

CITY AUDITOR'S OFFICE



**AUDIT OF
OPERATIONS & MAINTENANCE DEPARTMENT**

**STREETS AND SANITATION DIVISION
FUELING TRANSACTIONS OVERSIGHT**

Report CW015-2021-12

June 10, 2021

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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 (Operations and Maintenance) 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 Streets and Sanitation Division (Streets) of Operations and Maintenance 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, Streets had 10,345 primary prokee transactions totaling 240,288 gallons and 285 secondary prokee transactions totaling 1,217 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 Streets.
- To determine whether Streets is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Streets 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 by Streets.

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 February 3, 2021.

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:

Outdated and missing secondary prokee request forms were identified. In addition, nine secondary prokees were found to not have been used at all during fiscal year 2020 and therefore may no longer be needed. (See Finding #1)

Secondary prokee use logs are being maintained and reconciled monthly by a Streets manager. However, the reconciliations are not being signed and dated by the manager and the reconciliations

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are not being reviewed, approved, signed, and dated by his supervisor, the deputy director. (See Finding #2)

The primary and secondary fueling reports are being reviewed for irregular transactions by a manager and deputy director, however, there is no documented evidence of this review (i.e., identification of irregular transactions, notes and conclusions on the research into the irregular transactions, and signature and date of the review). (See 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. Outdated Secondary Prokee Request Forms

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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Condition

A secondary prokee request form is required to be signed by an employee and manager for each secondary prokee issued. At the beginning of fiscal year 2020, Streets had 22 secondary prokees. During the fiscal year, an additional three secondary prokees were activated and eight were deactivated leaving Streets with 17 secondary prokees as of the end of fiscal year 2020. The following deficiencies were noted with the secondary prokee request forms and fueling system records for these secondary prokees:

- Three secondary prokees did not have completed forms.
- One form was missing the signature of the employee to whom the secondary prokee was assigned.
- Five forms were signed by employees who are no longer employed with Streets.
- Five forms were signed by a manager who is no longer employed with Streets.
- Three of the secondary prokees have employee names in the fueling system that are different than those on the corresponding forms.
- Four of the secondary prokees have names of employees in the fueling system that are no longer employed with Streets.

In our review of Streets' secondary prokee transactions during fiscal year 2020, we noted that eight prokees were not used at all. Five of these eight prokees were deactivated by Fleet in March 2020.

Cause

- Streets staff have not updated their secondary prokee request forms when there were changes in staff and management.
- Fleet Services has not requested new secondary prokee request forms when there were changes in staff and management.

Effect

- Lack of accountability of staff and management without properly signed secondary prokee request forms.

Recommendations

- 1.1 Streets management working with Fleet Services should update its secondary prokee request forms and request that Fleet Services update the fueling system records to reflect current secondary prokee assignments.
- 1.2 Streets management should evaluate whether all of their secondary prokees are still needed and return any that are not to Fleet Services.

2. Lack of Documented Evidence of Review

Criteria

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

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.

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

Streets employees maintain secondary prokee use logs and they are being reconciled monthly to the secondary fueling reports by a Streets manager. These reconciliations are being appropriately retained by the manager. However, the reconciliations are not signed and dated by the manager and they are not reviewed, signed, and dated by the deputy director to whom the manager reports.

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While the manager and deputy director receive the monthly and quarterly prokee fueling reports and represented to us that they review them for irregular transactions, there is no documented evidence of their review such as the identification of irregular transactions, notes on their research into these transactions, and their signatures and dates of their review.

Cause

- Lack of documented procedures on how to properly document the secondary prokee use log reconciliation and review of the fueling reports.

Effect

- Lack of documented evidence of who performed and reviewed the secondary prokee reconciliations.
- Lack of documented evidence that the primary and secondary prokee fueling reports are being reviewed for irregular transactions.
- Potential for fuel theft without detection if these procedures are not performed.

Recommendations

- 2.1 Streets 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 subject to a supervisory review and approval and be retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by both the preparer and reviewer.
- 2.2 Streets management should document and implement procedures for reviewing both the primary and secondary fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with the 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

- | |
|---|
| <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. Outdated Secondary Prokee Request Forms

- 1.1 Streets management working with Fleet Services should update its secondary prokee request forms and request that Fleet Services update the fueling system records to reflect current secondary prokee assignments.

Management Action Plan: The current list of assigned prokees for the division will be updated to current status, and new request forms compiled and submitted.

Estimated Date of Completion: March 31, 2021

- 1.2 Streets management should evaluate whether all of their secondary prokees are still needed and return any that are not to Fleet Services.

Management Action Plan: This will be completed as part of 1.1.

Estimated Date of Completion: March 31, 2021

2. Lack of Documented Evidence of Review

- 2.1 Streets 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 subject to a supervisory review and approval and be retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by both the preparer and reviewer.

Management Action Plan: A new departmental procedure will include requirements for monthly review and reconciliation of Fleet provided transaction summary with the divisional use, including documentation of discrepancies and record requirements.

Estimated Date of Completion: April 26, 2021

- 2.2 Streets management should document and implement procedures for reviewing both the primary and secondary fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with the 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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Management Action Plan: The audit findings for the secondary prokee requirements will be addressed in accordance with item 2.1, and the unassociated monthly reports will be addressed separately and in a response to a different audit.

Estimated Date of Completion: April 26, 2021