

Town of Cairo

Fuel Management

NOVEMBER 2019



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

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Report Highlights

Town of Cairo

Audit Objective

Determine whether Town officials designed appropriate internal controls over fuel inventory to adequately safeguard Town assets.

Key Findings

- We found that 733 out of 840 (87 percent) fuel usage documents were not completed or kept up to date by Highway Department personnel.
- Of the 43,632 gallons of fuel (gasoline and diesel) used, valued at \$93,324, Town officials were only able to account for 12,571 gallons (29 percent), valued at \$23,325.
- The fuel access keys were not kept locked or in a controlled environment. Nine of the 26 fuel keys were unsecured inside the vehicles assigned.

Key Recommendations

- Ensure accurate fuel delivery and inventory records are maintained and periodic fuel inventory reconciliations are performed, documented and reviewed.
- Implement policies and procedures for tracking fuel usage to ensure fuel is used for Town purposes.
- Ensure fuel keys are kept locked in a secure environment.

Town officials agreed with our findings and recommendations and indicated they plan to take corrective action.

Background

The Town of Cairo (Town) is located in Greene County. The Town Board (Board) is the legislative body responsible for managing Town operations, including establishing internal controls over financial operations and for maintaining sound financial condition.

The Town Highway Superintendent (Superintendent) is an independently elected official responsible for maintaining the Town's roads, removing snow and brush and procuring goods and services for the Highway Department. The Superintendent is also responsible for maintaining inventories of consumable products, such as gasoline and diesel fuel, that are purchased for use by the Highway Department.

Quick Facts

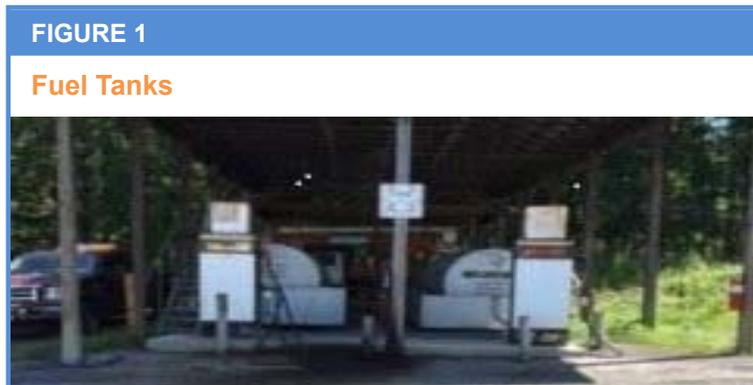
Total Fuel Purchased – Gallons	42,693
Total Fuel Purchased – Cost	\$93,624
2019 Highway Budgeted Appropriations	\$1,713,842
Highway Department Employees	17

Audit Period

January 1, 2018 – March 21, 2019

Fuel Inventory

The Town maintains two above-ground fuel tanks: a 4,000-gallon diesel fuel tank and a 2,000-gallon gasoline tank (Figure 1). From January 1, 2018 through March 21, 2019, the Town purchased 26,631 gallons of diesel fuel and 16,062 gallons of gasoline, totaling \$93,624. The Town maintains a fleet of 56 vehicles that use fuel.



The Deputy Highway Superintendent is responsible for placing fuel orders, receiving fuel deliveries and monitoring fuel usage. The Town uses an entirely manual fuel management process to record and track fuel purchased, used and on hand.

Fuel inventory is monitored through daily fuel usage logs and monthly meter reading reports. When employees pump fuel, they are required to complete the daily usage log by recording the date, beginning and ending odometer reading, the hours used and gallons pumped. Each month, the Deputy Highway Superintendent prepares a monthly reconciliation of the monthly meter reports to the daily usage logs to determine whether the amounts match. This reconciliation report contains a master list of all vehicles, equipment and total gallons consumed from the monthly meter report and daily usage logs. The report is updated continuously by month for the entire year.

