

**Fuel Costs Audit
June 2011**

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Fuel Costs Audit



Office of the City Auditor

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Executive Summary

*Access to City fueling
locations properly
restricted*

*Systematic controls
limit access to fuel
pumps*

*Routine managerial
reviews of fuel
transactions*

Opportunities for Improvement

*Use of raw fuel credit
card data*

*Policies and
procedures to address
follow-up of
questionable fueling*

*Accountability for fuel
dispensed at Parks and
Recreation facilities*

The City Auditor's Office has completed an audit of Fuel Costs. The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. 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 a reasonable basis for our findings and conclusions based on our audit objectives. The audit objectives were to determine whether:

- controls are established to help prevent theft and/or abuse of City fuel;
- the reconciliation of fuel credit card activity is efficient;
- fuel billings were in compliance with contract terms;
- adequate follow-up is conducted regarding questionable fueling; and,
- the fuel credit card program should be expanded.

Audit results indicated that access to City fueling facilities is properly restricted. Controls have been implemented to ensure that only current City employees are granted fueling privileges, and certain activity is disallowed (e.g., obtaining fuel in excess of the vehicle tank capacity). Although the established fuel capacity control worked as intended, the control was negated when fuel tank capacities were recorded inaccurately.

The Fleet Services Division has implemented manual controls to help account for fuel obtained from on-site locations and gas stations that accept the Wright Express fuel credit card issued by the City of Arlington. Fleet Services employees also review reports retrieved from the City's fuel system and the fuel credit card vendor's website on a routine basis. However, an extensive manual review is required in order to identify questionable transactions.

The City Auditor's Office concluded that the current process does not ensure adequate follow-up regarding questionable fueling transactions. There are no written procedures governing to whom or by what method questionable transactions should be reported nor to whom or how follow-up or investigative action should be communicated.

The City Auditor's Office identified a need for management to better utilize fuel data to allow a more efficient and thorough analysis of fuel cost and vehicle performance. Also, coordination between the Fleet Services Division and the Parks and Recreation Department was deemed necessary for a complete reporting of fuel usage.

Fuel credit card transactions appeared proper. There were instances where Arlington Fire Department (AFD) employees obtained a higher fuel grade than was required. However, the cost associated with the higher fuel grades was considered immaterial as discussed in the Background section of this report. The City Auditor's Office concluded that the City's potential liability of environmental risks associated with underground storage tanks could be decreased by expanding the fuel credit card program and removing underground storage tanks.

Audit Scope and Methodology

The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. The following methodology was used in completing the audit.

- Conducted a walkthrough of fueling facilities throughout the City
- Identified and tested internal controls over fueling privileges and usage
- Reviewed the fuel contract and related documents
- Reviewed fuel invoices for accuracy
- Reviewed exception reports
- Reviewed fuel data to identify questionable transactions

The audit covered FY 2010 for on-site fueling facilities, and October 2010 through December 2010 for fuel credit cards. January and February 2011 fuel credit card transactions were reviewed when deemed necessary.

Since FY2010 compressed natural gas (CNG) expenditures were considered immaterial, (totaling less than \$1,300), the City Auditor's Office did not conduct an analysis of CNG transactions. A review of alternative fueling options, such as the use of hybrid vehicles, was also considered outside of the scope of this audit.

Background

City employees may fuel City vehicles at three on-site facilities managed by the Fleet Services Division, at gas stations, and at Parks and Recreation Department facilities. The City's Fleet Services Division manages the Fleet Services Center (1015 Main Street); the South Services Center (1100 SW Green Oaks Blvd.); and the Pierce-Burch Water Treatment Plant (1901 Lakewood Drive). The Fleet Services Division consists solely of a Fleet Services Manager. An Administrative Assistant, whose salary is paid from the General Fund, provides full administrative support to the Fleet Services Manager. The Administrative Assistant is physically located within the Fleet Services Division.

Any City employee may fuel at any of these locations after entering the vehicle odometer reading, his or her assigned PIN number, vehicle number and pump number. Employees are not issued receipts upon fueling. Instead, fuel usage data is automatically stored into the fuel software. This information is then manually transferred from the fuel software to the City's fleet system.

Facilities Managed by the Fleet Services Division

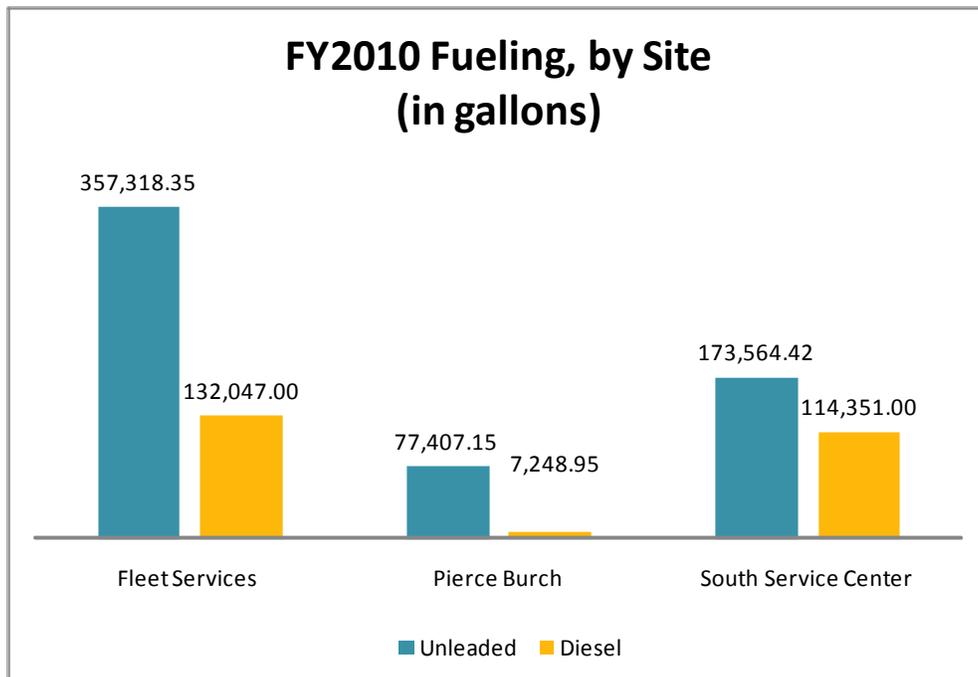
Employees within the Fleet Services Division are housed at the same location as the Fleet Services Center. The entrance gate remains open during business hours. After business hours, the gate is locked and employees must enter an access code to gain access to the fueling area.

