

CITY AUDITOR'S OFFICE



**AUDIT OF OPERATIONS & MAINTENANCE
DEPARTMENT**

FLEET AND FUEL SERVICES DIVISION

FUELING PROGRAM ADMINISTRATION

Report CW015-2021-14

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 & 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.

In addition to administering the city's fueling operations, Fleet Services staff utilize city fuel sites for fueling division 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."

OBJECTIVES

We completed audits of the eight departments with secondary prokees using the following objectives:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to the departments by Fleet Services.

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- To determine whether departments are maintaining secondary prokee use logs and reconciling the logs to the monthly secondary prokee fueling reports.
- To determine whether departments are 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.

Reports were issued on each of these department audits. During these audits, we identified improvements that are needed in the administration of the fueling program by Fleet Services. Our findings and recommendations for improvements are included in this report.

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 for either calendar year 2019 or fiscal year 2020 depending on the specific department audit. 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 were noted:

Fleet Services needs to improve their communication of the fueling policies and procedures with city departments to increase compliance. Citywide fueling policies and procedures should be created. (See Finding #1)

Improvements are needed to the fueling reports being distributed to the city departments to make them more useful to city management. (See Finding #2)

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Fleet Services needs to improve its management of secondary prokees including documenting and implementing procedures on keeping secondary prokee request forms and fueling system records updated. (See Finding #3)

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. Improved Communications on Fueling Procedures Needed

Criteria

In order for policies and procedures to be effective, they must be appropriately and regularly communicated to staff and be readily available for their reference.

Condition

Among the eight departments with secondary prokees, we found that only three were found to be maintaining secondary prokee use logs and reconciling these use logs to the monthly fueling transaction reports. We also found that the departments audited had not formalized a process for reviewing the primary and secondary prokee fueling reports for irregular transactions and documenting their reviews. Many city staff informed us that they were unaware of these requirements.

While Fleet Services' fueling policies and procedures outlining these requirements were shared with departments when initially approved, they were never approved as citywide policies and procedures and are not found on the city's policy and procedure website.

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The emails sent by Fleet Services to the departments with the monthly and quarterly fueling reports do not include any instructions on what the departments should be doing with the reports.

The fueling procedures state that “*the reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.*” No review of department reconciliations has ever been performed by Fleet Services.

Cause

- Documented fueling policies and procedures have not been adequately communicated or made available to city departments.
- Fleet Services has not implemented procedures to review compliance by departments with the fueling policies and procedures.

Effect

- Lack of compliance by departments with fueling procedures.
- Fuel theft may occur without detection.

Recommendations

- 1.1 Fleet Services management should evaluate how to improve communication of fueling policies and procedures with city departments and implement those improvements.
- 1.2 Fleet Services management should document and implement procedures for periodically reminding departments of the fueling policies and procedures.
- 1.3 Fleet Services management should work with the City Manager’s Office in creating citywide fueling policies and procedures that are accessible by all city staff for reference.
- 1.4 Fleet Services management should implement procedures to review compliance by city departments with the secondary proksee reconciliation procedures.

2. Improvements Needed to 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

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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.

To facilitate this review by city management, the fueling reports must be accurate, complete, and understandable.

Condition

During our department audits and discussions with city staff, we identified the following deficiencies with the fueling reports:

- Employee names are not included on the reports, only employee numbers.
- Certain transactions are being incorrectly highlighted.
- Certain information used in the highlighting calculations is not disclosed on the fueling reports for reference (i.e., tank capacity, total possible miles per tank, and average miles per gallon).
- The employees to whom secondary prokees are issued are not identified on the secondary prokee fueling reports.
- Primary prokee fueling reports are only distributed quarterly which does not allow for timely identification of irregularities by department management.
- Fueling reports are not sent to departments when there are no transactions and consequently, city staff do not know whether the lack of a report is due to an omission by Fleet Services or due to there being no transactions.
- Fueling information on loaner cars used by departments is not included on the fueling reports. Without this information, the fueling reports cannot be reconciled to the department's fueling costs per the general ledger.
- The fueling reports are sent to the departments as pdf documents and therefore cannot be electronically sorted for analysis.

Cause

- Incomplete or inaccurate information within fueling system from which fueling reports are generated.

Effect

- Fueling reports lack information that would be useful to management in their review of the reports.

Recommendations

- 2.1 Fleet Services management should review the fueling report deficiencies identified in this audit finding and evaluate what improvements can be made to the fueling reports to make them more useful to city departments.
- 2.2 Fleet Services management should implement procedures to ensure data being input into the fueling system that impacts the information being reported and the highlighting of transactions on the fueling reports is accurate and complete.

3. Improved Management of Secondary Prokees Needed

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".

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.

Condition

As discussed in the fueling procedures, in order to obtain a secondary prokee, a department must complete and submit a secondary prokee request form that is signed by an employee and a manager. These employees are responsible for ensuring that secondary prokee transactions are recorded on a use log and that the use log is reconciled to the monthly fueling reports.

