

Office of the City Auditor and Clerk

Internal Audit



Fuel Operations Audit

Audit #23-09

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A handwritten signature in blue ink that reads "Shayla Griggs".

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Executive Summary	1
Audit #23-09 Fuel Operations Audit.....	1
Audit Purpose, Scope and Time Period	1
Audit Objectives.....	1
Summary Background.....	1
Summary of Conclusions.....	1
Detailed Audit Report	2
Audit #23-09 Fuel Operations Audit.....	2
Background and Introduction	2
Audit Standards	2
Audit Purpose, Scope and Time Period	2
Audit Objectives.....	3
Testing Methodology.....	3
Audit Criteria	3
Audit Observations and Testing.....	3
Observations and Recommendations – Review and Monitoring of Fuel Usage	4
Management Response	4
Observations and Recommendations – Safeguarding Authorization of Users	4
Management Response	4
Audit Conclusions	5

Executive Summary

Audit #23-09 Fuel Operations Audit

Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of the City of Sarasota's fleet fuel operation. This audit was performed to evaluate the adequacy of internal controls related to the fuel program administered through the Fleet Maintenance Division (FMD), which includes the operations of the City's fuel site, as well as the fuel card program.

The scope of this audit included testing the controls related to the fuel program. This included the WEX fuel cards, key fobs, fuel tax credit reporting and the Syntech FuelMaster Plus system. The audit period was from October 1, 2021 through July 31, 2022.

Audit Objectives

The audit focused on the following objectives:

- 1) Determine whether processes are in place to provide reasonable assurance that fuel usage is regularly and accurately monitored, and safeguards are in place to authorize users and restrict fuel access to valid users.
- 2) Determine the adequacy of internal controls and processes relative to the fuel management system.
- 3) Determine whether data on fuel usage is monitored and reported to the proper outside agencies when required.

Summary Background

The Fleet Maintenance Division (FMD) of Public Works oversees the fuel operations for the City of Sarasota. On location there is a fuel island with four diesel pumps and four gas pumps. They also handle various vehicle repairs and maintenance on site.

Summary of Conclusions

- Controls over fuel usage and authorization of fuel users are in place, however improvements to regular monitoring should be implemented at the individual department level to ensure proper review and monitoring of fuel use.
- Controls appear to be operating as intended for the fuel management system.
- Data on fuel usage for monitoring and reporting appear to be properly reported to outside agencies.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report

Audit #23-09 Fuel Operations Audit

Background and Introduction

The Fleet Maintenance Division (FMD) of Public Works, an Internal Service Fund, oversees the fuel operations for the City of Sarasota. Fuel services were provided to various City departments throughout the audit period at the City's only fuel site located at the Public Works garage on 12th street. Authorized City employees are allowed to fuel City-owned assets including vehicles, tractors, small equipment and fuel storage containers.

Fuel is dispensed at the City's refueling site using the FuelMaster Plus system (FMP). FMP tracks, monitors and administers fuel usage for all fuel transactions, in a single database. There are a total of eight fuel pumps at the fuel island, four unleaded gasoline and four diesel fuel.

Individual fuel fob keys are assigned to a specific vehicle, are only for gas or diesel fuel and are retained with that vehicle while individual employee pins are specific to each employee and can be used to fuel any vehicle, gas can or generator. With FMP, the user must manually enter their individual pin, vehicle number and odometer reading at the time of fueling.

The City also has Wright Express (WEX) fuel cards that allow employees to purchase fuel at any participating gas station. Any City employee that has an individual employee fuel pin and has been given a WEX card can use it. The Sarasota Police Department has separate WEX cards that are not maintained or administered through FMD and were not included as part of this audit.

FMD prints monthly reports from the FMP system and sends them to the department supervisors for them to review.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient and 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 findings and conclusions based on the audit objectives.

Audit Purpose, Scope and Time Period

Our audit tested the controls related to the fuel program, including fuel keys, individual employee pins, and fuel tax credit reporting. As part of our audit, we analyzed fuel transactions for purchases that were on the same day or next, verified termed users were removed on a timely basis and checked for signed forms that included instructions for the employee. Testing was performed over fuel purchases with the contracted fuel vendor as well as monthly fuel tax credit reports.

The time-period of this audit was October 1, 2021 through July 31, 2022.

Audit Objectives

The audit focused on the following objectives:

- 1) Determine whether processes are in place to provide reasonable assurance that fuel usage is regularly and accurately monitored, and safeguards are in place to authorize users and restrict fuel access to valid users.
- 2) Determine the adequacy of internal controls and processes relative to the fuel management system.
- 3) Determine whether data on fuel usage is monitored and reported to the proper outside agencies when required.

