

Town of Johnstown

Fuel Inventory

DECEMBER 2019



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

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Report Highlights

Town of Johnstown

Audit Objective

Determine whether Town officials have adequate controls over the Town's fuel inventory.

Key Findings

Town officials did not:

- Adopt adequate policies and implement sufficient procedures to account for the Town's fuel inventory.
- Monitor fuel use, which resulted in unaccounted-for fuel of 21,806 gallons of gasoline and diesel valued at \$49,278.
- Prepare periodic fuel reconciliations.

Key Recommendations

The Superintendent should:

- Ensure fuel pumps are maintained in proper working order and access to pumps is monitored.
- Maintain fuel inventory records that include all fuel use and perform periodic stick-measured readings of the fuel tanks.
- Prepare periodic fuel reconciliations comparing gallons pumped, gallons delivered to stick-measured readings and investigate and resolve discrepancies.

Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Background

The Town of Johnstown is located in Fulton County. The Town is governed by an elected Town Council (Council) composed of a Town Supervisor (Supervisor) and four council members. The Council is responsible for the general management and control of the Town's financial operations. The Supervisor serves as the chief executive officer and chief fiscal officer.

The Town's elected Highway Superintendent (Superintendent), oversees Highway Department operations. The previous Superintendent retired in April 2019 and the Council appointed a temporary Superintendent to serve until the next election in November 2019.

Quick Facts

Population	7,352
Cost of Fuel Delivered (Gasoline and Diesel) During Audit Period	\$86,276
Gallons of Unleaded Gasoline Purchased	8,619
Gallons of Diesel Purchased	29,126

Audit Period

January 1, 2018 – May 31, 2019

Fuel Inventory

The Town has two above-ground fuel tanks located behind the highway garage – a 2,000 gallon diesel tank and a 1,000 gallon unleaded gasoline tank. There are two fuel pumps (one at each tank) which are powered by a switch that is located inside the highway garage. The switch is turned on during the Highway Department's work hours. The diesel fuel pump is not secured and diesel fuel can be pumped when the power switch is on. The unleaded gasoline fuel pump hose handle is locked in place, while secured to the pump, by a padlock and its key is kept in the highway garage. All Highway Department personnel have access to the power switch and the padlock key for the unleaded gasoline pump.

Highway personnel, the code enforcement officer and three fire companies¹ obtain fuel from the Town's pumps for their vehicles and equipment. After pumping diesel fuel, highway personnel manually record the date, truck number, gallons pumped and drivers' initials in a log book. Highway personnel pump fuel from the unleaded gas tank for three pickup trucks and power tools, but do not record any entries in a log when pumping fuel from the unleaded tank. The code enforcement officer and the members of the fire companies manually record the date, number of gallons pumped, department name and their name and signature on log sheets, which are kept at the highway garage, when pumping both diesel and unleaded fuel.

The fuel vendor provides delivery invoices to whoever is present at the garage or drops them in the highway garage mailbox. The invoices include dip stick readings of the fuel tanks taken by the vendor before and after each delivery. The fuel vendor delivers fuel based on a fuel route schedule. However, if the Town is low on fuel between deliveries, the Superintendent or a mechanic contact the vendor to deliver fuel.

How Should Town Officials Adequately Safeguard and Account for Fuel?

The council should adopt and implement controls to safeguard its fuel inventory. Town officials are responsible for designing controls over fuel use to ensure fuel inventories are safeguarded and protected against the risk of loss, waste and misuse. To accomplish this, inventory records should be properly maintained to account for the amount of fuel purchased and used.

Town officials should ensure that fuel records are periodically reconciled to readings of fuel levels in the tanks and ensure material discrepancies are investigated and resolved. Additionally, consumable commodities, such as fuel, should be maintained in a controlled environment, and access to fuel tanks and pumps should be monitored and restricted to authorized personnel. When fuel is pumped it should be recorded including the date, vehicle, and gallons pumped.

