

B37174

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF

FUEL PURCHASES
TOWN OF CLARKSVILLE
CLARK, INDIANA

January 1, 2000 to December 31, 2006



FILED
07/07/2010

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COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Clay Baird Gary P. Hall	01-01-00 to 12-31-03 01-01-04 to 12-31-11
President of the Town Council	John Minta Paul L. Kraft Gregory L. Isgrigg	01-01-00 to 12-31-06 01-01-07 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF CLARKSVILLE

We have examined records related to the Town's purchase of fuel from Jubilee Oil Co., Inc., for the period from January 1, 2000 to December 31, 2006. The results of our examination are presented in the Examination Results and Comments section of this report.

STATE BOARD OF ACCOUNTS

May 10, 2010

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS

OVERCHARGE BY FUEL VENDOR

Background Information

The Town entered into a contract with Jubilee Oil Co., Inc. (Jubilee Oil) of Jeffersonville, Indiana, prior to the year 2000 for the purchase of gasoline and diesel fuel. Jubilee Oil is owned and operated by Gary V. Crowe, Sr. The contract consisted of two parts. One part provided for the Town to reimburse Jubilee Oil for the actual cost per gallon they paid their supplier for gasoline and diesel fuel and the second part provided for Jubilee Oil to charge the Town a delivery fee in the amount of sixteen cents (\$.16) per gallon.

The contract required Jubilee Oil to submit a supplier's invoice to document the price per gallon paid by Jubilee Oil. The contract also required Jubilee Oil to submit delivery tickets showing the quantity of gallons delivered to the Town. This method of reimbursing Jubilee Oil for the actual cost per gallon of gasoline and diesel fuel delivered and paying Jubilee Oil a sixteen cents (\$.16) per gallon delivery fee continued through the year 2006.

The Clerk-Treasurer's office brought information to our attention that alterations were being made to supplier's invoices submitted by Jubilee Oil and requested the State Board of Accounts to examine fuel purchases. Our examination of fuel purchases from Jubilee Oil showed that Jubilee Oil overcharged the Town \$446,643 as described below.

Documentation of Overcharge

Supreme Oil Company, Inc. (Supreme Oil of New Albany, Indiana) was Jubilee Oil's supplier of gasoline and diesel fuel from the year 2000 through the year 2006. Jubilee Oil submitted Supreme Oil's invoices to the Town to support the price per gallon they charged the Town for gasoline and diesel fuel. A review of Supreme Oil's invoices submitted by Jubilee Oil showed what appeared to be alterations to Supreme Oil's invoices. Due to the appearance of alterations, we requested Supreme Oil to confirm the documentation Jubilee Oil submitted to the Town.

Records presented for examination by Supreme Oil, show that Supreme Oil delivered gasoline and diesel fuel to the Town for the years 2000 through 2006. Larry Funk, Vice President of Supreme Oil, confirmed that Supreme Oil and not Jubilee Oil delivered gasoline and diesel fuel to the Town. Records presented for examination by Supreme Oil showed the number of gallons Supreme Oil delivered to the Town and the price per gallon Jubilee Oil paid Supreme Oil for gasoline and diesel fuel delivered to the Town.

We compared Supreme Oil's records with amounts Jubilee Oil billed the Town for gallons delivered and rate per gallon charged for gasoline and diesel fuel. Our comparison showed that Jubilee Oil billed the Town for gasoline and diesel fuel not delivered and billed the Town at rates per gallon that exceeded Jubilee Oil's actual cost per gallon resulting in Jubilee Oil overcharging the Town \$446,643 as summarized in the following schedule.

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Year	Actual Cost of Gasoline and Diesel Fuel				
	Amount Paid by Town to Jubilee	Amount Paid to Supreme by Jubilee	Gasoline and Diesel Fuel Overcharge	(Note 1) Delivery Fee Overcharge	Total Overcharge
2000	\$ 190,214	\$ 127,710	\$ 62,504	\$ 5,700	\$ 68,204
2001	178,996	124,549	54,447	3,585	58,032
2002	168,779	121,421	47,358	3,162	50,520
2003	224,225	147,525	76,700	4,899	81,599
2004	241,692	174,470	67,222	4,488	71,710
2005	295,241	237,896	57,345	1,653	58,998
2006	329,066	272,996	56,070	1,510	57,580
Totals	<u>\$ 1,628,213</u>	<u>\$ 1,206,567</u>	<u>\$ 421,646</u>	<u>\$ 24,997</u>	<u>\$ 446,643</u>

Note (1): The delivery fee overcharge represents the fee Jubilee Oil charged the Town for 156, 232 gallons of gasoline and diesel fuel that was not delivered (See section below titled "Process Used to Overcharge Charge the Town").

