

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF CULTURAL AFFAIRS FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-07

December 28, 2020

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TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	1
SCOPE AND METHODOLOGY.....	2
FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS.....	2
1. Fuel Use Log Not Being Maintained.....	3
2. Fueling Reports Not Being Adequately Reviewed for Irregularities	5
Appendix A	6
Appendix B.....	7
MANAGEMENT RESPONSE	8

AUDIT OF OFFICE OF CULTURAL AFFAIRS FUELING TRANSACTIONS OVERSIGHT Report CW015-2021-07

BACKGROUND

The city's Fleet 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 Cultural Affairs (Cultural Affairs) 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, Cultural Affairs had 158 primary prokee transactions totaling 2,613 gallons and three secondary prokee transactions totaling 19 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 Cultural Affairs.
- To determine whether Cultural Affairs is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.

AUDIT OF OFFICE OF CULTURAL AFFAIRS
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-07
December 28, 2020

- To determine whether Cultural Affairs 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 is on file with Fleet Services for Cultural Affairs' one secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Cultural Affairs and accordingly, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. (Finding #1)

The review of monthly and quarterly fueling reports for irregular transactions is not being adequately documented by Cultural Affairs management. (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.

AUDIT OF OFFICE OF CULTURAL AFFAIRS
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-07
December 28, 2020

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.

Cultural Affairs has one secondary prokee which was only used three times in 2019. A secondary prokee request form is on file with Fleet Services for this secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Cultural Affairs 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

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

Effect

- Fuel theft may occur without detection.

Recommendations

- 1.1 Cultural Affairs management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.
- 1.2 Cultural Affairs 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 procedures.

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

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.

Condition

While Cultural Affairs management represented that they are reviewing their monthly and quarterly fueling reports, there is no documented evidence of their review for irregular transactions (such as notes on the research into irregular transactions, the reviewer's signature, and the date of the review) or documented procedures on how to complete and document this review.

Cause

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

Effect

- Fuel theft may occur without detection.

Recommendation

- 2.1 Cultural Affairs management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed for irregular transactions by management and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on 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

- 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 Cultural Affairs management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.

Management Action Plan: The one (1) Secondary Prokee assigned to the department will be returned to Fleet Services, as it is not needed for departmental fleet operations.

Estimated Date of Completion: September 2, 2020

- 1.2 Cultural Affairs 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 procedures.

Management Action Plan:

An operational review of the past four years of use of the Secondary Prokee assigned to the Office of Cultural Affairs has shown that in four years, the department has had no need for its use. Therefore, the Secondary Prokee will no longer be used by the department, and department work rules will be updated to reflect that the department does not allow the use Secondary Prokees. The citywide policy regarding the documentation of use logs and fueling reports shall be referenced in the department work rules, in the event that the rule about Secondary Prokees is changed in the future.

Estimated Date of Completion: December 31, 2020

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

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

AUDIT OF OFFICE OF CULTURAL AFFAIRS
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-07
December 28, 2020

Management Action Plan:

The monthly and quarterly fueling reports received via email from fleet services shall be reviewed by the department manager upon receipt, and the department manager shall respond via email within ten (10) working days, affirming that the reports were reviewed and indicating either that no irregularities were found, or that irregularities were found and detailing what the irregularities were, and the steps taken to correct and prevent future irregularities. This email shall be date and time stamped, include the department manager's email signature block and will be retained electronically for at least one year.

Estimated Date of Completion: December 31, 2020 (or within 10 working days of receipt of the next quarterly fuel report)