¹ Meco Volunteer Fire Company, Sir William Johnson Volunteer Fire Company and Pleasant Square Volunteer Fire Company

Town Officials Did Not Adequately Safeguard Fuel and Fuel Was Unaccounted For

The Council did not adopt a fuel management policy or establish procedures to ensure adequate controls were in place to account for and safeguard fuel. The highway garage did not have cameras to monitor the access to the fuel inventories and the fuel pumps did not have an electronic authentication system to record pumped amounts to ensure only authorized personnel had access and could pump fuel. The Town relied solely on the switch in the highway garage, which provides power to the fuel pumps, and a padlock on the unleaded gasoline pump to restrict access to the fuel inventories. Additionally, the Superintendent did not require highway personnel to maintain a log to record fuel pumped from the unleaded gasoline tank. However, the code enforcement officer maintained a log of pumped unleaded gasoline and the three fire companies logged their pumped fuel (unleaded gasoline and diesel).

While logs were maintained by highway personnel, the code enforcement officer and the fire companies for some of the fuel pumped for vehicles and equipment, the Superintendent did not maintain any fuel inventory records, nor did he ensure the fuel tanks were stick measured. Due to the lack of records and periodic stick measuring of the tanks, the Superintendent was not able to perform reconciliations of fuel purchased and pumped with the fuel inventory on hand. In addition, the Council did not require fuel reconciliations be performed and did not request any fuel use and inventory reports from the Superintendent.

We reviewed the fuel logs that were maintained and delivery invoices and performed a fuel reconciliation.² We found significant variances between the amounts of delivered and pumped fuel. As shown in Figure 1 there were 14,612 gallons unaccounted-for diesel totaling \$34,087 and 7,194 gallons unaccounted-for unleaded gasoline totaling \$15,191. The poorly designed system of controls that did not assure all fuel pumped for town purposes was recorded was a cause of this difference. However, there may also be unrecorded use by the fire companies or unauthorized fuel use that also contributed to the difference.

² Refer to Appendix B for information on our sampling methodology.

Figure 1: Fuel Reconciliation (gallons): Diesel as of 05/20/2019 and Unleaded Gasoline as of 05/23/2019

	Diesel	Unleaded Gasoline
Beginning Inventory on 01/08/2018	792	558
Add: Delivered Fuel	29,126	8,619
Less: Pumped Logged Fuel	13,244	1,191
Office of the State Comptroller Calculated Ending Inventory	16,674	7,986
Actual Ending Inventory	2,062	792
Unaccounted For Fuel	14,612	7,194
Unaccounted For Fuel (dollars)	\$34,087	\$15,191
Unaccounted For Fuel as Percentage of Delivered Fuel	50%	83%

The Superintendent stated that the unaccounted-for diesel was due to highway personnel not recording all the gallons pumped on the log. For example, he said that during snow storms plow drivers frequently return to the highway garage to refill their trucks with diesel fuel, but did not always log the pumped amounts. We analyzed the logged pumped diesel fuel per vehicle for reasonableness and determined that the logged fuel varied significantly between trucks used for similar tasks. For example, the diesel fuel log book showed that truck #50 was filled up 17 times totaling 894 gallons but truck #55 was filled up only five times totaling 246 gallons. However, the Superintendent stated both trucks were used for similar amounts of time during the winter for plowing and sanding.

The fire companies and the code enforcement officer maintained logs of unleaded gasoline pumped. However, because highway personnel were not required to log their use of unleaded gasoline, there was a significant lack of documentation for unleaded gasoline use. We reviewed the logs maintained for the fire companies and the code enforcement officer and found them to be reasonable based on interviews with Town officials and logged fuel use.

The cumulative total of the unaccounted-for fuel at each delivery (Figures 2 & 3) show that the upward trends of unaccounted-for diesel fuel and unleaded gas were consistent throughout the audit period and that they were not caused by incidental occurrences.