The South Services Center is manned during the day by the Fleet Services contractor. However, the Pierce-Burch facility is not manned. Entrance gates at both facilities are locked 24 hours per day, seven days per week, and employees must enter an access code to enter the fueling areas.

Management has implemented various controls to ensure accountability for fuel obtained from City facilities.

- City vehicles and employees are assigned to a specific department. A match of these two components is required before fuel is dispensed.
- Management has placed restrictions on the quantity of fuel allowed per vehicle, per fueling. For example, vehicles with 20-gallon tanks are restricted to 20 gallons of fuel.
- The Fleet Services Division obtains employee hiring and termination information from the Workforce Services Department in order to activate and terminate user privileges in a timely manner.
- Since the City only has diesel and regular unleaded fuel, controls prohibiting a high grade of gasoline are unnecessary.
- Fleet management runs exception reports on a daily basis. Questionable transactions are identified and forwarded, via e-mail, to user departments.
- An electronic fueling monitoring system is used at the three on-site locations to enhance compliance with regulatory requirements and for planning purposes (e.g., to establish fuel reorder points). The electronic fueling monitoring system records include data such as date, time, tank number, product, gross and net gallons, water level (inches), and water volume (gallons).

The City’s accounts payable records indicate that 940,140 gallons of fuel were delivered, city-wide, during FY2010. Approximately 861,937 gallons of fuel were dispensed from the three on-site City facilities, as noted in the following chart. The difference between the number of gallons delivered city-wide and the number of gallons dispensed at the three on-site City facilities can be attributed to fuel activity at Parks and Recreation facilities, Arlington Fire Stations and fuel remaining in underground storage tanks.

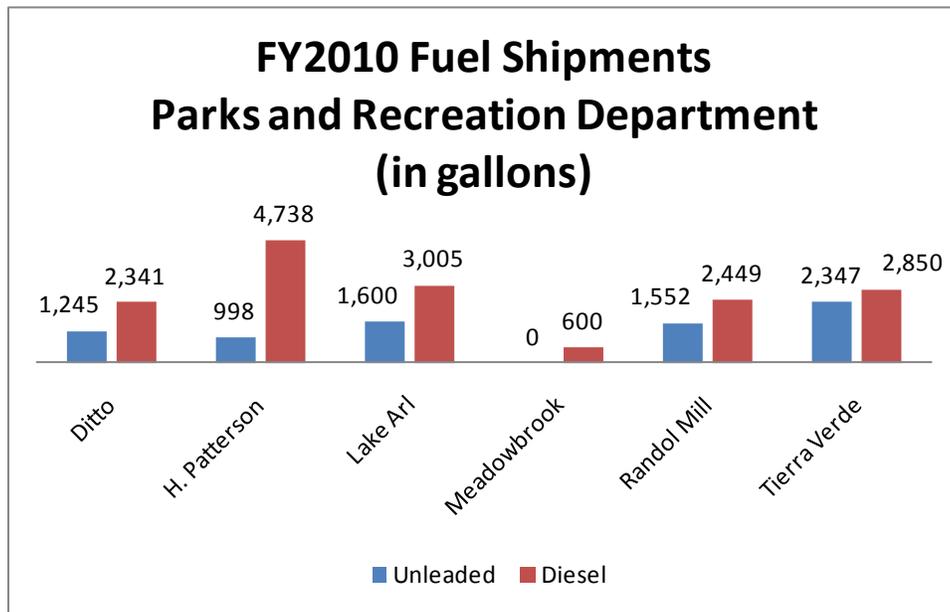


Source: Fuel Force

Facilities Managed by the Parks and Recreation Department

In addition to City facilities managed by the Fleet Services Division, each Parks and Recreation golf facility, Harold Patterson Park, and Randol Mill Park have fuel sites. While some City vehicles may be fueled at these locations, the main purpose for the Parks fueling facilities is to provide fuel for off-road equipment used to maintain the golf and park grounds. The Parks and Recreation Department utilizes manual fuel logs to track fuel usage. Equipment users are required to write the date, time, equipment, fuel quantity and their name or initials onto the log. The Parks and Recreation Department is responsible for maintaining and reviewing fuel usage records to establish re-order points and to identify, and subsequently investigate, questionable fueling. The Fleet Services Division orders fuel for Parks facilities, as requested.

The following chart indicates that 23,725 gallons of fuel were delivered to Parks facilities in FY2010. It should be noted that these deliveries are included in the 940,140 gallons mentioned on page 5 of this report.



