

CITY AUDITOR'S OFFICE



**AUDIT OF PUBLIC WORKS DEPARTMENT
FUELING TRANSACTIONS OVERSIGHT**

Report CW015-2021-09

March 25, 2021

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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 Department of Public Works (Public Works) 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 fiscal year 2020, Public Works had 2,762 primary prokee transactions totaling 54,840 gallons and 65 secondary prokee transactions totaling 351 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 Public Works.

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- To determine whether Public Works is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Public Works 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 fiscal year 2020. The last date of fieldwork was November 23, 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 Public Work's seven secondary prokees; however, 4 of the 7 forms are signed by employees who are no longer employed by the city and 6 of the 7 forms are signed by managers who are no longer employed with the city. (Finding #1)

A secondary prokee use log is being maintained by Public Works for only 5 of the 7 secondary prokees. The use log for these 5 prokees is being reconciled to the monthly secondary prokee fueling reports; however, the reconciliations are not being signed off and dated by the preparer and a manager. Also, explanations for unusual transactions could be better documented in conjunction with these reconciliations. (Finding #1)

Two of the secondary prokees are not being used and should be returned to Fleet Services if no longer needed. (Finding #1)

The monthly and quarterly fueling reports provided to Public Works are not being adequately reviewed for irregular transactions by Public Works management. Documented evidence of this review is needed. (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. Use Log Not Being Maintained for all Secondary Prokees

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

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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 record secondary prokee usage on a use log and to reconcile the use logs to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Public Works has a total of seven active secondary prokees that are found in two divisions including Transportation Engineering and Environmental. The following information was noted in our testing of the secondary prokee use logs and reconciliations in each of these divisions:

Transportation Engineering Division:

- The Transportation Engineering Division has five active secondary prokees that were used 42 times during fiscal year 2020.
- While a secondary prokee request form exists for each of the five secondary prokees, two of them are signed by employees who no longer work for the city and four are signed by a manager who no longer works for the city.
- Two of the five secondary prokees are not being used.
- Secondary Prokee use logs are being maintained by this division and they are being reconciled by the Business Specialist on a monthly basis. While there are various tick marks and notes on the secondary prokee fueling reports and use logs, there are not documented explanations for unusual transactions. The reconciliations are not signed and dated by the preparer or a manager who has reviewed and approved the reconciliations.

Environmental Division:

- The Environmental Division has two active secondary prokees that were used 23 times during fiscal year 2020.
- While a secondary prokee request form exists for each of the two secondary prokees, both of them are signed by an employee and a manager that no longer work for the city.

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- While we were shown secondary prokee use logs from a few years ago, use logs and reconciliations of the use logs to the monthly fueling reports for fiscal year 2020 had either not been maintained or could not be located due to recent staff turnover.

No department procedures addressing the use of secondary prokees, the maintenance of use logs, and the reconciliation of use logs to the secondary prokee fueling reports have been created.

Cause

- Public Works staff did not update their secondary prokee request forms to reflect current staffing and accountability for the secondary prokees.
- Fleet Services did not request that Public Works update their secondary prokee request forms at the time of staff turnover.
- Not all Public Works management were 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.
- Lack of documented department procedures on the use of secondary prokees, the completion of use logs, and the reconciliation of the logs to the fueling reports.

Effect

- Fuel theft may occur without detection.
- Lack of formalized accountability for fuel disbursements by employees and managers without current secondary prokee request forms and documented department procedures.

Recommendations

- 1.1 Public Works management working with Fleet Services should update its secondary prokee request forms with signatures of the employees responsible for their secondary prokees and the managers responsible for oversight of these employees.
- 1.2 Public Works management should evaluate whether all of its secondary prokees are needed and return any that are no longer needed to Fleet Services.
- 1.3 Public Works management should document and implement department procedures requiring the use of secondary prokee use logs and the reconciliation of the logs to the monthly secondary prokee fueling reports for all secondary prokees. These procedures should require that:
 - Unrecorded transactions be researched and the reason for the omission be documented.
 - Secondary prokee fueling reports be reviewed for irregular transactions and that any such transactions be researched and an explanation for the transaction be documented.

