

CITY AUDITOR'S OFFICE



**AUDIT OF
PARKS AND RECREATION DEPARTMENT
PARKS AND GROUND MAINTENANCE DIVISION
FUELING TRANSACTIONS OVERSIGHT**

Report CW015-2021-08

December 28, 2020

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CITY AUDITOR

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BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations and 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 staff of the Parks and Ground Maintenance Division (Parks Maintenance) of the Department of Parks and Recreation 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, Parks Maintenance had 3,498 primary prokee transactions totaling 65,910 gallons and 741 secondary prokee transactions totaling 6,817 gallons.

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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 Parks Maintenance.
- To determine whether Parks Maintenance is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Parks Maintenance 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 policy.

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 Park Maintenance's 18 secondary prokees; however, 5 of the 18 secondary prokee request forms are signed by employees who are no longer employed in Parks Maintenance and none of the forms are signed by the current manager. Differences were also noted between the names on the request forms and the names within the fueling system records. (Finding #1)

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Secondary prokee use logs are being maintained and reconciliations of the use logs to the monthly fueling reports are being completed by Parks Maintenance; however, the reconciliations are incomplete as they do not include all secondary prokee fueling transactions. In addition, the results of research into unrecorded or irregular transactions are not being adequately documented on the fueling reports and the use log reconciliations are not being reviewed by a manager. (Finding #1)

The quarterly primary prokee fueling reports are being reviewed for irregular transactions by a Parks Maintenance staff member; however, improved documented evidence of this review is needed (i.e., identification of irregular transactions, notes and conclusions on the research into the irregular transactions, reviewer and manager's signature and date of their review). (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.

Contributors to this report included:

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1. Incomplete Secondary Prokee Use Log Reconciliations

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.

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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.

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.

Parks Maintenance has 18 active secondary prokees that were used 741 times during 2019. A secondary prokee request form is on file with Fleet Services for all of these secondary prokees. However, the following discrepancies were noted:

- 5 of the 18 secondary prokee request forms are signed by employees who are no longer employed by the city.
- The manager who signed all the secondary prokee request forms is no longer with Parks Maintenance.
- Fleet has made secondary prokee assignment changes in the fueling system records without obtaining new secondary prokee request forms. 5 of the 18 secondary prokees are assigned to employees different than the ones who signed the forms.
- The fueling system records have not been updated to reflect all staffing changes. 4 of the 18 secondary prokees are assigned to individuals no longer employed by the city.
- Three active secondary prokees have not been used in several years or not at all.

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Parks Maintenance staff are maintaining a secondary prokee use log for 15 of the 18 active secondary prokees. Three of the active secondary prokees are no longer being used and therefore, a use log is not being maintained for these prokees. The monthly reconciliation of the use logs to the fueling reports is incomplete as it does not include all secondary prokee fueling transactions. The supervisor performing this reconciliation has not been including the transactions of three secondary prokees being used by staff of the other two supervisors.

In our testing of two months of secondary prokee reconciliations, we noted that the supervisor had identified transactions not recorded on a use log. However, there were no comments on whether the employee was notified of the deficiency and the employee's explanation for the deficiency. In addition, we did not see any documented evidence of identification and follow-up on irregular transactions.

Cause

- Fleet Services has not requested new secondary prokee request forms when employees and/or managers transfer to another department or leave employment with the city.
- Fueling system records are not always updated to reflect secondary prokee assignment changes.
- Lack of documented procedures on how to appropriately complete and document a secondary prokee use log reconciliation.
- A manager is not reviewing the completeness of the secondary prokee use log reconciliations.

Effect

- Lack of accountability of staff and management without properly signed secondary prokee request forms.
- Inaccurate fueling system records.
- Fuel theft may occur without detection.