Source: Accounts Payable Records

Fuel Credit Cards

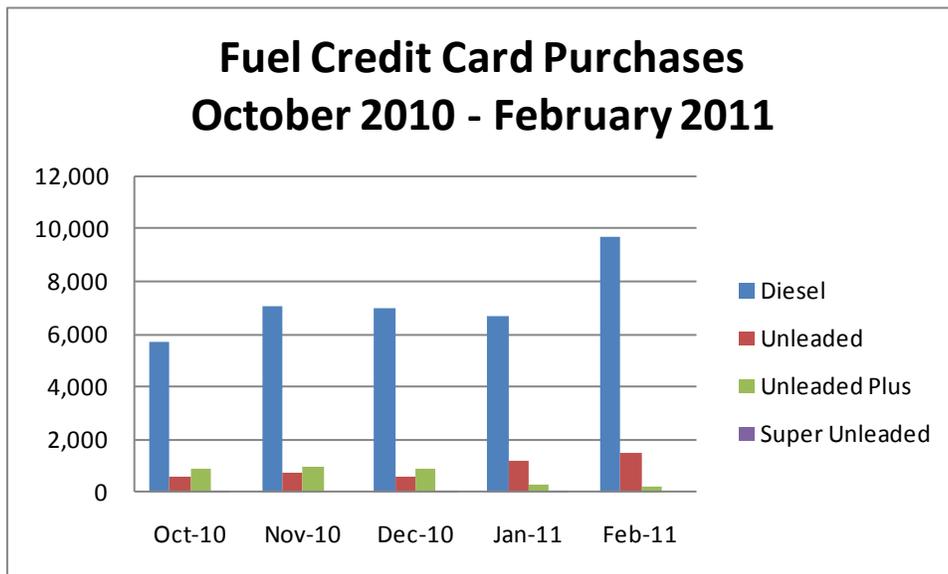
The City of Arlington expanded its fueling locations by entering into an agreement through the Tarrant County Cooperative Purchasing Program. Under the cooperative agreement, fuel credit cards can be used to purchase fuel through the Mansfield Oil Company, as of October 2010. Since this was a pilot program, fuel credit cards were only issued to AFD vehicles.

City documents indicate that the fuel credit card program was to serve as a refueling alternative when employees driving City-owned vehicles are unable to use a City fleet refueling center. City documents also indicated additional benefits of reduced fire/emergency response times, as fire trucks would be able to refuel in their districts, lessening time away from assigned areas. Under the fuel credit card program, AFD employees may obtain fuel 24 hours per day, seven days per week at gas stations that accept the Wright Express fuel credit cards issued by the City of Arlington. There are over 150 Wright Express fuel credit card accepting locations in Arlington.

The fuel credit card vendor (Mansfield Oil Company) maintains a website that details and summarizes the City’s fueling activity. Mansfield Oil’s records indicate that for the first five months of the program, AFD purchased approximately 43,870 gallons of fuel. Approximately 82% was diesel (36,060) and 10% (4,552) unleaded. AFD purchased approximately 3,250 gallons of high octane fuel (e.g., unleaded plus and super unleaded) during this period. However, Fire management addressed the issue with staff. For the five-month period noted, there was a noticeable decrease in the amount of high octane fuel purchased by AFD. For example, during the first month of the program, 31.89 gallons of super unleaded were purchased

and 906.01 gallons of unleaded plus were purchased. During the fifth month (February 2011), there were no purchases of super unleaded gasoline and the unleaded plus purchases decreased from 906.01 gallons to 190.42 gallons. The price differential for the high octane fuel was immaterial. It should be noted that management established procedures that properly addressed the type of fuel that was to be used. “Attachment A” of Fuel Card Procedures instructs users to use mid-grade (89 Octane) when purchasing gasoline.

The following chart shows fuel credit card purchases over the five-month period. Super unleaded gasoline purchases cannot be seen in the following chart because total gallons purchased were less than 35 gallons each month. There were no purchases of super unleaded gasoline during the months of November 2010 and February 2011.



Source: Mansfield Oil website

As with fuel obtained from on-site facilities, management has implemented various controls to ensure accountability for fuel obtained with fuel credit cards. Fuel credit cards are assigned to vehicles, and the Fleet Services Division reconciles gas receipts to fuel credit card statements on a monthly basis. Management has also worked with the fuel credit card vendor to limit the dollar amount of fuel that can be pumped into a specific vehicle at a given time. As of this report date, the program has not been expanded to include additional departments.

Funding

Funding for fuel costs are fixed and are allocated among departments. Each month, the allocated amount is charged back to departments at 1/12th the department’s budget allocation. During this audit, the Fleet Services Division indicated that department budget allocations for FY2012 will be based on each department’s estimated usage.

The City also allows the Tarrant County Sheriff’s Office (TCSO) to fuel at facilities managed by the Fleet Services Division. In January 1999, the City of Arlington entered into an interlocal contract with Tarrant County, relative to the sale of unleaded fuel to Tarrant County for constables located in Arlington and Mansfield. Under the agreement, the City agreed to provide

access to its three refueling facilities previously mentioned. Tarrant County’s unit cost was to be based on the per gallon price invoiced by the City’s vendor, plus eight cents per gallon for administrative fees related to the City’s purchasing, accounting and fleet services functions associated with Tarrant County’s purchase of fuel. The contract automatically renews from year to year unless terminated.

