



Red Hook Central School District

Inventories

2023M-133 | June 2024

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Report Highlights

Red Hook Central School District

Audit Objective

Determine whether Red Hook Central School District (District) officials adequately monitored and safeguarded fuel and E-ZPass tags.

Key Findings

District officials did not adequately monitor and safeguard fuel and E-ZPass tags. As a result, officials cannot accurately account for fuel purchases and usage, or determine whether unauthorized E-ZPass charges occurred. Because the District did not adequately monitor and safeguard fuel and E-ZPass tags, these assets could have been misused, lost and/or stolen.

We found that officials did not:

- Adequately secure the District's unleaded gasoline and diesel fuel tanks.
- Maintain fuel inventory records and periodically reconcile the records with the amount of fuel in the District's fuel tanks.
- Develop adequate policies and procedures for monitoring and safeguarding District fuel, or review and reconcile E-ZPass statements to ensure fees and charges were for valid District purposes.

Key Recommendations

- Adequately secure, monitor and protect fuel tanks from unauthorized access.
- Develop written policies and procedures to help ensure that staff adequately manages, and accounts for, fuel inventories.
- Develop and adopt written policies and procedures for E-ZPass tags and regularly monitor E-ZPass statements for discrepancies.

District officials agreed with our recommendations and indicated they have initiated, or plan to initiate, corrective action.

Audit Period

July 1, 2021 – June 30, 2022

Background

The District encompasses approximately 90 square miles and includes portions of the towns of Red Hook, Rhinebeck and Milan in Dutchess County and the towns of Clermont and Livingston in Columbia County. The District operates four school buildings.

The District is governed by a seven-member Board of Education (Board) that is responsible for managing and controlling 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 District's Transportation Supervisor (Supervisor) is responsible for overseeing all operations of the District's transportation department (department), which includes maintaining fuel inventories (unleaded gasoline, propane and diesel fuel) and monitoring the use of E-ZPass tags.

Quick Facts

Fuel Purchased	
Gallons	71,877
Cost	\$171,815
E-ZPass	
Number of Tags	20
Tolls	\$5,276

Fuel Inventories and E-ZPass Tags

The department had 51 vehicles, including buses, vans, trucks and other equipment (such as riding lawn mowers, forklifts and snowblowers) that used unleaded gasoline, diesel fuel and propane. The department maintained two underground fuel tanks at its main bus garage: one for unleaded gasoline (6,000-gallon capacity) and the other for diesel fuel (2,000-gallon capacity). Also, the District had two 1,000-gallon above-ground propane tanks located at its two bus garages: one tank was at the main garage and the other was at the school bus garage.

How Should a District's Fuel Inventory Be Monitored and Safeguarded?

School district (district) officials should design controls over fuel usage to help ensure fuel is safeguarded and protected against the risk of loss, waste and misuse. To accomplish this, the transportation department (department) supervisor (supervisor) should maintain accurate fuel inventory records to account for the amount of fuel purchased, used and on hand.

In addition, officials should periodically reconcile inventory records to measured fuel tank levels, review the reconciliations and investigate and resolve any material discrepancies. Furthermore, officials should monitor access to fuel tanks and pumps and restrict access to authorized personnel.

To provide guidance, the district's board of education should establish written policies to safeguard and account for the district's fuel inventory. Also, the department supervisor should develop and adopt procedures for maintaining and using district fuel to help ensure the fuel is used for district purposes and is properly accounted for.

District Officials Did Not Adequately Monitor or Safeguard Fuel

District officials did not develop controls or procedures to ensure that fuel usage and inventory records were accurate and properly maintained, reviewed and reconciled. For example, department staff were not required to review or sign fuel delivery tickets to acknowledge that fuel deliveries occurred, or confirm that the vendor filled the District's fuel tanks with the fuel indicated on the vendor's delivery tickets. Also, the Board did not establish written policies to provide reasonable assurance that fuel was safeguarded and properly accounted for.

In addition, the District did not have adequate physical safeguards to protect fuel inventories. Although the propane tanks were secured by locks and surrounded by fencing, the unleaded gasoline and diesel fuel pumps were unlocked and located in an open area. Therefore, unauthorized individuals could gain access to the unleaded gasoline and diesel fuel pumps, thereby increasing the risk that fuel could have been stolen or misused.

Fuel Management System – At the main bus garage, an electronic fuel management system (fuel management system) was used to monitor fuel usage. The fuel management system required the use of keys which were assigned to District vehicles and equipment to track individual fuel usage. Additionally, the Supervisor was responsible for department operations, including addressing issues with the fuel management system.

