

**Fuel Costs Follow-Up Audit
September 2012**

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Fuel Costs Follow-Up Audit



Report #12-06

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Executive Summary

Fully Implemented

Appropriate fuel tank capacities

Updated policies and procedures

User departments reconcile fuel credit card receipts to monthly statements and authorize payment prior to invoice approval

Partially Implemented

Reconciliation of manual fuel logs

Exception reports

Not Implemented

Reporting of Parks fuel usage

Procedures for investigating questionable fueling

Automated reporting

The City Auditor’s Office has completed a follow-up audit to the Fuel Costs audit released in June 2011. The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit objectives were to determine the implementation status of prior audit recommendations.

Follow-up audit results indicated that management fully implemented prior audit recommendations related to vehicle fueling capacity limitations, the review of fuel credit card transactions and payment authorizations. Also, standard operating procedures were updated regarding fuel credit cards and manual fuel logs within the Parks and Recreation Department.

Prior audit recommendations related to the reconciliation of manual fuel logs within the Parks and Recreation Department and the creation of exception reports for management were considered partially implemented.

A city-wide directive addressing the reporting and required follow-up/investigation of questionable fueling transactions was not issued. Also, prior audit recommendations related to Parks fuel usage being reported to the Fleet Services Division, as well as the exporting of raw fuel credit card data to the City’s fuel system, were not implemented. Since fuel tanks at the Fleet Services Center were pulled subsequent to the initial audit (due to leakages), prior audit recommendations related to automated controls and improved reporting that would help prevent unreasonable fueling were not implemented.

Audit Scope and Methodology

The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. The following methodology was used in completing the audit.

- Reviewed standard operating procedures within the Fleet Services Division and the Parks and Recreation Department
- Compared specified tank capacities to those loaded within the fleet software
- Compared specified tank capacities to total fuel pumped into vehicles
- Compared Parks' tank readings to the manual fuel log and fuel invoices
- Reviewed documentation supporting departmental review of fuel credit card transactions

The audit covered fueling activity since June 30, 2011.

Status of Prior Audit Recommendations

Recommendation:

The Public Works and Transportation Director should require that vehicle specifications be reviewed for each type of vehicle included in the City's fleet. The tank size specified for each City vehicle should then be compared to the vehicle fueling capacity limitations entered within the City's fueling system. Incorrect fuel capacity limitations within the City's fueling system should be corrected.

Management's Response: Concur.

Target Date: December 31, 2011

Responsibility: Fleet Manager

Implementation Status:

Fully Implemented. Audit testing indicated that proper vehicle fueling capacity limitations have been entered into the City's fueling system.

Recommendation:

The Parks and Recreation Director should reiterate to staff the requirement and importance of properly completing manual fuel logs.

Management's Response:

Concur. The department's standard operating procedure for Fuel Handling was updated and implemented in March 2011. In the Park Operations Division, Park District Supervisors at each location are responsible for collecting manual fuel logs on site, inputting the information into an electronic spreadsheet and forwarding to the Parks Asset Manager on a monthly basis. The manager reconciles this information with fuel ordering logs.

In the Golf Division, usage logs are reconciled on site by the Golf Course Superintendents, reviewed by the Superintendent of Golf Course Maintenance, [and] then forwarded to the Asset Manager.

Target Date: Completed in March 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

Implementation Status:

Fully Implemented. In March 2011, the Parks and Recreation Department updated its standard operating procedures. The referenced procedures require that the fueling of equipment be logged onto fuel logs legibly and completely.

Recommendation:

The Deputy City Manager over the Public Works and Transportation Department should require that user departments reconcile a random sample of fuel receipt tickets to the Mansfield Oil statement on a routine basis.

Management's Response: Concur.

Target Date: December 31, 2011

Responsibility: Fire Chief

Public Works and Transportation Assistant Director for Services

Implementation Status:

Fully Implemented. In December 2011, the City's "Policy for the Fleet Fuel Card Program" was revised to require that using departments monitor their own fuel credit card usage and reconcile a random sample of fuel receipt tickets to the Mansfield Oil statements each month. Audit testing verified that using departments (Fire, Police and Public Works) reconcile fuel receipt tickets to Mansfield Oil statements on a monthly basis.