Testing Methodology

- Interviewed appropriate personnel.
- Evaluated compliance with departmental inventory instructions.
- Performed sample test counts² to verify and recalculate fuel costs to assure accuracy, and compliance with contracts.
- Reviewed user access to fuel software systems.
- Evaluated segregation of duties concerning fuel activities.
- Reviewed fuel reconciliations and adjusting journal entries.
- Evaluated management's oversight of the fuel reporting process and operations.
- Reviewed the fuel cards and user ID numbers for adequate controls and safeguards.

To achieve the audit objectives, sampling techniques were utilized to select a random testing sample of fuel purchases throughout the audit period.

Audit Criteria

- Public Works Policies and Procedures
- City of Sarasota Administrative Regulations
- Florida Department of Revenue Instructions and Forms

Audit Observations and Testing

For **objective one**, we determined controls over fuel usage and authorization of fuel users are in place, however improvements to regular monitoring should be implemented at the individual department level to ensure proper review and monitoring of fuel use.

For **objective two**, we determined that controls relative to the fuel management system are generally in place and functioning as intended.

For **objective three**, we determined that controls are in place and functioning as intended to provide reasonable assurance that fuel usage is monitored and properly reported to outside agencies.

² A judgmental sample of items was selected for audit testing based on either number of transactions or cost.

Observations and Recommendations – Review and Monitoring of Fuel Usage

Monthly Fuel Usage Reports – Fuel operations sends monthly reports to supervisors in each department that summarizes their employee fuel usage by vehicle ID. During testing, random selected department supervisors were surveyed to determine the level of use of the reports. IA noted supervisor review varied from those that thoroughly monitor the report, those that somewhat look it over to no supervisor review of the report.

Internal Audit Recommends

- Monthly fuel billing worksheets should be reviewed in detail, by departments to ensure vehicles and usage appear appropriate, reasonable and in accordance with an employee job function. Without the appropriate level of review, unusual fueling transactions and errors may go unnoticed. **We recommend** Fuel operations send a statement/acknowledgment to each department supervisor that reinforces the importance of reviewing the monthly report.

Management Response

We implemented a draft memo immediately and sent to City Auditor for review. The memo is a reminder to all user Departments to ensure that there is oversight by each Department supervisor(s) and/or manager(s) to ensure the accuracy and accountability of fuel being dispensed by their Department staff. Committed resolution date will be to immediately send a memo to all user departments upon approval and receipt from the City Auditor for this fiscal year. Here after at the beginning of each new fiscal year, we will send out annual reminder memos to all user departments.

Observations and Recommendations – Safeguarding Authorization of Users

Fuel PIN Assignment and Instruction Form – All fuel users are required to fill out a Fuel Key and Wright Express (WEX) Fuel Card Usage form. This form gives instruction on the fuel fob and WEX card, has the supervisors signature and has the employee choose their unique PIN number. During testing, only six out of 40 signed employee forms tested had the actual copy on file that could be found. Employee and supervisor signed forms are generally kept in hard copy format, however there is no system for digitally maintaining them.

Internal Audit Recommends

- At the completion of field work, but prior to issuing our report, FMD started working with Human Resources to implement adding the fuel PIN application and database as part of the new employee orientation process. **We recommend** FMD continue to work with HR on this process which will help eliminate paperwork and help streamline the PIN application process.

Management Response

We have coordinated with the Human Resources Department staff and have requested that this be part of the new employee orientation and/or onboarding process moving forward. The new ERP software will implement this process and we will stay in touch with the Human Resources Department staff until fully implemented. The committed resolution date will be as directed by Human Resources Department timeline and implementation.

Terminated Employees Are Not Removed In A Timely Manner –Human Resources (HR) sends out a monthly list regarding employee terminations, retirements, promotions and any employee changes of departments. FMD uses these reports to move employees to the correct department in the FMP system and remove users that are no longer employed with the City. There are 969 active fuel accounts, testing identified 26 terminated employees still included as active users. The current monthly reports received from HR could be weeks after an employee is terminated, potentially resulting in FMD users having access after termination.

- At the completion of field work, but prior to issuing our report, FMD started receiving real-time email updates from HR identifying terminated employees, allowing FMD to remove employee access immediately at time of termination.

Audit Conclusions

The observations noted above could generally be resolved with increased supervisor review of monthly fuel usage and providing digital storage of signed fuel card usage forms. We recommend management implement the noted recommendations to strengthen controls and mitigate the risks over fuel usage.

We would like to thank the Fleet Maintenance Division personnel for providing their time and assistance during this audit.