The head mechanic told us that the assigned keys stopped working approximately 5 or 6 years ago, at which point employees began using a master key instead. The master key was located in the main bus garage and had its personal identification number written on the key chain to access the fuel pumps. The head mechanic also told us that, on or around February 2021, the master key stopped working, and the entire system was inoperable for tracking the use of unleaded gasoline and diesel fuel. Department staff simply turned the pumps on and off at the main garage's breaker box on a daily basis to access fuel.

When the electronic fuel management system stopped working, the Supervisor did not develop control procedures or other requirements to adequately monitor fuel inventories for vehicles or equipment. Although the department had a process for documenting unleaded gasoline, propane and diesel fuel used for buses,¹ the District did not have a process to track unleaded gasoline, propane and diesel fuel pumped for other vehicles or equipment. Due to the former Supervisor's departure from the District, we could not determine the reason for why officials did not address the system failure.

Reconciliation Process – The District's head mechanic was responsible for measuring (dipping) and reconciling unleaded gasoline and diesel fuel. The head mechanic used a 10-day, Monday-Friday worksheet (worksheet) to calculate the daily ending fuel inventory. This included documenting the tank levels, recording amounts pumped and delivered, and calculating over or under amounts of fuel on the worksheet.

We reviewed all documented reconciliations generated during our audit period and found that the head mechanic did not perform any inventory reconciliations for July and August 2021. We also identified discrepancies with the reconciliations, which included incorrect calculations, illegible written information, deliveries entered on the wrong day and nonconsecutive reconciliation dates, as follows:

- According to the worksheet, 1,964 gallons of diesel fuel were pumped in October 2021. However, according to the drivers vehicle inspection report (DVIR) logbooks (logbooks),² drivers pumped only 118 gallons, which was a difference of 1,846 gallons.

1 Refer to the Bus Fuel Gallons Pumped section for further information.

2 Ibid.

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- The head mechanic used the worksheet to calculate the ending balance of unleaded gasoline, but his calculation was incorrect. The ending inventory amount documented on the worksheet was 3,210 gallons on February 8, 2022. However, based on the information on the worksheet, we calculated that the ending inventory amount that should have been recorded was 3,840 gallons, which was a difference of 630 gallons.
 - According to a fuel delivery invoice, the District received a delivery of 3,480 gallons of unleaded gasoline on January 31, 2022. However, the worksheet indicated that the delivery occurred on February 7, 2022. Because the fuel delivery was recorded on a day other than the actual delivery date, the ending inventory amount on the worksheet was calculated incorrectly.

In addition, the amounts documented on the worksheet for unleaded gasoline and diesel fuel pumped did not match our calculations because the head mechanic did not perform an adequate reconciliation of fuel in the tanks to the fuel inventory records.

Because District officials did not develop controls or procedures to ensure that fuel usage and inventory records were accurate and properly maintained, reviewed and reconciled, officials were unaware of these discrepancies. When we discussed these discrepancies with the current Supervisor, he could not explain why they occurred. Also, the head mechanic retired before we could ask him about the discrepancies. As a result, District officials cannot accurately account for fuel inventories, and the District has an increased risk that thefts and leaks could occur and go undetected.

Bus Fuel Gallons Pumped – The District’s bus drivers maintained DVIR logbooks that were assigned to each bus. The logbook information included the amount of fuel dispensed daily, bus mileage, bus trip information and the condition of and/or any issues with the bus. The department’s secretary (secretary) used these logs to maintain a monthly spreadsheet to track the amount of fuel dispensed and mileage for each bus.

Each logbook contained an original sheet and a carbon copy sheet. Bus drivers were responsible for filling out the logbook daily to document each trip made and the amount of unleaded gasoline, propane or diesel fuel pumped.

To determine how much fuel was used for each bus monthly, the secretary removed the original sheets out of the two-part logbook, leaving the carbon copy sheets attached to the logbook. The secretary used the information from the original sheets to enter the amount of fuel used for each bus into a monthly spreadsheet. However, there were three instances where the secretary did not remove all the original sheets. Therefore, fuel was not accurately accounted for.

We reviewed the carbon copy sheets for our entire audit period, compared the information to the secretary’s monthly spreadsheets and determined that the gallons documented by the secretary were not always accurate.