Recommendation:

The Financial and Management Resources (FMR) Director should ensure that fuel credit card transactions are approved, within Catalyst, by the department that has incurred the expense.

Management's Response:

Concur. As the fuel card program grows, the Fleet Division will modify the fuel card policy, outlining that departments will monitor their own fuel usage and ultimately approve their own fuel purchase invoices in Catalyst, the City's Accounts/Payable software solution.

The Fleet Division will continue to monitor fuel usage/purchases and control the availability of gasoline/diesel. The Fleet Division will ensure that each department has its own fuel invoice.

FMR will assist departments in setting up the proper approval matrixes in Catalyst for the purchase of their fuel.

Target Date: Not Yet Determined.

Responsibility: Fleet Manager

All City Departments

Implementation Status:

Fully Implemented. User departments review and reconcile fuel credit card transactions for accuracy and propriety. Upon review and reconciliation, user departments notify Fleet Services of any discrepancies and give Fleet Services the "okay to pay."

While user departments are not physically approving their own invoices within Catalyst, user departments are authorizing payment when they inform Fleet Services that the statement charges are accurate.

Recommendation:

The Parks and Recreation Director should ensure that fuel on hand is reconciled to fuel inventory records on a routine basis. Reconciliation results should be used to establish appropriate fuel reorder points and exceptions should be immediately reported to senior management within the Parks and Recreation Department, the Fleet Services Division and/or the Arlington Police Department if deemed appropriate.

Management's Response:

Concur. Supervisors at each location are responsible for taking weekly measurements of their on-site fuel tanks and recording the current fuel amount on hand. Minimum fuel order points will be set at one hundred fifty (150) gallons; however, fuel will also be purchased on price projections. All fuel inventory records are reconciled monthly by the Parks Asset Manager and reported to the Assistant Directors over both divisions.

Target Date: Completed in April 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

Implementation Status:

Partially Implemented. Management indicated that they routinely reconcile fuel on hand to manual fuel logs, and that variances are investigated upon identification. However, since Parks did not document their reconciliations, the City Auditor's Office was unable to verify that reconciliations were actually performed.

Variances were noted between Parks' tank readings and those calculated by the City Auditor's Office. In most cases, Parks' tank readings exceeded those calculated by internal audit. Parks management stated that variances could have resulted from equipment malfunctions or the City may have received more fuel than was indicated on the fuel invoices. It should be noted that information recorded onto the manual fuel logs and fuel invoices were used to arrive at the audit calculation.

In reference to equipment malfunctions, Catalyst records indicate installation of meter registers in June 2011 and pump and hose replacements in June 2012. A manual fuel log indicates that on March 19, 2012, users of two different equipment numbers noted that the diesel tank was empty. However, Parks' tank measurement on March 20th indicated that 33 gallons were in the tank. In reference to shipment quantities, management indicated that they do not, but will begin verifying and documenting such verification of fuel shipments.

It should be noted that there appeared to be little, if any, value added by transferring manual fuel log data to an Excel spreadsheet. Human error, without detection during the reconciliation process, indicates that it may be more effective and efficient to use the manual fuel log for

reconciliation purposes. For example, 5.0 gallons of fuel was noted on the manual log, while 50 gallons were noted on the Excel spreadsheet.

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should determine whether Crystal reports can be used to create exception reports for management to routinely analyze data in an attempt to identify questionable fueling transactions/patterns.

Management's Response:

Concur.

Target Date: March 30, 2012

*Responsibility: Information Technology Department
Fleet Manager*

Implementation Status:

Partially Implemented. In January 2012, City management upgraded FleetFocus (Asset Works' fleet system that captures fuel usage) to include a web component. This upgrade allows management an opportunity to create exception reports. However, the application will not be fully utilized until training is provided by the vendor.