To help ensure that City billings are proper, Grants, Handitran and TCSO employees are required to enter the same information that is required of City employees (vehicle odometer reading; PIN, vehicle and pump number) when fueling at any of the on-site facilities. Fuel costs billed to Grants, Handitran and TCSO are based on actual usage versus a monthly cost allocation. Grants and Handitran are billed for actual usage plus the federal gas tax. TCSO is billed for actual usage, the federal gas tax and the administrative fee. During FY2010, total billings to Grants and Handitran totaled \$2,559 and \$109,868, respectively. Billings to TCSO totaled \$31,226 for fuel, plus \$1,106 in administrative fees. Fuel costs allocated during FY2010, as well as the actual usage, are noted in the following chart.

<u>Department</u>	<u>Budget Allocation</u>	<u>Charge-Outs/ Billings</u>	<u>Actual Usage</u>
Aviation	\$9,461.00	\$9,461.00	\$8,599.27
Community Svcs	113,108.00	113,108.00	68,287.32
Arlington Housing Authority	8,000.00	7,000.00	6,736.35
Fire	246,984.00	246,984.00	167,690.80
FMR	601.00	601.00	440.86
Knowledge Services	7,694.00	7,694.00	6,198.06
Mayor & Council	1,146.00	1,146.00	1,034.24
Parks	174,603.00	174,603.00	93,913.42
Planning	19,889.00	19,889.00	13,772.28
Police	1,092,049.00	1,092,065.00	765,232.02
Public Works	498,314.00	498,314.00	291,667.63
Convention Ctr	0.00	0.00	921.43
Library	0.00	0.00	2,407.78
Water	297,129.00	297,129.00	227,019.91
Subtotal	\$2,468,978.00	\$2,467,994.00	\$1,653,921.37
Direct Billings for Fuel Deliveries:			
Fire Stations		57,602.01	57,602.01
Ott Cribbs		5,605.13	5,605.13
Parks and Recreation		60,115.34	60,115.34
Direct Billings for Fuel Usage by non-General Fund Entities:			
CDBG Grants		2,558.92	2,558.92
Handitran		109,868.23	109,868.23
Tarrant County Sheriff's Office		31,226.44	31,226.44
Total FY2010 Fuel Expenditures		\$2,734,970.07	\$1,920,897.45

Sources: Lawson and Fuel Force

Underground Storage Tanks

Underground storage tanks (UST) are used to provide fuel at City facilities. So, in addition to the cost of fuel, the City incurs additional costs to operate and maintain UST. As of FY2010, the City had 17 fiberglass-reinforced plastic UST. The City has contracted with W. Two Plus, Inc. to provide compliance testing (e.g., tank tightness, leak detection), as state and federal regulations require annual inspections. A chart of expenditures related to UST compliance testing during FY2010 is noted below.

Facility	Tanks	Installation Date	Tank Size (gallons)	Operating Costs
Ott Cribbs	1	1988	4,000	325.00
Convention Ctr	1	1985	1,000	325.00
Meadowbrook Golf	1	1984	250	250.00
Fire Station #2	1	1988	550	250.00
Fire Station #13	2	1988	550	500.00
Fleet Services	3	1980	12,000	550.00
Ditto Golf	2	1982	1,000	650.00
South Service Center	3	1990	12,000	950.00
Pierce Burch	3	1981	10,000	850.00
TOTAL:	17			\$4,650.00

Sources: TCEQ website and City of Arlington Accounts Payable records

The UST at Fire Station #11 was removed in FY2010 at a cost of \$13,750. The City also paid \$1,655 for additional analytical testing due to contamination found in three samples and for additional water removal. The UST at Fire Station #2 and Fire Station #13 were removed in FY2011. W. Two Plus was paid \$8,350 to remove the tank at Fire Station #2, and \$15,650 to remove the tank at Fire Station #13. An additional \$1,300 was paid for additional soil sampling and to reconfigure a water line that ran across the tank hole at Fire Station #13. Operating expenses related to these facilities will, therefore, be eliminated in future years.

Summary of Audit Results

The Fleet Services Division has implemented controls that are necessary to help manage the City's fleet. As previously stated, systematic controls have been implemented to limit: 1) access to on-site facilities; 2) access to City and gas station pumps; and 3) fueling capacities. In addition to these systematic controls, the Fleet Services Division manually reviews fuel data to identify anomalies and/or possible non-compliance with City policy. Although management's efforts are important and helpful, existing controls should be strengthened to help ensure that theft and/or abuse of City fuel is prevented and/or detected in a timely manner.

Fueling at most Parks and Recreation facilities are manually recorded onto paper fuel logs. The City Auditor's Office determined that fuel logs were not properly maintained. In some instances, there was also no evidence of managerial oversight to adequately ensure accountability for fuel dispensed with the Parks and Recreation Department. Parks and Recreation facilities do not, and are not required to, report their fuel usage to the Fleet Services Division. Parks' fuel usage is, therefore, not included in annual reports of City-wide fuel usage. There is also no report within the Parks and Recreation Department that summarizes fuel usage.

Although no formal recommendation is made in this audit report, the City Auditor's Office concluded that strong consideration to close UST is warranted. Various websites indicate a 30-year warranty on UST. As noted in the Background section of this report, the City's tanks are either at or beyond the 30-year timeframe. The City's exposure to environmental risks, such as soil and ground water contamination, increases as the tanks continue to age.

By closing UST and expanding the fuel credit card program to other departments, City employees have access to more than 150 gas stations that accept the Wright Express fuel credit card. Necessary internal controls could be implemented to ensure adequate security against abuse and/or theft, and each user department will have the ability to monitor fuel usage 24 hours per day, seven days per week.

