District's purchasing policy, the District paid at least \$2,660 more than necessary for gasoline purchases.

Key Recommendations

- Monitor and reconcile gasoline delivery and usage.
- Follow the District purchasing policy when procuring gasoline and obtain a vendor contract to ensure the price paid is accurate.

District officials agreed with our recommendations and indicated they are initiating corrective action.

Background

The Jamesport Fire District (District) is a district corporation of the State, distinct and separate from the Town of Riverhead, Suffolk County. The District provides fire protection and community safety for approximately 2,500 year-round residents and approximately 5,000 seasonal summer residents over an area of approximately 10.6 square miles.

An elected five member Board of Commissioners (Board) governs the District and is responsible for overall financial management, including safeguarding resources. The District Manager assists with inventory controls and purchasing activities.

Quick Facts

2018 Active Members	74
2018 Budgeted Appropriations	\$881,171
Gasoline Purchases During the Audit Period	\$16,100

Audit Period

January 1, 2016 – May 31, 2018

Gasoline Inventory

The District operates seven gasoline-powered vehicles and uses a 290 gallon above-ground storage tank for its gasoline inventory located at the District-owned garage, which is located across the street from its headquarters.

Three chiefs dispense gasoline into their Department-issued vehicles. The houseman dispenses gasoline into the other four vehicles. These individuals maintain manual logs, which include the following information: dispense date, pump meter readings (beginning and ending), vehicle mileage and number of gallons dispensed. These manual logs are kept in a three-ring binder in the Commissioner's office with entries made sometime after fueling. Each of the chiefs have their own key to unlock the fuel pump. The houseman uses a key kept in a locked closet in the fire house.

How Should District Officials Account For and Safeguard the Gasoline Inventory?

District officials are responsible for designing controls over gasoline use to ensure inventories are safeguarded and protected against loss, waste and misuse. The Board should establish policies and procedures to ensure that gasoline purchases are appropriate and properly supported and gasoline is used only for District purposes. To accomplish this, inventory records should be properly maintained to account for the amount of gasoline purchased and dispensed. Gasoline purchases should be compared to total gasoline dispensed and gas dispensed should be compared to vehicle mileage periodically to ensure reasonableness.

The Board-adopted vehicle use policy, which was re-adopted at the January 2018 reorganization meeting, outlines how to operate District vehicles in a safe and responsible manner. It also requires each vehicle user to maintain a gasoline log, indicates where to store the log and specifies that logs must be turned in to the District Secretary.

The Board-adopted procurement policy, also re-adopted at the January 2018 reorganization meeting, sets forth thresholds for obtaining verbal and written quotes for purchases not subject to competitive bidding requirements. One quote is required for purchases up to \$1,999, two verbal quotes are required for purchases totaling \$2,000 to \$4,999, two written quotes are required for purchases totaling \$5,000 to \$9,999, and three written quotes for purchases totaling \$10,000 to \$19,999.

Policy Lacks Sufficient Details and Is Not Being Followed

The Board did not adopt a policy for gasoline inventory accountability and there are no written procedures to provide guidance to employees. Instead, the Board adopted a vehicle use policy which simply states, "A log must be kept in each District vehicle for the operator to record the mileage, date and fuel replenished

at time of refueling.” Although officials and employees are completing logs at the time of refueling, they are not keeping the logs in each vehicle as required by the policy.

In addition, the logs are not being used by District officials to reconcile fuel deliveries to logged usage nor do they reconcile logged mileage to ensure consumption is reasonable with expected use. Because policies and procedures are not sufficient or being followed, gasoline inventories are at risk of loss, waste and misuse.

Gasoline Was Not Properly Accounted For or Safeguarded

District officials do not have a procedure in place to reconcile the gasoline inventory. Although logs are completed and tanks are secured, officials have not monitored delivery or usage by reconciling such activities. Further, each vehicle has its own manual gasoline use log but no one reviews them or reconciles the amounts used to delivery tickets for reasonableness.

Because of these weaknesses, we compared the gasoline dispensed per the pump meter readings and usage logs to the gasoline purchased for the audit period. Between January 2016 and May 2018, the vendor delivered about 8,000 gallons costing roughly \$17,000. Based on gasoline tank meter readings, District officials and employees pumped about 7,900 gallons of gasoline. However, only 7,440 gallons were logged - a difference of 460 gallons of unaccounted for gasoline. Using the District’s average price of \$2.02 per gallon, this unaccounted for gasoline inventory cost the District about \$930.

Of the 456 manual gasoline log entries, 57 had errors or omissions (13 percent). There were 25 missing log entries where the ending pump meter reading from the last entry did not match the beginning pump meter reading of the subsequent entry. For example, according to the logs, on May 24, 2018 one vehicle fueled up at the pumps. The vehicle log indicated a starting pump control number of 48,249 and an ending number of 48,272, with 23 gallons pumped. However, according to the vehicle logs, the next time the pumps were used on May 30, 2018, the starting pump control number was 48,291, a 19 gallon difference from the ending number on the other vehicle log. There were no other entries on any other vehicle log for any dates in between these two log entries.

