



## CITY OF COLLEGE STATION

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**TO:** Audit Committee Members  
**FROM:** Ty Elliott, City Internal Auditor  
**DATE:** February 5, 2010  
**SUBJECT:** **Fuel Operations Follow-up Audit Report**

The fuel operations follow-up audit was conducted in accordance with the fiscal year 2010 audit plan. This audit report summarizes the fuel operations audit recommendations, management's responses, and the audit follow-up findings (which describe how city management has implemented the auditor's recommendations). This audit was conducted in accordance with government auditing standards, which are promulgated by the Comptroller General of the United States.

- Audit Recommendation:** The Director of Public Works should instruct the Fleet Buyer to verify that the invoiced unit cost corresponds with the contract price documented in the city's fuel agreement with Brenco. There are four steps to verifying the contract price. (1) Obtain the Oil Price Information Service (OPIS) publication for Hearne, TX. (2) Verify that the date on the OPIS publication matches the order date documented on the invoice and the transaction log. (3) Identify the UBD rack average rates for unleaded (UNL) and diesel (ULS) on the OPIS publication, and add the appropriate markup rate based on the gallons delivered. (4) Compare the unit costs identified in step three to the unit costs on the invoice.

**Management Response:** *Management concurs with the recommendation and will instruct the Fleet Buyer to verify that the invoiced unit price corresponds with the contract price.*

**Audit Follow-up Finding:** I interviewed the Fleet Buyer and observed her perform her duties related to purchasing and receiving of fuel. Based on my review, she now verifies fuel contract prices by performing the steps outlined in the recommendation above.

- Audit Recommendation:** The Director of Public Works should direct Fleet personnel to do a thorough evaluation and cleanup of the data in both the fuel management system (Phoenix) and the equipment file in the city's financial system to ensure that the data is accurate and corresponds to one another. Former employees and current employees, who no longer have a need to fuel city vehicles or equipment, should have their fuel pump authorization deactivated from the Phoenix system. In addition, non misc fuel cards that are not assigned to current city equipment or vehicles should be deactivated in the Phoenix system.

**Management Response:** Management concurs with the recommendation and will direct that the data in the fuel management system and city's financial system be cleaned up as described to ensure that the data is accurate in both systems.

**Audit Follow-up Finding:** In conducting the Fuel Operations Audit, I found 8,934 transactions for 137,105 gallons of fuel recorded in the fuel management system (Phoenix) that was missing from the city's financial system (HTE). Fleet Services has made several improvements to correct this problem such as: performing daily fuel transactions imports from Phoenix into HTE, reconciling these transactions on a daily basis, and conducting significant data cleanup in both Phoenix and the equipment file of HTE.

I reviewed all fuel transactions between 7/1/09 and 12/31/09 found in the Phoenix and HTE databases. I found that the transactions in the two systems completely reconciled. Therefore, I conclude that the measures that Fleet personnel have taken to ensure that the data is accurate and corresponds to one another have been effective.

Fleet personnel have also reduced the number fuel cards for equipment, miscellaneous fuel cards, and drivers authorized to obtain fuel at city fueling stations. The table below summarizes these results.

	<b>Equipment Cards</b>	<b>Driver Authorization</b>	<b>Misc Cards</b>
As of March 2009	504	1,141	59
As of January 2010	474	699	41
Difference	30	442	18
Percent Reduction	6%	39%	31%

According to Fleet personnel, a significant clean-up of the data in the Phoenix system was conducted shortly after the release of the audit report. However, I found there are no procedures in place to periodically identify and deactivate fuel authorization from individuals who no longer have a need to use city fueling stations. As a result, I found 37 authorized fuel users who are no longer employed by the City. In addition, I found 62 authorized users who have not obtained any fuel at city fueling stations within the last 6 months. At least two authorized fuel users have vehicle allowances. When I interviewed these two employees they did not know they were authorized to obtain fuel at city fueling stations.

3. **Audit Recommendation:** The Director of Public Works should direct Fleet staff to activate the fuel management system's odometer reasonability control for all fuel cards. Prior to this control being implemented, Fleet should develop a communications plan to instruct all fuel users about the importance of entering correct odometer readings and to communicate the proper fueling procedures. Once odometer reasonability controls are implemented, Fleet should consider using odometer entries to calculate miles per gallon or cost per mile in order to track driver and vehicle efficiency.

**Management Response:** Management concurs with the recommendations and will direct the implementation of the fuel management system's odometer reasonability controls for vehicles after meeting with fleet coordinators from each department to develop a training and informational program.