The use of fuel credit cards could reduce the amount of time/fuel costs required for field staff to travel to on-site refueling facilities. While the efficiency of AFD operations was beyond the scope of this audit, Fire officials indicated that eliminating the need for fire engines to be taken from their routes to refuel has made their operations more efficient. It should be noted that the volume of diesel usage at the Pierce Burch facility has decreased substantially (greater than 50%) since implementing the fuel credit card program.

The City Auditor's Office compared fuel costs for the first quarter of FY2011 and determined that the price per gallon of fuel purchased with fuel credit cards is less than the price paid for small fuel shipments (e.g., less than 4,000 gallons) to City facilities. On the other hand, the price per gallon of fuel purchased with fuel credit cards exceeds the price paid for large fuel shipments to the City.

				Estimated		Product			Freight		Federal	Blend		
			Unit	Delivery		Delivery	Gas	LUST	Transaction	Pump	Oil Spill	Tax		
Date	Method	Product	Price	(in gallons)	Subtotal	Fee	Tax	Tax	Load	Charge	Liability	Credit	Totals	Variance
01/01/01	Credit Card	Diesel	\$2.79	8,500	\$23,672.50	\$0.00	\$1,700.00	\$8.50	\$0.00	\$0.00	\$0.00	\$0.00	\$25,381.00	
01/01/01	City Facility	Diesel	\$2.56	8,500	\$21,717.50	\$15.00	\$1,700.00	\$8.50	\$0.00	\$0.00	\$0.00	\$0.00	\$23,441.00	
														\$1,940.00
01/01/01	Credit Card	Unleaded	\$2.59	8,500	\$22,015.00	\$0.00	\$1,700.00	\$8.50	\$0.00	\$0.00	\$0.00	\$0.00	\$23,723.50	
01/01/01	City Facility	Unleaded	\$2.46	8,500	\$20,867.50	\$15.00	\$1,700.00	\$8.50	\$0.00	\$0.00	\$0.00	\$0.00	\$22,591.00	
														\$1,132.50
01/01/01	Credit Card	Diesel	\$2.79	200	\$557.00	\$0.00	\$40.00	\$0.20	\$0.00	\$0.00	\$0.00	\$0.00	\$597.20	
01/01/01	Credit Card	Unleaded	\$2.59	100	\$259.00	\$0.00	\$20.00	\$0.10	\$0.00	\$0.00	\$0.00	\$0.00	\$279.10	
													\$876.30	
01/01/01	City Facility	Diesel	\$2.56	200	\$511.00	\$3.75	\$40.00	\$0.20	\$50.00	\$50.00	\$0.38	\$0.00	\$655.33	
01/01/01	City Facility	Unleaded	\$2.46	100	\$245.50	\$0.00	\$20.00	\$0.10	\$0.00	\$0.00	\$0.17	(\$4.50)	\$261.27	
													\$916.60	
														(\$40.30)

The price per gallon difference and tank removal costs are considered immaterial when compared to tank maintenance and potential liability resulting from leaks, clean-up, penalties, etc. On March 4, 2011, the City was informed of the Texas Commission on Environmental Quality (TCEQ)’s enforcement action for violations of the Texas Water Code and/or Commission Rules. The TCEQ cited the City’s failure to monitor underground storage tanks at the Fleet facility and at the Pierce Burch Water Treatment Plant for releases at a frequency of at least once every month (not to exceed 35 days between each monitoring). The City was fined \$5,000, with \$1,000 being deferred, contingent upon the timely and satisfactory compliance. Management was under the impression that they were in compliance with TCEQ regulations since the City has tank level monitoring systems at each of these sites. Tank level monitoring systems monitor and report tank levels, report leakage, alert to any water in the tanks, etc.

The City currently contracts with W. Two Plus to conduct underground fuel/oil tank and product supply line tightness tests, as well as above ground storage tank tests to ensure conformance with the Environmental Protection Agency (EPA) and TCEQ regulations. This testing includes line leak detection systems and supply lines at refueling locations. The contract requires that W. Two Plus conduct quarterly maintenance and inspections of City UST and pumping equipment, including inspecting the computer monitor and systems.

TCEQ Rule §334.50, of the Texas Administrative Code, lists the following as allowable release detection methods.

1. Tank tightness and inventory control (until 12/22/1998)
2. Manual tank gauging for tanks with nominal capacity less than 1,000 gallons
3. Monthly tank gauging as the sole method only for emergency generator tanks
4. Automatic tank gauging and inventory control, with a reconciliation of detailed inventory control records conducted at least once each month
5. Vapor monitoring

6. Groundwater monitoring
7. Interstitial monitoring for double-wall or jacketed UST systems
8. Monitoring of UST systems with secondary containment barriers
9. Statistical inventory reconciliation (SIR), with a reconciliation of detailed inventory control records conducted at least once each month
10. Alternative release detection method

Since environmental testing vendors can perform the required monthly Statistical Inventory Reconciliations (SIRs) to ensure compliance with established regulations, management should consider including monthly SIRs as a part of the scope of work in the City UST testing and inspection services contract. Management should also consider including an hourly rate for various items for which the City may need assistance (e.g., TCEQ audit).

Detailed Audit Findings

- 1. Internal controls limiting the amount of fuel that can be pumped into a specific vehicle are working as intended. However, unreasonable parameters have made the established control ineffective.**

The Fleet Services Division has established controls to help prevent the abuse and/or theft of City fuel. One control established by management is vehicle fuel capacity limitations. When fueling City vehicles, controls have been established to ensure that fuel pumps shut off upon reaching the fueling capacity limit noted within the City's fueling system. While this control is important and necessary, it is only effective if the fuel capacity limitations are reasonable.