FIGURE 2

Unaccounted-For Diesel (gallons)

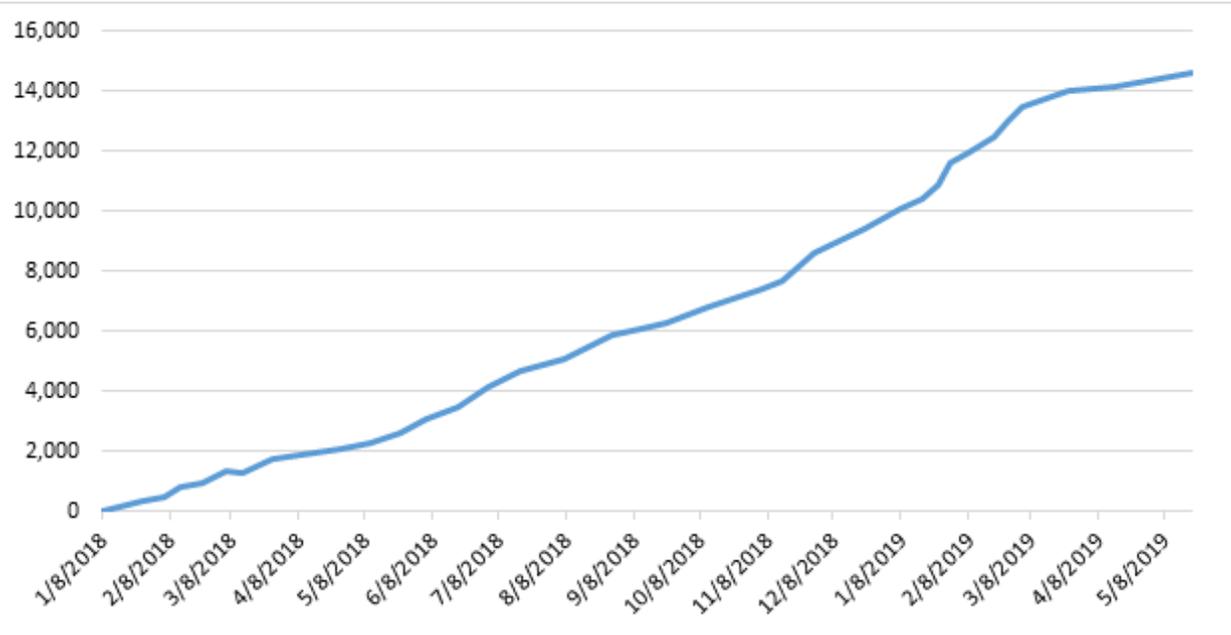
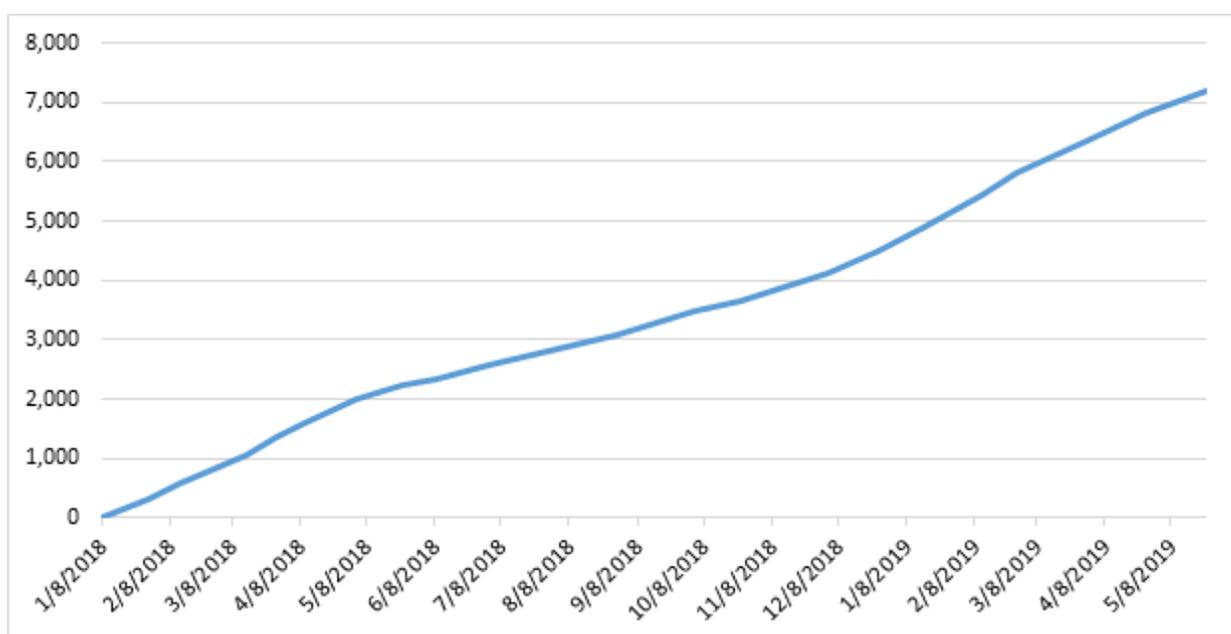