Process Used to Overcharge the Town

The process used to overcharge the Town of Clarksville consisted of two components. One component consisted of Jubilee Oil billing the Town for gallons not delivered. The second component consisted of Jubilee Oil altering their supplier's (Supreme Oil) invoices in order to show a higher rate per gallon than Supreme Oil was charging Jubilee Oil.

The following is additional information regarding the process used to overcharge the Town:

1. Gallons Not Delivered:

Supreme Oil submitted their delivery tickets directly to Jubilee Oil and not to the Town. As a result, Supreme Oil's delivery tickets were not signed by a Town employee to verify gallons delivered at the time of delivery. Verification of gallons delivered by Supreme Oil would have been a simple process because Supreme Oil had an electronic meter that stamped the delivery ticket showing the beginning and ending meter readings and the number of gallons dispensed.

Sometime after the delivery was made by Supreme Oil, Jubilee Oil would submit their delivery ticket (showing the name of "Jubilee Oil Co., Inc.") to the Town department purchasing the gasoline and diesel fuel. Jubilee Oil's delivery tickets were handwritten and showed the total gallons delivered but did not show any meter readings. A Town employee would sign the Jubilee Oil delivery ticket on the "Received By" line indicating that the delivery was verified. Since the delivery tickets were not signed at the time of delivery, the Town employee signing the delivery ticket had no way of verifying the number of gallons reported on the Jubilee Oil delivery ticket.

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

We compared delivery tickets submitted to the Town by Jubilee Oil with Supreme Oil's delivery tickets. Our comparison did not show any relationship in the number of gallons reported on the Jubilee Oil delivery tickets and the number of gallons reported on Supreme Oil's delivery tickets. We also found instances of Jubilee Oil's delivery tickets showing delivery dates not reported on Supreme Oil's records.

The following is a comparison of gallons Jubilee Oil billed the Town with the number of gallons Supreme Oil records show were delivered to the Town:

Year	Gallons Delivered by Supreme Oil to Town	Gallons Jubilee Oil Billed to the Town	Variance
2000	106,172	141,803	(35,631)
2001	113,566	135,970	(22,404)
2002	119,902	139,665	(19,763)
2003	123,523	154,140	(30,617)
2004	114,535	142,584	(28,049)
2005	122,683	133,013	(10,330)
2006	<u>122,559</u>	<u>131,996</u>	<u>(9,437)</u>
Totals	<u>822,939</u>	<u>979,171</u>	<u>(156,232)</u>

2. Excessive Rate per Gallon:

Jubilee Oil was required by their contractual arrangement with the Town to submit their supplier's (Supreme Oil) invoices to support the price per gallon charged to the Town for gasoline and diesel fuel and to charge the Town no more than their actual cost. We compared 53 of Supreme Oil invoices submitted by Jubilee Oil to the Town to the Supreme Oil invoices obtained directly from Supreme Oil. There was no relationship between the Supreme Oil invoices submitted by Jubilee Oil to the Town and the invoices we obtained directly from Supreme Oil in regards to invoice number, delivery date, number of gallons purchased, and the rate per gallon charged.

Jubilee Oil's delivery tickets also served as invoices showing the rate per gallon Jubilee Oil charged the Town. We compared the rate per gallon Jubilee Oil charged the Town on 60 delivery tickets with the rate per gallon that Supreme Oil records show they billed Jubilee Oil. Our comparison showed that Jubilee Oil charged the Town excessive rates on all 60 delivery tickets. The excessive rates ranged from \$.02 (two cents) per gallon to \$.45 (forty-five cents) per gallon.