Audit testing confirmed that City vehicles were not fueled in excess of the fuel capacity limits noted within the City's fueling system. However, in some instances, the established fuel capacity limits exceed the vehicles' tank sizes. For example, while vehicle specifications for a Toyota Prius indicate a tank capacity of approximately 11.8 gallons, the vehicle's maximum fueling capacity within the City's fuel system is 70 gallons.

Although a 2002 Toyota Prius has a specified tank capacity of 11.8 gallons, City fuel records show that 43 gallons of gasoline were pumped into one of these vehicles during one fueling at a City facility. The 43 gallons were allowed to be dispensed because of the 70-gallon fuel capacity limit established within the fuel system. The Fleet Services Division indicated that the City's previous fleet services contractor was responsible for entering vehicle tank capacity limitations.

During FY2010, there were 297 instances where vehicles fueled in excess of 30 gallons, during one fueling. The City Auditor's Office noted that 36 of the 297 fueling transactions appeared questionable because the vehicle tank capacities were less than 30 gallons. Eight of the 36 questionable transactions, as shown in the following chart, were selected for follow-up.

Vehicle		Tank	Gallons
Year	Vehicle Description	Size	Pumped (at one time)
2004	Ford Crown Victoria	19.0	81.7
2004	Ford Crown Victoria	19.0	64.7
2005	Toyota Prius	11.9	51.0
2004	Ford Crown Victoria	19.0	119.7
2005	Chevy Impala	17.0	52.9
2007	Chevy Impala	17.0	69.3
2001	Ford Crown Victoria	19.0	59.8
2000	Ford Taurus	18.0	52.3

Reasonable explanations supporting these questionable transactions were not provided. Control weakness such as these can result in theft of City fuel.

Recommendation:

The Public Works and Transportation Director should require that vehicle specifications be reviewed for each type of vehicle included in the City's fleet. The tank size specified for each City vehicle should then be compared to the vehicle fueling capacity limitations entered within the City's fueling system. Incorrect fuel capacity limitations within the City's fueling system should be corrected.

Management's Response:

Concur.

Target Date: December 31, 2011

Responsibility: Fleet Manager

2. Manual fuel records are not being used to ensure accountability for City fuel.

The Fuel Use Recording Policy within the Parks and Recreation Department states: "fuel sheets will be reconciled with actual fuel use on a weekly basis. Discrepancies must be reported to supervisors." A periodic reconciliation of fuel on hand to fuel inventory records helps ensure accountability for fuel usage. Reconciliations that include tank readings before and after fuel shipments help ensure that fuel usage is being properly recorded, provides verification of the quantity of fuel delivered, and helps management identify and detect abuse and/or theft of fuel in a timely manner.

The City Auditor's Office noted discrepancies when calculating ending fuel inventory based on manual fuel usage logs prepared by the Parks and Recreation Department and City fuel procurement records. Audit testing indicated that fuel usage recorded onto Parks and Recreation facility logs were unreasonable when compared to fuel deliveries. For example, the Lake Arlington Golf Course has a 400-gallon diesel storage tank. Accounts Payable records indicate that 400 gallons of diesel were delivered on 7/12/10 and 8/6/10. However, diesel fuel logs show that less than 300 gallons of diesel was used between the two dates. As noted in the following chart, the ending inventory after the 8/6/10 delivery exceeds the tank size by more than 100 gallons. Since the manual fuel logs did not indicate an empty tank on 7/12/10, it is probable that the calculated variance actually exceeds the tank size by more than 100 gallons.

	Gallons
Assumed Beginning Inventory @ 7/12/2010	0.0
Fuel Delivery - 7/12/2010	400.0
Subtotal	400.0
Recorded Fuel Usage (7/12/2010 - 8/6/2010)	(292.4)
Estimated Quantity	107.6
Fuel Delivery - 8/6/2010	400.0
Ending Inventory @ 8/6/2010	507.6

When questioned regarding the calculated variance, Lake Arlington staff identified several instances where they said fuel was known to have been used but was not recorded onto the log. So, while manual fuel logs are intended to help account for fuel usage, inaccuracies prevent such accountability, including fuel inventory reconciliations.

Dip stick tank readings were sometimes recorded onto the fuel logs. However, the City Auditor's Office saw no evidence that reconciliations were being performed. Harold Patterson (as with Randol Mill Park) staff complete manual fuel logs and then forward those logs to the Parks Asset Management Division. Parks Asset Management employees file the manual fuel logs upon receipt. Per Parks staff, there have been discussions about transferring the manual fuel logs to an Excel spreadsheet and then using that data to help manage fuel usage. Periodic reconciliations of fuel usage records not only help ensure fuel accountability, but can also be used to help establish reorder points. Observation of manual fuel logs indicated that one park facility ran out of diesel on 8/2/10.

It was also noted that Parks employees are required to record vehicle mileage and the quantity of fuel obtained when fueling City vehicles (rolling stock) at Parks facilities. By not requiring vehicle numbers, there is no control to help ensure that the same vehicle does not obtain a full tank of gas from a Parks facility and a facility managed by the Fleet Services Division within an unreasonable timeframe. Additionally, the Parks and Recreation Department does not provide a fuel usage report to the Fleet Services Division. Fuel usage totals reported by the Fleet Services Division, therefore, do not include fuel dispensed at Parks and Recreation facilities.