- Reconciliations be signed and dated by the staff performing the reconciliation and a manager who has reviewed and approved the reconciliation.
- Use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

2. Inadequate Documented 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.

Condition

The monthly and quarterly fueling reports provided to Public Works are not all being adequately reviewed by Public Works management. In addition, there is a lack of documented evidence of reviews such as signatures of reviewers, dates of reviews, the identification of irregular transactions, and the explanation for such transactions based on research and discussions with staff. There are no documented department procedures outlining how the review of the fueling reports is to be completed, documented, and by whom.

Cause

- Lack of established department procedures requiring 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 Public Works management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed by division managers for irregular transactions and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's signature,

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the date of the review, and notes on research into irregular transactions. Reviewed 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

Appendix B

CITY OF LAS VEGAS SECONDARY PROKEE USE LOG											
DEPT/DIV/SECTION:						PROKEE #:					
DATE	GALLONS	RFG <small>(unleaded)</small>	DIESEL	BIO-DIESEL	EMPLOYEE	DESCRIPTION/USE					

MANAGEMENT RESPONSE

1. Use Log Not Being Maintained for all Secondary Prokees

- 1.1 Public Works management working with Fleet Services should update its secondary prokee request forms with signatures of the employees responsible for their secondary prokees and the managers responsible for oversight of these employees.

Management Action Plan:

Public Works will work with Fleet Services to update the Secondary Prokee Request Forms to include signatures of the employees responsible for the secondary prokees and the supervisor or manager.

Estimated Date of Completion: January 30, 2021

- 1.2 Public Works management should evaluate whether all of its secondary prokees are needed and return any that are no longer needed to Fleet Services.

Management Action Plan:

Public Works managers are reviewing the prokees assigned to their respective Divisions to determine which Prokees are still required and if they are assigned to the proper personnel. Upon completion of this review, Public Works management will work with the appropriate O&M staff to return or reassign Prokees as needed.

In addition, Public Works would like to work with O&M to explore city-wide options to improve tracking and control of assigned secondary prokees. Options to be considered may include copying assigned individual and their supervisors on usage reports to serve as a mechanism for O&M and PW to more readily recognize if an individual is no longer in the capacity that requires prokee assignment; incorporating return of the prokees into the HR employee separation process; or requiring assigned Manager or Supervisors to confirm prokee assignment on an annual or semi-annual basis.

Estimated Date of Completion: December 31, 2020

- 1.3 Public Works management should document and implement department procedures requiring the use of secondary prokee use logs and the reconciliation of the logs to the monthly secondary prokee fueling reports for all secondary prokees. These procedures should require that:
- Unrecorded transactions be researched and the reason for the omission be documented.

- Secondary prokee fueling reports be reviewed for irregular transactions and that any such transactions be researched and an explanation for the transaction be documented.
- Reconciliations be signed and dated by the staff performing the reconciliation and a manager who has reviewed and approved the reconciliation.
- Use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

Management Action Plan:

Public Works has prepared a draft procedure for controlling and tracking the use of secondary prokees. Once complete and implemented, this procedure will: include uniform implementation of logs for tracking use of secondary prokees; establish a process for reviewing the logs against the monthly use reports, documenting the reviews, investigating inconsistencies; provide a course for corrective action; and establish a process to properly record and store documentation associated with the monthly secondary prokee reviews. To ensure uniformity, a similar review and archival process will be utilized for primary prokees.

Although Public Works will implement this procedure within the Department, having the ability to refer to a city-wide policy which provides use, verification, and retention guidelines would be preferred. This is especially important as Staff are required to sign the fuel usage agreement which references two procedures that are not readily available to all staff members.

Estimated Date of Completion: January 30, 2021

2. Inadequate Documented Review of Fueling Reports

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

Management Action Plan:

Based on information received during the audit process, each division within Public Works has already implemented a more enhanced review process. However, Public Works is preparing a Department-wide procedure to establish uniformity for conducting reviews, investigations, corrective actions, and preparing documentation of prokee usage by Public Works staff. Once the plan is completed, applicable staff will be trained on the process and the process will be implemented.

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Although Public Works will implement this procedure within the Department, having the ability to refer to a city-wide policy which provides review, documentation, and retention guidelines would be preferred.

Estimated Date of Completion: March 31, 2021