FIGURE 3

Unaccounted-For Unleaded Gasoline (gallons)



On May 16, 2019, the Fulton County Director of Weights and Measures inspected the Town's fuel pumps and issued an inspection report. We reviewed the inspection report, interviewed the Director of Weights and Measures and an employee from the Highway Department who was present during the inspection. We determined that while the unleaded gas fuel pump had an immaterial dispensing variance, the diesel fuel pump had a significant dispensing variance showing readings greater than the actual amount of pumped fuel. During the inspection, the diesel fuel pump registered 5 gallons of fuel had been pumped out but only 3.9 gallons were actually pumped out, a variance of 1.1 gallons (22 percent). This variance would increase the unaccounted-for diesel fuel we computed.³ The Supervisor stated to us that he would have both fuel pumps properly calibrated as quickly as possible.

Due to the lack of adequate controls over fuel inventories, poor record keeping of the fuel delivered and pumped, no fuel reconciliations and limited oversight, 21,806 gallons of fuel (unleaded gasoline and diesel) with a value of \$49,278 could not be accounted for. Without the proper controls over fuel inventories in place, there is an increased risk that unleaded gasoline and diesel could have been stolen or misused.

What Do We Recommend?

The Council should:

1. Adopt policies and procedures to ensure their fuel inventories are properly accounted for including procedure to log all fuel use by vehicle. Procedures should also assure fuel is adequately safeguarded and fuel reconciliations are performed.
2. Review fuel reconciliations periodically.

The Superintendent should:

3. Ensure fuel pumps are maintained in proper working order and access to pumps is secured and monitored.
4. Ensure all pumped fuel is adequately recorded on fuel logs by all users.
5. Maintain fuel inventory records through periodic stick-measured readings.
6. Prepare periodic fuel reconciliations comparing gallons pumped, gallons delivered to stick-measured readings as well as investigate and resolve discrepancies.

³ We were not able to verify the duration of time the calibration was not accurate. Therefore, we could not include an adjustment to our findings for this variance.

Appendix A: Response From Town Officials

TOWN OF JOHNSTOWN TOWN SUPERVISOR

JACK WILSON

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Office of the New York State Comptroller

Division of Local Government and School Accountability

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Albany, New York 12236

To Whom it May Concern,

Re: Town of Johnstown, Fulton County, Risk Management Audit

First I want to thank you for the Audit. It was much appreciated and the Finding of the Fuel Inventory was great and when brought to our attention was received very seriously and has been dealt with aggressively. We thoroughly understand that we did not have appropriate controls in place to properly govern where the fuel goes.

We have created a new fuel usage log containing the person who obtained the fuel, the vehicle identifier that is receiving the fuel, the odometer reading of the vehicle, the date of the transaction and the amount of the transaction in gallons.