Recommendation:

The Parks and Recreation Director should reiterate to staff the requirement and importance of properly completing manual fuel logs.

Management's Response:

Concur. The department's standard operating procedure for Fuel Handling was updated and implemented in March 2011. In the Park Operations Division, Park District Supervisors at each location are responsible for collecting manual fuel logs on site, inputting the

information into an electronic spreadsheet and forwarding to the Parks Asset Manager on a monthly basis. The manager reconciles this information with fuel ordering logs.

In the Golf Division, usage logs are reconciled on site by the Golf Course Superintendents, reviewed by the Superintendent of Golf Course Maintenance, [and] then forwarded to the Asset Manager.

Target Date: Completed in March 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

Recommendation:

The Parks and Recreation Director should ensure that fuel on hand is reconciled to fuel inventory records on a routine basis. Reconciliation results should be used to establish appropriate fuel reorder points and exceptions should be immediately reported to senior management within the Parks and Recreation Department, the Fleet Services Division and/or the Arlington Police Department if deemed appropriate.

Management's Response:

Concur. Supervisors at each location are responsible for taking weekly measurements of their on-site fuel tanks and recording the current fuel amount on hand. Minimum fuel order points will be set at one hundred fifty (150) gallons; however, fuel will also be purchased on price projections. All fuel inventory records are reconciled monthly by the Parks Asset Manager and reported to the Assistant Directors over both divisions.

Target Date: Completed in April 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

Recommendation:

The Parks and Recreation Department should provide the Fleet Manager with fuel usage reports summarizing fuel usage, by location, on at least a quarterly basis. The fuel usage reports should include separate detail for fuel placed in City vehicles (e.g., vehicle number, mileage and quantity of fuel obtained).

Management's Response:

Concur. An updated fuel usage report will be provided to the Fleet Manager on a quarterly basis summarizing usage per site.

Target Date: October 2011

Responsibility: Matt Young, Assistant Director – Park Operations/Planning

3. Fuel credit card data is available but is not being used to maximize efficiency when reviewing monthly statements.

Computer systems should be used to analyze large data sets so that patterns, trends, etc. can be identified and used by management as an effective tool for decision making. Such analysis can more easily identify potentially fraudulent and/or abusive transactions.

The Fleet Services Division is currently responsible for reviewing monthly fuel credit card statements for accuracy. Fuel receipts obtained from gas stations are bundled and forwarded to the Fleet Services Division for reconciliation to the monthly statement. Once the Fleet Services Division concludes that the City was billed accurately, the statement is approved for payment by Public Works staff. While the Fleet Services Division would be aware if the prices billed were not in accordance with the contract (e.g., incorrect OPIS rate) and could identify some anomalies, the user department would be more familiar with the appropriateness of transactions.

As mentioned in the Background section of this report, the AFD is the only department participating in the City's fuel credit card program. In order to maintain history of each vehicle, Fire employees enter their individual fuel purchases into the Firehouse records maintenance software maintained within AFD.

The City's fuel credit card vendor, Mansfield Oil Company, provides various transaction reports (summary and detailed by agency and by vehicle) that can be used by management to monitor fuel credit card usage. While these reports are helpful, they require manual analysis. For example, a detailed report of transactions by vehicle will include transactions related only to a specific vehicle. Management would have to manually review the report to identify instances where the vehicle was fueled more than a certain number of times in one given period.

Mansfield Oil also provides raw data that can be exported. The raw data may be exported in six different formats: xml file with report data; csv (comma delimited); TIFF file; Acrobat (pdf) file; web archive and Excel. The City currently uses the csv format to import and export data to/from Lawson. It therefore appears feasible for the City to export Mansfield Oil data to the Firehouse software or the City's fleet system, provided AFD has the level of access that is needed for proper analysis. It should be noted that fuel credit card activity is not currently included in the City's fleet management system. However, Public Works staff is currently working on exporting the data to the Fleet system. Once this process has been established, fuel transactions can be imported into the City's fleet software.

If AFD chooses to continue having its employees input fuel credit card transactions into the Firehouse software, the process could be made more efficient by comparing data imported from the Mansfield Oil Company's website to fuel transactions entered into Firehouse, and then creating a report of exceptions/non-matches. Preliminary audit results indicated that approximately 40% of the fuel transactions were not entered by Fire employees. So, if AFD could import fuel credit card transaction directly into Firehouse or the City's fuel

management system, they would have more accurate information regarding fueling activity. Furthermore, there appears to be an unnecessary burden placed on Fire employees to enter data from fuel credit card receipts.

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should determine the feasibility of exporting raw data from the fuel credit card vendor's website to the City's fuel system.

Management's Response:

Concur.

Target Date: Depends on how quickly IT can do the required programming

Responsibility: Information Technology Department

Recommendation:

The Deputy City Manager over the Public Works and Transportation Department should require that user departments reconcile a random sample of fuel receipt tickets to the Mansfield Oil statement on a routine basis.

Management's Response:

Concur.

Target Date: December 31, 2011

Responsibility: Fire Chief

Public Works and Transportation Assistant Director for Services

Recommendation:

The Financial and Management Resources (FMR) Director should ensure that fuel credit card transactions are approved, within Catalyst, by the department that has incurred the expense.

Management's Response:

Concur. As the fuel card program grows, the Fleet Division will modify the fuel card policy, outlining that departments will monitor their own fuel usage and ultimately approve their own fuel purchase invoices in Catalyst, the City's Accounts/Payable software solution.