Additionally, 12 items were blank on the logs as follows: five blank dates, two blank gallons, two blank meter readings and three blank mileage readings. Also, using a compilation of all log information, we identified 21 incorrect entries on the logs as follows: 10 incorrect gallons pumped entries, eight incorrect meter reading entries and three incorrect mileage reading entries. One entry had both a blank mileage error and an incorrect meter reading error. Had someone been reviewing the logs, these incorrect entries would have been easily recognizable.

For example, according to the logs, on December 7, 2017 one vehicle fueled up at the pumps. The vehicle log indicated the mileage of the vehicle on that date was 143,327, a figure consistent with all previous entries on the log. However, according to the vehicle log, the next time the vehicle fueled up on January 22, 2018, the mileage for that date was indicated as 14,378, an obvious recording error omitting a digit from the log. We also analyzed each vehicle's mileage and the gallons of fuel consumed during our audit period. We calculated the miles per gallon for each vehicle and found the fuel consumption for four of the seven vehicles appeared reasonable. The remaining three vehicles had low miles per gallon in comparison to industry standards. The miles per gallon ranged from 7.1 miles per gallon for a 2001 pickup truck to 15.6 miles per gallon for a 2005 pickup truck. The District Manager stated the unaccounted for gasoline is the result of officials/employees failing to accurately log dispensing activities.

Without proper controls over gasoline inventory, District officials have no assurance that gasoline purchased by the District is properly accounted for and used for proper District purposes. Because logs and usage have not been properly reconciled, the District has unaccounted for gasoline inventory with a value of about \$930.

Gasoline Purchases Are Not Properly Procured

District officials did not solicit quotes or competitive bids, or use a State or county contract when making gasoline purchases. The District's procurement policy requires officials to obtain two written quotes for this purchase type. In addition, the District does not have a contract with the vendor who has delivered to the District for at least three years.

The District Manager and the Secretary both stated they do not know when this vendor began their initial service or if there was ever a request for proposal (RFP) process used for gasoline purchases. Further, neither are aware of a contract with the vendor nor what price the District should be paying.

Between January 2016 and May 2018 the vendor delivered a total of 7,958 gallons of gasoline on 50 dates at a total cost of \$16,099. Had the District obtained gasoline using a New York State Office of General Services contract, they could have saved at least \$2,660. Further, 20 of the 50 delivery tickets (about 40 percent) were missing and the District paid one late fee.

District officials failed to procure gasoline in accordance with District policy and did not obtain a vendor contract resulting in the District paying \$2,660 more than necessary for gasoline.

What Do We Recommend?

The Board should:

1. Ensure that the vehicle usage policy is followed by keeping up-to-date gasoline logs in each vehicle.
2. Provide a sufficient gasoline use policy and related procedures to ensure inventory is safeguarded by reconciling vehicle mileage to consumption.
3. Ensure vendor service contracts are obtained and verify such against invoices/claims prior to payment to ensure price paid is accurate.

The District Manager should:

4. Ensure gasoline purchases are periodically compared to usage for reasonableness and investigate any differences.
5. Ensure gasoline is procured in accordance with District policy and vendor contracts are obtained.

Appendix A: Response From District Officials

Mar 27 2019 13:21 Jamesport Fire District 6317222349

page 2

Jamesport Fire District

Charles Thomas, Chairman

Joseph Szot, Jr., Vice Chairman

John Newman

Mason Haas

Matthew Hattorff



District Mgr. Sean M. McCabe

Secretary-Jessica Harris

Treasurer- Erin Murphy-Apicello

Post Office Box 54 ~ 25 Manor Lane ~ Jamesport, NY 11947
Phone (631) 722-0027 ~ Fax (631) 722-2349

March 26, 2019

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

Re: Report of Examination, Jamesport Fire District;
Gasoline Inventory; Period January 1, 2016 to May 31, 2018;
2019M-04;
Fire District Response and Corrective Action Plan

Dear Mr. McCracken:

This communication is sent as the response of the Board of Fire Commissioners to the draft audit report submitted by your office. We have also detailed the Corrective Action Plan ("CAP") which we will undertake at our fire district to address the recommendations made by your office. We would like to take this opportunity to thank your office for the professional work done by your auditors in reviewing various aspects of our financial system. Their recommendation made during the audit process and in the report will assist us to improve our financial operation.

This review concerned the gasoline inventory maintained at district facilities. The district maintains a 290 gallon tank that is used to fill vehicles that operate based upon gasoline engines. In reviewing our prior practices we realize that adopting new inventory control and purchasing practices will make our district more efficient. We also recognize that directing the Fire District Manager to monitor performance will provide an internal control on the process.

We note that the report does not indicate findings of fraud or abuse, and we believe that our current practices and the quality of the personnel that work for us certainly contributed to that result.