Recommendation:

The Parks and Recreation Department should provide the Fleet Manager with fuel usage reports summarizing fuel usage, by location, on at least a quarterly basis. The fuel usage reports should include separate detail for fuel placed in City vehicles (e.g., vehicle number, mileage and quantity of fuel obtained).

Management's Response:

Concur. An updated fuel usage report will be provided to the Fleet Manager on a quarterly basis summarizing usage per site.

Target Date: October 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

Implementation Status:

Not Implemented. As of mid-August, Parks management had not begun providing fuel usage information to the Fleet Services Division.

When reviewing Parks' manual fuel logs, the City Auditor's Office noted the recording of fuel for a vehicle with an equipment number that did not coincide with Fleet's master vehicle

inventory list. Discussions with management revealed that a decision had been made to retire this particular vehicle. However, Parks management chose to keep the vehicle and provide its own maintenance, etc. The Fleet Services Division kept the vehicle on file, under the same equipment number. However, Parks re-assigned the vehicle another equipment number. The new equipment number assigned by Parks had already been assigned to a trailer being used by the Water Utilities Department. Such a discrepancy could have been identified if Parks fuel usage had been reported to the Fleet Services Division.

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should determine the feasibility of exporting raw data from the fuel credit card vendor's website to the City's fuel system.

Management's Response:

Concur.

Target Date: Depends on how quickly IT can do the required programming

Responsibility: Information Technology Department

Implementation Status:

Not Implemented. Per IT management, the IT team was not aware of the timeline and this task had not moved forward. It should be noted that the Chief Information Officer position was vacant at the time that the initial audit report was issued. The current Chief Information Officer was hired in September 2011, approximately three (3) months after the release of the initial audit report.

Recommendation:

The Deputy City Manager over the Public Works and Transportation Department should ensure that existing policies and procedures specify to whom and in what format questionable fueling transactions should be submitted by the Fleet Services Division, and how and to whom departmental investigative results should be communicated.

Management's Response:

Concur.

Target Date: September 30, 2011

Responsibility: Deputy City Manager, Capital Investment and Economic Development

Implementation Status:

Not Implemented. No directive had been provided in reference to whom, and in what format, questionable fueling transactions should be submitted to the Fleet Services Division. Nor was a

directive issued regarding how and to whom departmental investigative results should be communicated. It should be noted that the Deputy City Manager position was vacant at the time that the initial audit report was issued.

Recommendation:

The Public Works and Transportation Director should consider establishing a control limiting the number of times a vehicle may be fueled within a certain time period, mileage and/or the number of times an employee's PIN# can be used within a certain time period.

Management's Response:

Concur.

Target Date: October 30, 2011

Responsibility: Fleet Manager

Implementation Status:

Not Implemented. Management initially planned to implement FuelFocus (Asset Works' fuel system), which would allow for automatic fuel database updates and automated monitoring. Management stated that a live, real-time connection would be required between the fleet and fuel software in order to shut the pumps off when a certain condition (e.g., too many fuelings within a specified timeframe) occurs. However, subsequent to the release of the initial Fuel Costs Audit report, fuel tanks were pulled at the Fleet Services Center due to leakage. Implementation of FuelFocus was, therefore, purposely delayed until installation of new fuel tanks and pumps.

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should require that the Fleet Focus and Fuel Force systems are synchronized to decrease the number of "false" exceptions that appear on the Automated Fuel Report.

Management's Response:

Concur. NOTE: We are looking at doing away with Fuel Force and implementing the fuel module that is a part of Fleet Focus/Asset Works. Implementation is dependent on IT support.

Target Date: March 31, 2012

*Responsibility: Fleet Manager
Information Technology Department*

Implementation Status:

Not Implemented. Subsequent to the release of the initial Fuel Costs Audit report, fuel tanks were pulled at the Fleet Services Center due to leakage. Implementation of FuelForce was, therefore, purposely delayed until new fuel tanks and pumps are installed at the Fleet Services

Center. Management indicated that the implementation of this recommendation is dependent upon the implementation of FuelFocus.