Specifically, the amounts of diesel fuel and unleaded gasoline documented in the logbooks were less than the amounts indicated in the monthly spreadsheets (Figure 1). Also, the amounts of propane fuel documented in the logbooks were more than indicated in the monthly spreadsheets. The secretary said that these errors occurred because she accidentally missed removing all the original sheets for her calculations or did not accurately record all information from the logbooks into the monthly spreadsheet for all amounts of unleaded gasoline, propane and diesel fuel pumped.

**Figure 1: DVIR Logbooks vs. Monthly Spreadsheets:
July 1, 2021 Through June 30, 2022**

Fuel Type	Total Gallons Recorded as Pumped		
	Logbooks	Spreadsheet	Variance
Propane	41,524	41,244	280
Unleaded Gasoline	14,754	14,952	-198
Diesel Fuel	2,823	2,875	-52

Fuel Delivery Invoices – The Supervisor did not always direct employees to sign fuel delivery tickets acknowledging that fuel deliveries were made and the correct amount was actually received. Also, the department did not have a written policy or procedure to assign responsibility for acknowledging fuel deliveries.

During our audit period, the District paid 105 invoices for 71,877 gallons of unleaded gasoline, propane and diesel fuel totaling \$171,815. We reviewed all 105 invoices to determine whether employees signed the fuel delivery tickets to acknowledge receipt of these deliveries. Of the 105 invoices, 67 invoices for fuel totaling \$122,874 did not have signatures on the fuel delivery tickets.

Because the department did not have a written policy or procedures to assign responsibility for acknowledging fuel deliveries, District officials cannot ensure that the amount of fuel paid for was actually delivered. Without safeguards – such as reviewing records, performing fuel reconciliations and restricting access to fuel pumps – the District has an increased risk that thefts and fuel leaks could occur and remain undetected.

How Should District Officials Monitor and Safeguard E-ZPass Tags?

A district supervisor (supervisor) should monitor and safeguard E-ZPass tags (tags) and review E-ZPass statements (statements) to ensure all charges are proper district expenditures. A supervisor also should track and monitor all tag usage to ensure tags are used only for district purposes. In addition, the supervisor should maintain a tag inventory and periodically verify its accuracy.

District officials should design and implement adequate policies and procedures to control the use of the tags. These policies and procedures should designate who should review statements and dispute any charges, when necessary. In addition, a district's procedures should require department staff to periodically reconcile the statements to tag usage to detect improper use and charges.

District Officials Did Not Properly Monitor or Safeguard E-ZPass Tags

District officials did not provide adequate controls over the District's 20 E-ZPass tags used to transport students and employees in District vehicles for District business. Although the department developed informal (unwritten) procedures for tag usage, the procedures were inadequate. The procedures used to sign out a tag did not include how department staff should ensure that employees complied with the sign-out process, such as requiring staff to periodically review the log. Also, the procedures did not address how department staff should reconcile tag usage to the E-ZPass statements or how the tags should be accounted for.

Tag Numbering System – The department created its own tag numbering system to identify and document when drivers signed them out.³ The secretary maintained a list of department-assigned tag numbers, which included the tag numbers assigned by E-ZPass. We reviewed the department's list of tag numbers and then compared it to the statements and found the following:

- One E-ZPass tag listed on the statements was not listed on the department's list,
- Two tags had the same department-assigned tag number,
- One E-ZPass tag was on the department's list but was not included on the statements or used during our audit period.

When we inquired about these discrepancies, the secretary took an inventory of all District E-ZPass tags and created an updated list. We compared the original list to the updated list and identified differences for two of the tags. One tag that was initially listed as being rotated between drivers was now identified as being permanently assigned to a vehicle. The other tag was initially listed as being

³ Some tags were permanently assigned to vehicles and could not be signed out.

permanently assigned to a vehicle and was now identified as being rotated between drivers. The secretary told us that these discrepancies occurred because some of the department-assigned numbers created for the tags wore off and new numbers were assigned. Also, some tags were moved from one vehicle to another or reassigned. However, these changes were not recorded on the department's list.

Because District officials did not have a proper system in place, the department could not accurately keep track of the tags. As a result, the tags were not properly accounted for and could have been used for non-District purposes.

Tag Sign-Out Log – The secretary and other department staff maintained the log for tags not assigned to a vehicle. The log documented the driver's name, date signed out and department-assigned tag number. Checkmarks were used to indicate signing tags out and in.

We reviewed the list of department-assigned tag numbers, which also had the E-ZPass assigned numbers, matched the department's numbers to the E-ZPass numbers and compared the E-ZPass numbers to the statements. We then reviewed all E-ZPass charges and compared them to the tags used on the log to determine whether the sign-out process was working as intended.

