

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF COMMUNITY SERVICES FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-05

December 28, 2020

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BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The Office of Community Services (Community Services) staff utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, Community Services had 395 primary prokee transactions totaling 6,555 gallons and one secondary prokee transaction totaling five gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to Community Services.

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- To determine whether Community Services is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Community Services management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards except for the requirement for an external peer review every three years. 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form signed by a current employee and manager is on file with Fleet Services for Community Services' one secondary prokee. No secondary prokee use log is being maintained by Community Services and accordingly, no reconciliation of a use log to the secondary prokee fueling reports is being performed. (Finding #1)

The review of the monthly and quarterly fueling reports provided to Community Services is not being adequately documented by Community Services staff. (Finding #2)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

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1. Fuel Use Log Not Being Maintained

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a “Secondary Prokee Request Form”. The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

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The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to have an employee and manager sign a request form for each secondary prokee, to record usage of these prokees on a use log, and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Community Services has one secondary prokee that was only used once in 2019. A secondary prokee request form signed by a current employee and manager is on file with Fleet Services for this prokee. No secondary prokee use log is being maintained by Community Services and therefore, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. Despite the limited use of the secondary prokee, a use log should be maintained and reconciled in accordance with policy.

Cause

- Community Services staff were not aware of the requirement to maintain a secondary prokee use log or to perform a reconciliation of the use log to the secondary prokee fueling reports from Fleet Services.

Effect

- Fuel theft may occur without detection.

Recommendation

- 1.1 Community Services management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

2. Lack of Documented Evidence of Review of Fueling Reports

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Community Services' fuel usage procedures include the following requirements:

- *Management Role and Responsibility*
 - *Review and verify the charges on a monthly basis as outlined in this policy.*
 - *Report fraud or suspected fraud immediately to the supervisor/lead.*
- *Review and Audit of Fuel Records Procedure*
 - *Sr. Neighborhood Outreach Specialist reviews fuel log and approves usage for each vehicle and forwards to Community Services Administrator for review and record retention.*
 - *If unusual fuel use is suspected, Sr. Neighborhood Outreach Specialist will immediately inform his/her direct supervisor for appropriate action.*

Condition

While a Community Services staff member stated that he reviews the monthly and quarterly fueling reports for irregular transactions and sends an email to management following his review, no other documentation showing evidence of his review is maintained such as notes on the research into irregular transactions, the reviewer's signature, and the date of the review on the fueling reports.

Cause

- Lack of department procedures requiring the maintenance and retention of documented evidence of the review of fueling reports.

Effect

- Lack of documentation showing evidence of a review of the fueling reports.

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Recommendation

- 2.1 Community Services management should document and implement department procedures requiring that the review of monthly and quarterly fueling reports by a manager be documented. Documented evidence of the review should include a copy of the fueling reports along with notes on the reviewer's research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Appendix A

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- | |
|---|
| <ul style="list-style-type: none"> • Drive up to appropriate fuel dispenser • Insert prokee into electronic reader • Remove and reinsert prokee as prompted • As prompted enter employee identification number • As prompted enter pump number desired • Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel • Return pump lever and nozzle to original positions upon completion • Insert prokee into electronic reader to update daily data |
|---|
- **CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with *NRS 205.0832*, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
 - No smoking is allowed in or around a fuel pump area.
 - No loitering is allowed in or around a fuel pump area.
 - A vehicle in a fuel pump area is to be turned off and attended to at all times.
 - During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
 - Utilize approved transport containers only.
 - **User is responsible for tracking all fuel disbursements.**
 - **Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
 - Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
 - Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
 - The user is responsible for knowing and following all other applicable safety rules and precautions
 - **Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name

Employee Signature

Date

Manager Printed Name

Manager Signature

Date

MANAGEMENT RESPONSE

1. Fuel Use Log Not Being Maintained

- 1.1 Community Services management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

Management Response: The Office of Community Services has (1) secondary prokee assigned to the staff member that oversees OCS's fleet and all heavy equipment requiring fuel. OCS will include in its existing Fuel Policy, the procedures for the use of the secondary prokee and reconciliation procedures.

Estimated Date of Completion: Completed

2. Lack of Documented Evidence of Review of Fueling Reports

- 2.1 Community Services management should document and implement department procedures requiring that the review of monthly and quarterly fueling reports by a manager be documented. Documented evidence of the review should include a copy of the fueling reports along with notes on the reviewer's research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Management Response: The Office of Community Services receives fueling reports from fleet on a quarterly basis and has an existing procedure for the review of these quarterly fueling reports. In the existing procedure, the staff member who oversees OCS fleet reviews the logs and notifies the Director and Deputy Director of any irregular transactions identified via email. As a result of this audit, OCS has been asked to modify the existing process to improve documentation of the steps taken during the review. OCS has updated its fuel policy to include a process to document the review and reconciliation procedure.

Estimated Date of Completion: Completed