The fuel tanks require the use of a unique key assigned to each individual vehicle.

How Should Fuel Inventory Records Be Maintained and Fuel Inventories Safeguarded?

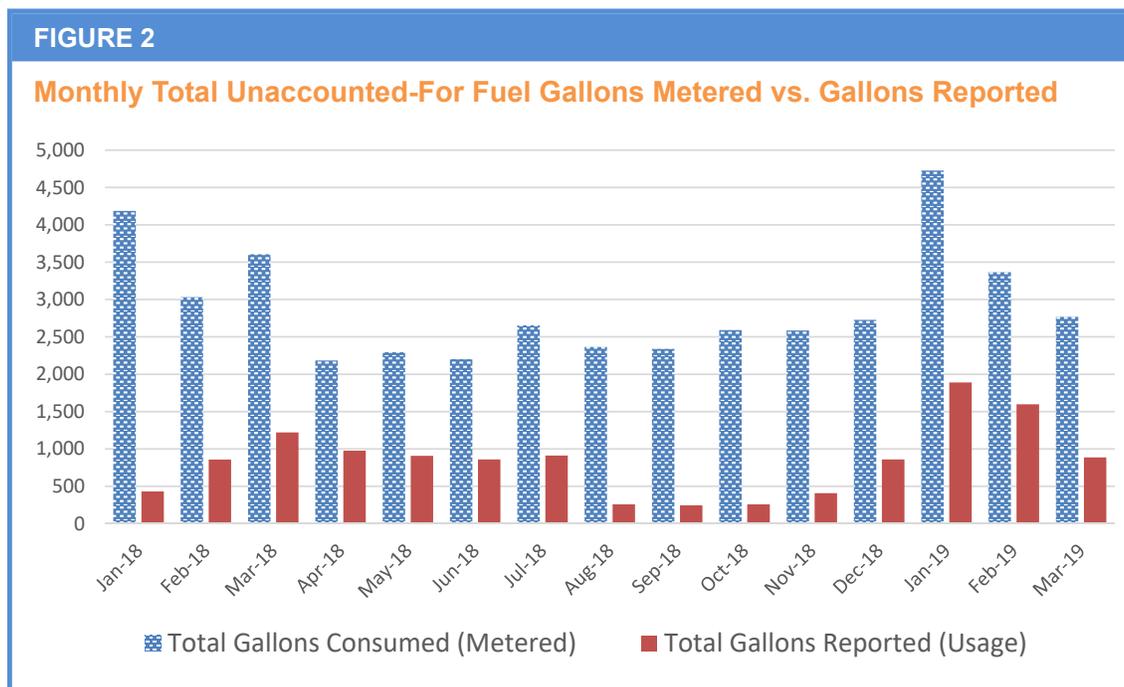
Town officials are responsible for designing controls over fuel usage to ensure fuel inventories are safeguarded and protected against the risk of loss, waste and misuse. To accomplish this, fuel inventory records should be properly maintained to account for the amount of fuel purchased, used and on hand.

Town officials should ensure that the fuel inventory records are periodically reconciled to delivery and usage records and to fuel level tank readings showing

the amount of fuel on hand. In addition, usage reports should be periodically reviewed for reasonableness. Any material discrepancies disclosed in the reconciliation process and records review should be investigated and resolved.

The Town Did Not Maintain Adequate Fuel Inventory Records and Fuel Was Not Properly Accounted For

We reviewed the monthly reconciliations prepared by the Deputy Highway Superintendent during our audit period to determine whether the meter reports and daily usage logs reconciled. We found that, during our audit period, 733 out of 840 daily usage logs (87 percent) were not completed or kept up to date. As a result, of the 43,632 gallons of fuel used,¹ valued at \$93,324, Town officials were only able to account for 12,571 gallons (29 percent), totaling \$23,325. Therefore, 31,061 gallons of fuel, valued at \$69,999, were unaccounted for (Figure 2).