We found that employees were not complying with the process and tag and log information was not always accurate, which caused the following:

- There were 138 charges on at least nine tags⁴ that were not documented on the log as being signed out.
- We could not reconcile charges incurred on the E-Z Pass statements for four log entries because the department-assigned number did not have a corresponding E-ZPass-assigned number. The secretary could not identify the tags or tell us which ones were used.
- We could not verify two E-ZPass charges due to missing information on the log, such as missing sign-out dates.
- One tag number was listed as being permanently assigned to a vehicle and should not have been on the log. This occurred because the list was not updated when reassignments were made.

The secretary said that no one monitored E-ZPass charges and that no one told her to monitor them when she began working for the District. Because department staff did not monitor E-ZPass charges or update the list of department-assigned tag numbers when tags were renumbered or moved from vehicles, District officials did not know whether, and did not ensure that, E-ZPass charges were correct and

⁴ The log entries for three of the department-assigned numbers did not have corresponding E-ZPass tag numbers. Therefore, we could not determine which E-ZPass charges were attributed to these tags.

that tags were used only for District purposes. In addition, because the District did not have adequate procedures for the tags and because department staff did not review E-ZPass statements, District officials cannot determine whether unauthorized charges occurred or statements were inaccurate.

What Do We Recommend?

The Board and District officials should:

1. Develop written policies and procedures for fuel inventories and E-ZPass tags. These policies and procedures should indicate individuals' responsibilities to help ensure fuel inventories and E-ZPass tags are adequately managed, accounted for and reconciled.

The Supervisor should:

2. Adequately secure, monitor and protect the District's fuel tanks from unauthorized access.
3. Require department staff to sign and confirm that delivery tickets accurately reflect the amount of fuel delivered.
4. Maintain fuel usage logs for departments that do not document fuel usage. Also, maintain inventory records for fuel in tanks, periodically measure and record tank fuel levels and perform periodic reconciliations.
5. Periodically review the E-ZPass tag inventory to ensure it is accurate and complete.
6. Regularly monitor E-ZPass statements for discrepancies.

Appendix A: Response From District Officials

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Janet Warden, Ed.D., *Superintendent*
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May 1, 2024

Dara Disko-McCagg
Chief of Municipal Audits
Office of the State Comptroller
Newburg Regional Office
33 Airport Drive, Suite 102
New Windsor, NY 12553

Dear Ms. McCagg:

The Red Hook Central School District would like to thank the Office of the State Comptroller for providing the Draft Red Hook Central School District Inventories Report of Examination 2023M-133. We find the Report to be accurate and useful in our efforts to maintain sound business practices and continually improve systems and procedures.

We would like to complement the Office of the State Comptroller for the staff who were assigned to the Red Hook Central School District Examination. The staff with whom we interacted were always professional, polite, personable, and knowledgeable in their field. It is important that they be acknowledged for their service to the public good in New York State.

Once the official report is generated, we will plan to prepare the required Corrective Action Plan, however, through the process of working with your staff most of the recommendations have already been implemented.

Sincerely yours,

Bruce Martin
Asst. Supt. for Business

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, and the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed the Supervisor, secretary and head mechanic to gain an understanding of the District's fuel inventory process.
- We reviewed E-ZPass statements generated during our audit period to determine whether charges for tag usage were valid District expenses. We also compared the E-ZPass statements to the department's E-ZPass tag sign-out logs to determine whether the fees assessed for each tag were accurate.
- We reviewed the DVIR logbooks (maintained by the bus drivers) to determine the amount of fuel pumped during our audit period and compared the amount of fuel pumped as documented on the monthly spreadsheets (maintained by the department secretary) to determine whether the amounts matched between the two documents.
- We compared the District's 10-day fuel inventory reconciliations (for unleaded gasoline and diesel fuel) to the amount of fuel pumped as recorded in the DVIR logbooks and monthly spreadsheets to determine whether fuel usage amounts matched between the three documents.
- We reviewed a cash disbursement report and claim voucher packages to identify fuel purchases made during our audit period and identified the total amount that the District spent on fuel (unleaded gasoline, propane and diesel fuel). We also determined whether department staff signed fuel delivery tickets for corresponding fuel deliveries.
- We reviewed the department's E-ZPass sign-out logs and compared them to the E-ZPass statements to determine whether the E-ZPass tags were signed out according to the department's procedures.
- We reviewed the District's vehicle inventory list to determine the total number of District vehicles that used fuel.
- We reviewed capital asset reports to identify District equipment that used 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.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

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