The Fleet Division will continue to monitor fuel usage/purchases and control the availability of gasoline/diesel. The Fleet Division will ensure that each department has its own fuel invoice.

FMR will assist departments in setting up the proper approval matrixes in Catalyst for the purchase of their fuel.

Target Date: Not Yet Determined.

*Responsibility: Fleet Manager
All City Departments*

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should determine whether Crystal reports can be used to create exception reports for management to routinely analyze data in an attempt to identify questionable fueling transactions/patterns.

Management's Response:

Concur.

Target Date: March 30, 2012

*Responsibility: Information Technology Department
Fleet Manager*

4. Managerial reports do not allow adequate review for questionable fueling and limit vehicle performance management.

The Fleet Services Division routinely runs the following managerial reports to monitor fueling activity at the three City fueling locations: Fuel Issues by Department; Fueling by Driver; Vehicle Performance (Miles per Gallon); Fueling by Site; Fueling by Vehicle; Fuel by Department, Vehicle; and the Automated Fuel Report. While information contained within the reports is important, it is not presented in a format that can be easily used by management.

The reviewer within the Fleet Services Division has to manually identify questionable fueling transactions and patterns. Fleet Services management currently is unable to query its fuel system's database in order to systematically identify questionable fueling transactions. For example, if the Fleet Services Division wanted to ensure that individuals fueling during late evenings had job responsibilities that required them to work late evenings (e.g. Police), Fleet would have to manually go through each report, for each vehicle, and identify fueling transactions at specific times of the day/night. On the other hand, if a script could be written and data queried based on the script, Fleet Services could simply request a report of all fueling during a specific time frame. From that report, Fleet Services would only have to identify questionable departments/divisions. For example, evening fueling by an employee within the City Auditor's Office would be considered unusual and should be questioned.

By using computer assisted auditing techniques, the City Auditor's Office identified several questionable fueling transactions which were not and would have been very hard for the Fleet Services Division to identify. For example, in addition to questionable fueling transactions mentioned in Finding #1 of this report, the City Auditor's Office identified and questioned two

fuel transactions (16.2 gallons of unleaded, then 19.39 gallons of unleaded) by the same employee, for the same vehicle, three minutes apart. While this could have resulted from an employee using his/her PIN #, vehicle #, etc. to fuel a co-worker's vehicle, it should have been a questionable fueling reported to the employee's department manager for proper follow-up.

The Fleet Services Division currently e-mails questionable fueling activity to user departments. The City Auditor's Office received contradictory information regarding the communication of investigative results. The Fleet Services Division indicated that questionable transactions (e.g., unreasonable number of times a specific vehicle fueled within a certain time frame) had been communicated to a user department. However, Fleet Services was not aware of the user department's follow-up/investigate results. On the contrary, the user department indicated that investigative results were communicated to the Fleet Services Division. It should be noted that there is no written policy or procedures specifying to whom and in what format the Fleet Services Division should submit questionable activity to user departments. Nor are there written procedures specifying how and to whom departmental investigative results should be communicated.

While the vehicle performance (miles per gallon) report shows each vehicle's miles per gallon, Fleet management has to manually review data for each vehicle in order to measure vehicle performance. Fleet management's review could be enhanced if a report of only those vehicles with total miles per gallon in excess of an established standard was available. Fleet Services' manual review would then be limited to the extent by which standards vary. This enhancement could result in cost savings to the City in that vehicles that are not fuel efficient are removed from the City's fleet and the amount of manual review time required by the Fleet Services Division is decreased.

The City Auditor's Office also noted that several exceptions within Fleet's Automated Fuel Report resulted from inconsistencies within Fuel Force and Fleet Focus. The exceptions were not isolated to one particular period, but were reoccurring for the following reasons.

- *Employee/operator id does not exist in the database* – This exception resulted when an employee included in Fuel Force was excluded from Fleet Focus.
- *Equipment id not found or not authorized for fuel* - This exception resulted when a piece of equipment (e.g., small generator) was included in Fuel Force for pumping privileges, but excluded from Fleet Focus.

These recurring exceptions could result in unnecessary review by the Fleet Services Division. In a report of August 2009 data, 11 pages of the 16-page report consisted solely of the two aforementioned exceptions. For a December 2010 data report, approximately six of the eight pages consisted solely of these exceptions.

Recommendation:

The Deputy City Manager over the Public Works and Transportation Department should ensure that existing policies and procedures specify to whom and in what format

questionable fueling transactions should be submitted by the Fleet Services Division, and how and to whom departmental investigative results should be communicated.

Management's Response:

Concur.

Target Date: September 30, 2011

Responsibility: Deputy City Manager, Capital Investment and Economic Development

Recommendation:

The Public Works and Transportation Director should consider establishing a control limiting the number of times a vehicle may be fueled within a certain time period, mileage and/or the number of times an employee's PIN# can be used within a certain time period.

Management's Response:

Concur.

Target Date: October 30, 2011

Responsibility: Fleet Manager

Recommendation:

The Public Works and Transportation Director, in conjunction with the interim Chief Information Officer, should require that the Fleet Focus and Fuel Force systems are synchronized to decrease the number of "false" exceptions that appear on the Automated Fuel Report.

Management's Response:

Concur. NOTE: We are looking at doing away with Fuel Force and implementing the fuel module that is a part of Fleet Focus/Asset Works. Implementation is dependent on IT support.

Target Date: March 31, 2012

*Responsibility: Fleet Manager
Information Technology Department*