Information regarding the overcharge in the amount of \$446,643 has been submitted to the United States Attorney General's Office for the Southern District of Indiana, the Indiana State Police, and the Federal Bureau of Investigation. (See Summary of Overcharges, Questionable Fees, and Examination Costs, page 13)

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELIVERY FEE CHARGED BY FUEL VENDOR

The contract between the Town and Jubilee Oil Company, Inc. (Jubilee Oil) provided for the Town to pay sixteen cents (\$.16) per gallon for gasoline and diesel fuel delivered to Town premises. Records presented for examination by Supreme Oil, showed that Supreme Oil delivered gasoline and diesel fuel to the Town for the years 2000 through 2006. Larry Funk, Vice President of Supreme Oil, confirmed that Supreme Oil and not Jubilee Oil delivered gasoline and diesel fuel to the Town. Records presented for examination by Supreme Oil did not show that Supreme Oil charged Jubilee Oil a delivery fee.

The following schedule shows the delivery fee Jubilee Oil charged the Town during the years 2000 through 2006 for actual gallons delivered by Supreme Oil:

<u>Year</u>	<u>Gallons Delivered</u>	<u>Delivery Fee Rate</u>	<u>Delivery Fee Charge</u>
2000	106,172	\$ 0.16	\$ 16,988
2001	113,566	0.16	18,171
2002	119,902	0.16	19,184
2003	123,523	0.16	19,764
2004	114,535	0.16	18,326
2005	122,683	0.16	19,629
2006	<u>122,559</u>	<u>0.16</u>	<u>19,609</u>
Totals	<u>822,939</u>	<u>\$ 0.16</u>	<u>\$ 131,670</u>

We consider the delivery fee charged by Jubilee Oil to be questionable based on the following:

1. Jubilee Oil did not deliver gasoline and diesel fuel to the Town and records presented for examination by Supreme Oil did not show that Supreme Oil charged Jubilee Oil a delivery fee.
2. Jubilee Oil's delivery tickets submitted to the Town were not based on Supreme Oil's delivery tickets (See Examination Result and Comment titled "Overcharge by Fuel Vendor").

Information regarding the delivery fee in the amount of \$131,670 has been submitted to the United States Attorney General's Office for the Southern District of Indiana, Indiana State Police, and the Federal Bureau of Investigation. (See Summary of Overcharges, Questionable Fees, and Examination Costs, page 13)

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Gasoline and diesel fuel were delivered to the Town's Police and Fire Departments, Street Department, and Parks Department. The following is a summary of the gallons billed to each department by Jubilee Oil Co., Inc. (Jubilee Oil):

Department	Gallons Billed by Jubilee Oil		
	Gasoline	Diesel Fuel	Totals
Police and Fire	365,940	30,720	396,660
Park	132,626	2,294	134,920
Street	208,825	238,766	447,591
Totals	707,391	271,780	979,171

We identified the following control deficiencies regarding the accounting for quantity of gasoline and diesel fuel purchased and used:

1. The Street Department and Parks Department did not maintain any type of inventory system that would assist them in identifying any discrepancies between number of gallons purchased and used.

An inventory system was maintained by the Clerk-Treasurer's office for gasoline and diesel fuel at the Police and Fire Departments who share a common fuel tank. Their inventory system identified significant discrepancies between the actual gallons on hand based on an actual physical inventory and what their inventory records showed as being on hand. Due to these discrepancies, Town officials took various actions in an attempt to identify the cause of the discrepancies. However, none of the actions taken identified the cause of the discrepancies.

The primary reason the discrepancies could not be identified was because the Clerk-Treasurer's office was relying on the gallons delivered reported on the Jubilee Oil delivery tickets signed by various Town employees. However, the accuracy of the gallons reported on the delivery tickets were not being verified as described in item number two below.

2. Deliveries made to the department locations were not verified at the time of delivery. Jubilee Oil would submit handwritten (with no meter readings) delivery tickets to office personnel of the respective departments who would sign the delivery tickets as being received without the office personnel having any way to verify the actual gallons delivered.
3. The Town relied on the supplier's invoices submitted by Jubilee Oil in regards to the price per gallon Jubilee Oil charged the Town. The Town did not have a process in place to independently confirm the price per gallon directly with the supplier.

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

EXAMINATION COSTS

The State of Indiana incurred \$33,679 in examination costs investigating and documenting the amount Jubilee Oil Co., Inc., overcharged the Town for gasoline and diesel fuel. Information regarding examination costs in the amount of \$33,679 has been submitted to the United States Attorney General's Office for the Southern District of Indiana, Indiana State Police, and the Federal Bureau of Investigation. (See Summary of Overcharges, Questionable Fees, and Examination Costs, page 13)

FUEL PURCHASES
TOWN OF CLARKSVILLE
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2010, with Gary P. Hall, Clerk-Treasurer; Gregory L. Isgrigg, President of the Town Council; Roberta McLemore, Deputy Clerk-Treasurer; and Anita Elliott/Neeld, Deputy Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 11 and 12.