The following are our responses to each recommendations stated in your report as well as the corrective action that will be undertaken as to each.

Recommendations:

The Board should:

1. Ensure that the vehicle usage policy is followed by keeping up to date gasoline logs in each vehicle.

The Chief assigned each Chief's vehicle will be responsible to maintain a log in his or her vehicle that records each gasoline fill-up and will fill out a separate report to be handed into the Fire District Manager that will provide the necessary detail in order to be recorded in a separate central district gasoline inventory system. Each entry will include the vehicle, date, time, the starting pump reading, the finish pump reading and the amount of gallons dispensed. The fire houseman that fills up the other gasoline vehicles will perform a similar process of entering the information on a log that will be kept in the vehicle and will fill out a separate report to be handed into the Fire District Manager that will provide that detail in order to be recorded in a separate central district gasoline inventory system. On a monthly basis the Fire District Manager will submit a gasoline reconciliation report with the Board of Fire Commissioners through the District Secretary. The Board will consider revision of the vehicle use policy to eliminate in vehicles logs if it determines that the central district gasoline inventory system is sufficient to maintain controls over gasoline use and inventory.

2. Provide a sufficient gasoline usage policy and related procedures to ensure inventory is safeguarded by reconciling vehicle mileage and consumption.

As part of his monthly reconciliation the Fire District Manager will review gasoline consumption by each vehicle, compare vehicle mileage with gasoline usage and schedule any vehicle that appears to be using unusually high levels of gasoline for mechanical inspection. However, it is important to note that he has to take into account that certain vehicles may need to operate at idle when certain tasks are being performed by the operator and this may adversely impact gasoline consumption and the miles per gallon performance. Often, emergency vehicles are left at idle so that emergency lights can continue to flash for safety purposes without running down the battery. A revised gasoline usage policy will include this process.

3. Ensure vendor service contracts are obtained and verify such against invoices/claims prior to payment to ensure price paid is accurate. .

The district applied to purchase gasoline from the state contract vendor, but has been advised that the size of the gasoline tank and the amount of consumption is insufficient to qualify to receive deliveries under this contract from the state vendor. The district is now researching under the Suffolk County Share purchasing cooperative whether or not there is a gasoline contract that can be utilized and will also investigate other possible municipal cooperative contracts and piggyback contract opportunities to see if there is a gasoline contract that can be utilized. If the

district is unable to purchase under one of those contracts, it will develop a request for proposals ["RFP"] and submit it to area vendors to obtain the number of written quotes required under the district's written purchasing and procurement policy and then award the contract based upon that RFP. The RFP will require the successful vendor to enter contract by a contract or a purchase order being issued. The contract will provide a formula for the pricing of each delivery which will enable staff to verify that invoices/ claims are correct before they are paid.

4. Ensure gasoline purchases are periodically compared to usage for reasonableness and investigate any differences.

The Fire District Manager will make this a part of his monthly reconciliation.

5. Ensure gasoline is procured in accordance with District policy and vendor contracts are obtained.

The district applied to purchase gasoline from the state contract vendor, but has been advised that the size of the gasoline tank and the amount of consumption is insufficient to qualify to receive deliveries under this contract from the state vendor. The district is now researching under the Suffolk County Share purchasing cooperative whether or not there is a gasoline contract that can be utilized and will also investigate other possible municipal cooperative contracts and piggyback contract opportunities to see if there is a gasoline contract that can be utilized. If the district is unable to purchase under one of those contracts, it will develop a request for proposals ["RFP"] and submit it to area vendors to obtain the number of written quotes required under the district's written purchasing and procurement policy and then award the contract based upon that RFP. The RFP will require the successful vendor to enter contract by a contract or a purchase order being issued. The contract will provide a formula for the pricing of each delivery which will enable staff to verify that invoices/ claims are correct before they are paid.

In summary, this communication shall serve as our response and CAP as required by statute. We will not issue a separate CAP after the report is published and instead will ask your office to accept this letter as the CAP. We will begin making certain that the corrective actions listed are undertaken.

Very truly yours,

CHARLES THOMAS
Chairman of the Board

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 objectives¹ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed policies and procedures related to gasoline inventory and operations to gain an understanding of the manual system, including recording gasoline deliveries, dispensing gasoline, recording amounts used and performing the reconciliation process.
- We observed the District's above-ground fuel storage tanks and associated security.
- We obtained vehicle inventory lists and compared them to insurance policies for the audit period.
- We quantified the gasoline deliveries in dollars and gallons from vendor claims.
- We examined and reconciled all gasoline transactions and documentation for the audit period including delivery records, gasoline refueling logs and claims packets.
- We determined if the District was in compliance with their procurement policy for gasoline purchases.

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 objective.

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.

¹ We also issued a separate audit report, *Jamesport Fire District – Length of Service Award Program (2019M-05)*

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#lmgm

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/pubs/cyber-security-guide.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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6091 • Email: Muni-Hauppauge@osc.ny.gov

Serving: Nassau, Suffolk counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)