The fuel tanks are checked with a measuring stick twice a week to track the amount in inventory.

The fuel stick readings can now be used to reconcile the fuel account by the Highway Superintendent and my Bookkeeper. This will be done monthly. All fuel usage logs will be copied by the Highway Superintendent and he will keep the copy for his records and the original will come to my office for keeping and reconciliation. These fuel logs will have the stick readings recorded on them along with the date of such readings.

The pumps had never been calibrated and after we had them checked by the County Weights and Measures Department we discovered that the Diesel pump had a variance of 22% meaning that for every (5) Gallons pumped the actual was (3.9) Gallons. Both pumps have been replaced and were calibrated and are all within the acceptable range for accuracy. These pumps are now on the list for calibration each year by the County Weights and Measures Department.

With the new fuel log sheets, the new pumps (Calibrated) and each employee told that even if they take a quart of fuel for a gasoline appliance it WILL be recorded on the fuel log sheet, plus sticking the tanks on a regular basis and reconciling the sheets to the deliveries and usage we feel we have a grasp on how our fuel is being used. This will be monitored very closely

Response to your Recommendations:

(1) Adopt policies and procedures to ensure their fuel inventories are properly accounted for including procedure to log all fuel use by vehicle. Procedures should also assure fuel is adequately safeguarded and fuel reconciliations are performed.

(a) The new paper trail will track fuel usage and create a solid continuous inventory.

(2) Review fuel reconciliations periodically.

(a) Fuel usage will be reconciled monthly.

(3) Ensure fuel pumps are maintained in proper working order and access to pumps is secured and monitored.

(a) The fuel pumps have been replaced with new and have been calibrated for accuracy and will be on the Counties list of annual calibrations, they are locked and controlled by a switch inside the building.

(4) Ensure all pumped fuel is adequately recorded on fuel logs by all users.

(a) The fuel pumps have been replaced with new and have been calibrated for accuracy and will be on the Counties list of annual calibrations.

(5) Maintain fuel inventory records through periodic stick-measured readings.

(a) The tanks are now stick-measured twice weekly and recorded on the fuel log sheets.

(6) Prepare periodic fuel reconciliations comparing gallons pumped, plus gallons delivered to stick measured readings as well as investigate and resolve discrepancies.

(a) The fuel log sheets will be reconciled with a beginning amount, any deliveries received minus the amount used.

This new policy for using the town's fuel pumps will be incorporated into our Policy Manual which we will have updated and in place by 1-1-2020.

I would also like to commend [REDACTED], your two Risk Assessment Personnel for their professional demeanor and thoroughness with the way they conducted the Audit. They kept myself in the loop throughout the process. They were a pleasure to work with.

Jack Wilson, Supervisor

Town of Johnstown, Fulton County NY

2753 State Highway 29

Johnstown, New York 12095

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 interviewed Town officials and employees to gain an understanding of the Town's fuel management process.
- We observed the Town's above-ground fuel tanks, fuel pumps and the highway garage to determine the security controls in place over fuel inventories.
- We reviewed all unleaded gasoline purchases of 8,619 gallons totaling \$18,294 for the period January 8, 2018 to May 23, 2019 and all diesel purchases of 29,126 gallons totaling \$67,982 for the period January 8, 2018 to May 20, 2019. We used dip stick readings from the fuel delivery invoices for beginning and ending fuel inventories. We reviewed all fuel logs for pumped fuel between the first and last fuel delivery for our audit scope period. We reconciled delivered fuel to logged pumped fuel by calculating an ending fuel inventory for each tank and comparing it to the dip stick reading of the last delivery invoice for our scope period. We interviewed Town officials about the potential causes of the identified variances.
- We analyzed the logged pumped fuel use per vehicle and interviewed the Superintendent to determine if the logged amounts appeared reasonable.

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 Clerk to make the CAP available for public review in the Town 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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