GARY P. HALL, CLERK-TREASURER
TOWN OF CLARKSVILLE
2000 Broadway Street
Clarksville, Indiana 47129
812-283-1500

May 11, 2010

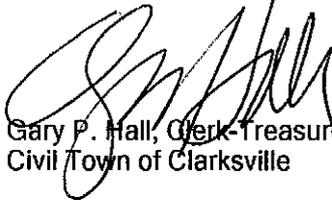
To: Indiana State Board of Accounts
Re: Audit Conference May10, 2010, Concerning Fuel Purchases

First of all I wish to thank and commend you for all of the hard and thorough work you have put into the investigation of this matter, at our request. I am, especially grateful for the discussion and comments during our meeting yesterday and suggestions as to what we should do in order to assure tighter controls on fuel delivery and delivery of other product and services.

I, however, wish to make one comment that is not in the official record, as clearly as I would prefer. When I became clerk-treasurer in my first term and first found out about write-offs on gasoline purchases, I found this very disturbing. I spent several months investigating this past situation, through physically checking the tank, fuel pumps, user logs, and computer (and software) to assure that they were all in working order and providing us correct information. I then interviewed Mr. Crowe about the possibility of under delivery of gasoline by him or his delivery driver. He told me that was not possible as he had certified metering on his delivery truck. I found out later that he did not, according to Clark County Weights and Measures. At this point, although still very suspicious of Mr. Crowe's deliveries, I did not have sufficient proof to show specifically any wrong doing. Several things were done to try to stem this situation from recurring. I met with counsel, Samuel Gwin, on several occasions and he recommended that we put gasoline delivery out for bids, since Mr. Crowe was having his vendor actually making deliveries at this point and we would likely get a lower bid. The council agreed with this and Jacobi Oil became our vendor. I then placed into effect procedures to verify each delivery and actual amount of fuel used by town personnel. I found out from Ms. Frasier, the Town's Administrative Assistant, that she personally made these verifications for about five months and then discontinued personally verifying the deliveries as they had all been accurate when she checked them. As you know our personnel discovered what appeared to altered information on Mr. Crowe's invoices, I personally investigated this with Mr. Crowe's fuel vendor, Supreme Oil Company. When I was able to verify the invoices contained fraudulent information and probable theft of thousands of dollars from the Town, I contacted you and Indiana State Police to have the matter investigated.

The parks department and street departments told me that they had no problems and were verifying amounts of deliveries. I am presently working on a policy that will require all fuel deliveries at all locations be verified and signed off for at the time of delivery by delegated personnel of the Town. Council President, Greg Isgrigg was present at our conference with you and is fully behind such measures and has informed you and me at that meeting that he would require enforcement of the policy by department heads of each department. The policy will also require user logs by street and parks department locations to be turned on a monthly basis. We already receive user logs from the Police Department.

Very respectfully yours,

A handwritten signature in black ink, appearing to read "Gary P. Hall", written in a cursive style.

Gary P. Hall, Clerk-Treasurer
Civil Town of Clarksville

FUEL PURCHASES
TOWN OF CLARKSVILLE
SUMMARY OF OVERCHARGES, QUESTIONABLE FEES, AND EXAMINATION COSTS

	<u>Amount</u>
Jubilee Oil Co., Inc. (Gary V. Crowe, Sr., Owner):	
Overcharge by Fuel Vendor, pages 4 through 6)	\$ 446,463
Delivery Fee Charged by Fuel Vendor, page 7)	131,670
Examination Costs, page 9)	<u>33,679</u>
Totals	<u><u>\$ 611,812</u></u>

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AFFIDAVIT

STATE OF INDIANA)
)
CLARK COUNTY)

We, Karen S. Kelleher and David L. Stainbrook, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Clarksville, Clark County, Indiana, for the period from January 1, 2000 to December 31, 2006, is true and correct to the best of our knowledge and belief.

Karen S. Kelleher

David Stainbrook
Field Examiners

Subscribed and sworn to before me this 30 day of June, 2010.

Barbara Hoos
Notary Public

My Commission Expires: 12-31-10

County of Residence: CLARK