Recommendations

- 1.1 Parks Maintenance management working with Fleet Services should complete an inventory of their secondary prokees and update all of their secondary prokee request forms so that they are signed by those employees responsible for the secondary prokees and the manager responsible for oversight of these employees. Secondary Prokees no longer being used should be returned to Fleet Services and deactivated.
- 1.2 Parks Maintenance management should document and implement procedures for reconciling the use logs to the secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries in the use logs and that unrecorded transactions be identified and

the reason for the omission be documented on the fueling reports. The procedures should also require that secondary prokee fueling reports be reviewed for irregular transactions, irregular transactions be researched, and the results of the research be documented on the fueling reports.

- 1.3 Parks Maintenance management should document and implement procedures requiring that the secondary prokee reconciliation documentation (including the use logs and fueling reports used in the reconciliation) be reviewed by a manager and retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by the preparer and manager.

2. Primary Prokee Report Review Not Adequately Documented

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 the quarterly primary prokee fueling reports are being reviewed and retained by Parks Maintenance staff, improved documented evidence of the review is needed as evidenced by the following deficiencies:

- Irregular transactions are not identified on the fueling reports.
- Notes and conclusions on the research into irregular transactions are not documented on the fueling reports.
- The reviewer's signature and date of the review are not always identified on the fueling reports.
- The manager is not reviewing the reports as required by policy.

Cause

- Lack of documented procedures on how to properly complete and document the review of the primary prokee fueling reports and the required retention of this documentation.

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Effect

- Lack of documented evidence of review of primary prokee fueling reports.
- Lack of accountability for review of fueling reports without documented evidence of the review.
- Fuel theft may occur without detection.

Recommendation

- 2.1 Parks Maintenance management should document and implement procedures for reviewing the quarterly primary prokee fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with identification of irregular transactions, the reviewer's notes on research into these transactions, the reviewer's signature, and the date of the review. If the initial reviewer is not a manager, the review documentation should subsequently be reviewed, approved, and signed by a manager. Review documentation should be retained for a minimum of a year to comply with fueling policy.

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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. Incomplete Secondary Prokee Use Log Reconciliations

- 1.1 Parks Maintenance management working with Fleet Services should complete an inventory of their secondary prokees and update all of their secondary prokee request forms so that they are signed by those employees responsible for the secondary prokees and the manager responsible for oversight of these employees. Secondary Prokees no longer being used should be returned to Fleet Services and deactivated.

Management Action Plan: Parks Maintenance will update all *Secondary Prokee Request Forms*, have them signed by the current manager, and return them to Fleet Services.

Estimated Date of Completion: February 1, 2021

- 1.2 Parks Maintenance management should document and implement procedures for reconciling the use logs to the secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries in the use logs and that unrecorded transactions be identified and the reason for the omission be documented on the fueling reports. The procedures should also require that secondary prokee fueling reports be reviewed for irregular transactions, irregular transactions be researched, and the results of the research be documented on the fueling reports.

Management Action Plan: Parks and Recreation will implement procedures for reconciling use logs to the secondary prokee fueling reports that will follow the specific recommendations of the Auditor's Office.

Estimated Date of Completion: July 1, 2021

- 1.3 Parks Maintenance management should document and implement procedures requiring that the secondary prokee reconciliation documentation (including the use logs and fueling reports used in the reconciliation) be reviewed by a manager and retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by the preparer and the manager.

Management Action Plan: Parks and Recreation's updated procedures will include a requirement that a manager review the reconciliation, the reconciliation be signed and dated by the preparer and manager, and reconciliation documentation be retained for a minimum of one year.

Estimated Date of Completion: July 1, 2021

2. Primary Prokee Report Review Not Adequately Documented

- 2.1 Parks Maintenance management should document and implement procedures for reviewing the quarterly primary prokee fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with identification of irregular transactions, the reviewer's notes on research into these transactions, the reviewer's signature, and the date of the review. If the initial reviewer is not a manager, the review documentation should subsequently be reviewed, approved, and signed by a manager. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Management Action Plan: Parks and Recreation will implement procedures for reviewing quarterly primary prokee fueling reports that will follow the specific recommendations of the Auditor's Office.

Estimated Date of Completion: July 1, 2021