The Highway Superintendent said there are no formalized policies and/or procedures requiring employees to use the logs. In addition, Town officials do not regularly review fuel usage logs for reasonableness or to ensure that fuel was used for Town purposes. We attempted to test the reasonableness of the fuel consumed by comparing the monthly fuel usage logs to the monthly fuel meter reading reports. However, Town employees did not complete the usage forms with detail equipment/vehicle information as required. Because most of the daily usage

¹ 28,003 gallons of diesel fuel and 15,629 gallons of gasoline

logs were either not complete or not current, we could not compare miles driven (from odometer readings) to fuel used in order to determine reasonableness. Without proper controls over fuel inventory, Town officials cannot be sure that fuel purchased by the Town is properly accounted for and used only for Town purposes.

Fuel Was Not Properly Safeguarded

The Town's fuel tanks cannot be accessed without a unique key. The keys are assigned to each individual truck or piece of equipment. The key is inserted into the pump which then unlocks the system. Each key has its own mechanically generated meter reading, and the readings are displayed on top of the pump.

We traced all Highway Department vehicles from the master equipment list to the corresponding fuel access key to determine whether each key was properly secured and accounted for. We found that the fuel keys were not kept locked or in a controlled area. For example, nine of the 26 fuel keys (35 percent) were kept unsecured inside the vehicles assigned. In addition, the Town did not have security cameras and the fuel tanks were not kept in a locked or secured area.

The Superintendent told us there are no formalized policies or procedures in place to ensure the fuel keys are secured. Without proper controls over the fuel tanks and keys, Town officials cannot adequately safeguard Town assets from unauthorized use and loss.

What Do We Recommend?

Town officials should:

1. Ensure that accurate fuel delivery, use and available inventory records are maintained and periodic fuel inventory reconciliations are performed, documented and reviewed.
2. Review fuel usage reports for completeness.
3. Implement policies and procedures to track fuel usage to ensure fuel is used for Town purposes.
4. Ensure fuel keys are kept locked in a secure environment.

Appendix A: Response From Town Officials



512 Main St., PO Box 728
Cairo, NY 12413
(518) 622-3120

Town Supervisor	Ext. 113
Town Clerk	Ext. 250
Bookkeeper	Ext. 115
Tax Collector	Ext. 110
Building Dept.	Ext. 253
Water & Sewer	Ext. 254
Tax Assessor	Ext. 252
Court Clerk	Ext. 251
Ambulance Billing	Ext. 116
Highway Department	Ext. 401

supervisor@townofcairo.com

October 28, 2019

Ms. Lisa A Reynolds
Division of Local Government and School Accountability
Office of the State Comptroller
33 Airport Center Drive
New Windsor, NY 12553

Dear Ms. Reynolds,

The Town Board of the Town of Cairo is in receipt of the Fuel Management Report of Examination 2019M-150 conducted by the Office of the New York State Comptroller. On behalf of the Town Board, I would like to thank the OSC Staff for their efforts and professionalism in reviewing our procedures. We are in agreement with their findings and recommendations for improvement.

The Town Board will be meeting with the Superintendent of Highways to discuss the findings and recommendations in this report. A written corrective action plan will be prepared and provided to your office within 90 days.

Sincerely,

Daniel A Benoit
Town Supervisor

DAB:la

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

- We traced from the master equipment listing to the "key board" to determine if fuel keys assigned to the Highway Department are properly accounted for.
- We reviewed the daily report of vehicle or equipment use forms kept by the Town to determine whether they were properly kept and maintained by identifying the dates, amounts of fuel used, the vehicle receiving the fuel and the person who pumped the fuel.
- We reviewed the monthly reconciliations to ensure the monthly meter reports and daily report of vehicle or equipment use forms reconcile.
- We inspected the location of the fuel tanks.

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.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Clerk's office.

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

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Division of Local Government and School Accountability
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www.osc.state.ny.us/localgov/index.htm

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

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