

CITY AUDITOR'S OFFICE



AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT

FLEET AND FUEL SERVICES DIVISION

FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-13

June 10, 2021

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

TABLE OF CONTENTS

BACKGROUND	1
OBJECTIVES	2
SCOPE AND METHODOLOGY.....	2
FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS.....	2
1. Lack of Secondary Prokee Forms, Use Logs, and Reconciliations	3
2. Fueling Reports Not Being Reviewed.....	5
Appendix A	7
Appendix B.....	8
MANAGEMENT RESPONSE	9

**AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT**
Report CW015-2021-13

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 Fleet Services 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, Fleet Services had 379 primary prokee transactions totaling 4,827 gallons and 26 secondary prokee transactions totaling 64 gallons.

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

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 Fleet Services.
- To determine whether Fleet Services is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Fleet Services management is reviewing the primary and secondary prokee fueling reports 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 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:

No secondary prokee request forms are on file for Fleet Services' secondary prokees and the secondary prokees are not assigned to specific individuals. Secondary prokee use logs are not being maintained for these secondary prokees and therefore, no use log reconciliations are being performed. (See Finding #1)

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

While Fleet Services prepares the monthly and quarterly fueling reports for city departments, Fleet Services is not reviewing their own reports for irregular transactions and accordingly, there is no documented evidence of a review such as the identification of irregular transactions on the fueling reports, notes on research into these transactions, and reviewer signatures and dates of review on the reports. (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:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Lack of Secondary Prokee Forms, Use Logs, and 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.

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

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

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, a secondary prokee request form is required to be signed by an employee and manager for each secondary prokee and departments are required to record secondary prokee usage 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.

Fleet Services has five active secondary prokees that were used 26 times during fiscal year 2020. No secondary prokee request forms are on file for these secondary prokees and the secondary prokees are not assigned to specific individuals. Secondary prokee use logs are not being maintained for these secondary prokees and therefore, no use log reconciliations are being performed.

Cause

- Fleet Services management did not require the completion of secondary prokee request forms for their own secondary prokees.
- Lack of documented procedures on the maintenance and reconciliation of secondary prokee request logs.

Effect

- Lack of accountability of staff and management without properly signed secondary prokee request forms.
- Fuel theft may occur without detection without the maintenance and reconciliation of secondary prokee use logs.

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

Recommendations

- 1.1 Fleet Services management should have secondary prokee request forms completed for all of its secondary prokees.
- 1.2 Fleet Services management should document and implement procedures for maintaining secondary prokee use logs and reconciling the use logs to the monthly secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries on the use log and that any unrecorded transactions be identified, researched, and explanations documented on the fueling report. The procedures should also require that the secondary prokee fueling reports be reviewed for irregular transactions and if any are found that they be researched and explanations documented on the fueling report.
- 1.3 Fleet Services 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. Fueling Reports Not Being Reviewed

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 Fleet Services prepares the monthly and quarterly fueling reports for city departments, Fleet Services is not reviewing their own reports for irregular transactions and accordingly, there is no documented evidence of a review such as the identification of irregular transactions on the fueling reports, notes on research into these transactions, and reviewer signatures and dates of review on the reports.

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

Cause

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

Effect

- Fuel theft may occur without detection.

Recommendation

- 2.1 Fleet Services management should document and implement procedures for reviewing the monthly and quarterly 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.

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

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

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

Appendix B

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

MANAGEMENT RESPONSE

1. Lack of Secondary Prokee Forms, Use Logs, and Reconciliations

- 1.1 Fleet Services management should have secondary prokee request forms completed for all of its secondary prokees.

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

Estimated Date of Completion: March 31, 2021

- 1.2 Fleet Services management should document and implement procedures for maintaining secondary prokee use logs and reconciling the use logs to the monthly secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries on the use log and that any unrecorded transactions be identified, researched, and explanations documented on the fueling report. The procedures should also require that the secondary prokee fueling reports be reviewed for irregular transactions and if any are found that they be researched and explanations documented on the fueling report.

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 any discrepancies.

Estimated Date of Completion: April 26, 2021

- 1.3 Fleet Services 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.

Management Action Plan: The new departmental procedure will include requirements for review and approval of the monthly transaction documentation reconciliation with the annual log, via signature acceptance by both the Responsible Employee to whom the prokee is issued and the respective division manager.

Estimated Date of Completion: April 26, 2021

AUDIT OF OPERATIONS & MAINTENANCE DEPARTMENT
FLEET AND FUEL SERVICES DIVISION
FUELING TRANSACTIONS OVERSIGHT
CW015-2021-13
June 10, 2021

2. Fueling Reports Not Being Reviewed

- 2.1 Fleet Services management should document and implement procedures for reviewing the monthly and quarterly 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.

Management Action Plan: The quarterly reports will be addressed separately and in a response to a different audit, but in response to the secondary prokee use requirements the departmental procedure will provide for reconciliation of the monthly reports, including documentation and record keeping.

Estimated Date of Completion: April 26, 2021