**Audit Follow-up Finding:** Odometer reasonability controls have been partially implemented. Odometer reasonability ranges should be set based on vehicles' fuel economy and fuel tank capacity. Although odometer control ranges have been set for all vehicles, reasonability ranges are not always based on vehicles' fuel economy and fuel tank capacity. For example, a 2004 Ford Crown Vic has a

tank capacity of 20 gallons and an estimated fuel economy of 14 miles per gallon. Therefore, a logical odometer reasonability range for a Crown Vic could be 1 to 280 (20 × 14).

Current system settings also allow fueling after a user enters three odometer readings that fall outside of the reasonability range—which functionally bypasses the odometer reasonability control. As a result, city fuel pump users continue to enter incorrect odometer readings. Consequently, Fleet is currently unable to take advantage of system tools to track driver and vehicle efficiency and better schedule preventative maintenance.

Fleet has develop a communications plan to instruct all fuel users about the importance of entering correct odometer readings and proper fueling procedures. However, formal training and communications have not yet been given to all users—an additional cause for the continued incorrect odometer entries.

- 4. Audit Recommendation:** The Director of Public Works should direct Fleet personnel to activate the fuel management system’s quantity restriction controls for all fuel cards. Quantity restriction should be set to match a vehicle’s tank size. Therefore, Fleet staff should verify that tank capacity data recorded in the city’s financial system’s equipment inventory file is complete and accurate prior to implementing quantity restriction controls. The Phoenix system also has the ability to set daily and monthly fuel quantity limits for fuel cards. Daily and monthly limits should be set in accordance with cardholder needs in order to prevent users from circumventing quantity controls by fueling multiple times within the same day or more than reasonable within a month. Therefore, Fleet staff should work with department fuel users and conduct a fuel usage analysis to identify appropriate daily and monthly fueling limits to be placed on fuel cards.

**Management Response:** *Management concurs with the recommendation. Fleet staff will be directed to work with departmental fleet coordinators to conduct a fuel usage analysis to determine appropriate fueling limits and implement the fuel management system’s quantity restriction controls as described for all fuel cards.*

**Audit Follow-up Finding:** Quantity, daily, and monthly fueling limit controls have been partially implemented. Quantity, daily, and monthly fueling limits have been set for all vehicles and drivers. However, quantity limits do not always correspond with fuel tank capacity. In addition, daily and monthly limits are sometimes set artificially high, rendering the control ineffective.

- 5. Audit Recommendation:** The Director of Public Works should direct Fleet staff to monitor miscellaneous fuel card usage by employee and supply users’ supervisors with miscellaneous fuel card usage reports. Department supervisors should be instructed by Fleet to use these reports to help them identify possible instances of inappropriate fuel use. Fleet staff should also conduct an analysis of miscellaneous card use. This analysis should identify the following: (1) potential unmetered equipment that can be assigned to each miscellaneous fuel card, (2) reasonable monthly limits that can be placed on each miscellaneous card based on the historical use of unmetered equipment appropriate to be fueled with the card, (3) who uses miscellaneous cards and determine if these users are appropriate for the card’s intended use, and (4) the miscellaneous cards that should be deactivated from the system.

**Management Response:** *Management concurs with the recommendation. Fleet staff will be directed to work with departmental fleet coordinators to conduct miscellaneous fuel card usage analysis as described to identify possible instances of inappropriate fuel use and to take actions to prohibit inappropriate fuel card activity.*

**Audit Follow-up Finding:** Fleet’s current miscellaneous fuel card usage monitoring procedures are adequate to identify possible instances of inappropriate fuel use. Fleet staff has also performed the

necessary analysis to identify the miscellaneous cards that should be deactivated from the system and these cards have been removed.

6. **Audit Recommendation:** The Director of Public Works should direct Fleet staff to draft fueling procedures to be distributed to current authorized users, and provide these instructions to every new user.

**Management Response:** *Management concurs with the recommendation and will direct the fleet staff to draft fueling procedures to be provided to all authorized users and to new users added to the system.*

**Audit Follow-up Finding:** Fleet staff has drafted fueling procedures to be distributed to current authorized users, and these instructions have been provided to every new user.

7. **Audit Recommendation:** The Director of Public Works should direct Fleet staff to conduct an analysis to determine the overhead cost of administering fuel and develop an overhead rate that reflects those costs. In addition, the equipment inventory file should be examined to ensure that all vehicles and equipment are assessed the same overhead rate.

**Management Response:** *Management concurs with the recommendation and will direct the Fleet staff to determine the overhead cost for administering the fuel system and establish an overhead rate that accurately reflects those costs. The Fleet staff will examine the equipment inventory to ensure that all vehicles and equipment are assessed the correct overhead rate.*

**Audit Follow-up Finding:** Fleet staff has conducted a reasonable analysis to determine the overhead cost of administering fuel and developed an overhead rate of six percent that reflects these costs. However, the equipment inventory file has not yet been updated to ensure that all vehicles and equipment are assessed the six percent overhead rate.