While a documented procedure exists for deactivation of employee fuel site access, no procedures exist specifically on the deactivation or reassignment of secondary prokees when an employee who has been assigned a secondary prokee separates from employment with the city or transfers to

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another department. No documented procedure exists outlining when a new secondary prokee request form needs to be completed and a previous form cancelled.

During our audits of departments with secondary prokees, we identified many secondary prokees with outdated request forms (i.e., employee and/or manager who signed the forms are no longer employed with the department or city). We also identified secondary prokees for which a secondary prokee request form did not exist. In addition, we identified differences between the names of employees to whom the secondary prokee was assigned per the request forms and the names recorded in the fueling system.

During our review of secondary prokee transactions, we identified secondary prokees with little or no use which may no longer be needed by the departments.

Cause

- Inadequate documented procedures to keep secondary prokee request forms and fueling system records current.
- Inadequate documented procedures to identify secondary prokees with limited use that may no longer be needed by the departments.

Effect

- Certain secondary prokees are being used without current secondary prokee request forms. Therefore, there is not an employee and/or manager specifically accountable for ensuring compliance with the use requirements for these prokees.
- Secondary prokees that are no longer being used continue to be held by departments.

Recommendations

- 3.1 Fleet Services management should document and implement procedures to be followed to keep secondary prokee request forms and the fueling records current. Procedures should outline the process to be followed when an employee with an assigned secondary prokee separates from employment with the city or transfers to another department and how that secondary prokee is reassigned or deactivated.
- 3.2 Fleet Services management should review its records to ensure a secondary prokee request form exists for every active secondary prokee and that the user names within the fueling records correspond with the submitted forms.
- 3.3 Fleet Services management should identify secondary prokees with infrequent use and inquire of the respective department management as to whether the secondary prokees are still needed. If not, those secondary prokees should be returned to Fleet Services, the prokees deactivated, the corresponding secondary request forms cancelled, and the fueling records updated.

MANAGEMENT RESPONSE

1. Improved Communications on Fueling Procedures Needed

- 1.1 Fleet Services management should evaluate how to improve communication of fueling policies and procedures with city departments and implement those improvements.

Management Action Plan: The O&M Fleet and Fuel Services Division (F&F) will provide for an annual communication to the user organizations regarding applicable policies and procedures.

Estimated Date of Completion: October 4, 2021

- 1.2 Fleet Services management should document and implement procedures for periodically reminding departments of the fueling policies and procedures.

Management Action Plan: These requirements will be included in the policies drafted for application in item 1.3.

Estimated Date of Completion: September 13, 2021

- 1.3 Fleet Services management should work with the City Manager's Office in creating citywide fueling policies and procedures that are accessible by all city staff for reference.

Management Action Plan: F&F will update applicable policies to citywide policy format standards and submit to CMO for consideration of inclusion within the citywide policy database.

Estimated Date of Completion: September 13, 2021

- 1.4 Fleet Services management should implement procedures to review compliance by city departments with the secondary prokee reconciliation procedures.

Management Action Plan: F&F will include in the annual communication a requirement for each respective user department to confirm assignment of secondary prokees and provide written confirmation by an executive employee that for each assigned prokee the required reconciliations were completed for the preceding year.

Estimated Date of Completion: October 4, 2021

2. Improvements Needed to Fueling Reports

- 2.1 Fleet Services management should review the fueling report deficiencies identified in this audit finding and evaluate what improvements can be made to the fueling reports to make them more useful to city departments.

Management Action Plan: F&F will review the formatting of the primary and secondary prokee reports and make corrections needed to streamline and facilitate efficient cost-effective review of the reports, including elimination of resource expenditures on superfluous considerations.

Estimated Date of Completion: September 13, 2021

2.2 Fleet Services management should implement procedures to ensure data being input into the fueling system that impacts the information being reported and the highlighting of transactions on the fueling reports is accurate and complete.

Management Action Plan: The reporting format updates will include elimination of unnecessary highlighting and irrelevant data so that the focus is on comparative mpg calculations.

Estimated Date of Completion: September 13, 2021

3. Improved Management of Secondary Prokees Needed

3.1 Fleet Services management should document and implement procedures to be followed to keep secondary prokee request forms and the fueling records current. Procedures should outline the process to be followed when an employee with an assigned secondary prokee separates from employment with the city or transfers to another department and how that secondary prokee is reassigned or deactivated.

Management Action Plan: To be included in updated procedure, see item 1.3.

Estimated Date of Completion: September 13, 2021

3.2 Fleet Services management should review its records to ensure a secondary prokee request form exists for every active secondary prokee and that the user names within the fueling records correspond with the submitted forms.

Management Action Plan: To be included in updated procedure, see item 1.3.

Estimated Date of Completion: September 13, 2021

3.3 Fleet Services management should identify secondary prokees with infrequent use and inquire of the respective department management as to whether the secondary prokees are still needed. If not, those secondary prokees should be returned to Fleet Services, the prokees deactivated, the corresponding secondary request forms cancelled, and the fueling records updated.

Management Action Plan: To be included in updated procedure, see item 1.3.

Estimated Date of Completion: September 13, 2021