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For Immediate Release
July 10, 2013

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**City Auditor and City Management Agree on Need
for Fuel Expenditure Improvements**

First of Four City Fuel Expenditure Audits Released

Long Beach, CA – Long Beach City Auditor Laura Doud announced today the release of the first of four audits of the City of Long Beach’s fuel expenditure and usage system. The first report focused on the City’s largest fuel operation, which is overseen by the Fleet Services Bureau within the Department of Financial Management.

One of the key findings in this first audit is a lack of controls within the fuel expenditures system. The Department of Financial Management agrees with this finding, noting that significant reductions in staff due to budget cuts from previous years led to the lack of controls. Financial Management staff further indicated the department has already begun reviewing issues raised in the audit.

The City of Long Beach spends over \$5.6 million annually for fuel such as gasoline, diesel, CNG, LNG, etc., with more than over 2,000 users within the City’s fuel systems. The City currently uses three different fueling systems to monitor usage. These computer systems are maintained by the Harbor Department, Water Department, and Fleet Services Bureau within the Financial Management Department. The Fleet Services Bureau includes departments that have significant fuel usage such as Public Works, Police, Parks and Recreation, Fire and Gas & Oil.

The Fleet Services Bureau purchased 1.8 million gallons of fuel at a cost of approximately \$5 million in fiscal year 2012. The fuel management system used by the Fleet Services Bureau to capture fueling transactions is over 15 years old. The audit noted that the current system configuration provides limited controls over the dispersal of fuel. This configuration, combined with a lack of adequate reporting and transactional review, leaves the City vulnerable to possible fraud and abuse.

Fleet Services uses fuel keys to control fuel access and register how fuel is distributed. However, multiple key types, inconsistent use of key status, and the ability to exceed parameter controls allows employees to fuel any vehicle, whether it is owned by the City or not. In addition, the audit found that both Fleet Services and fuel-user departments recognize the importance of monitoring fuel operations, but they do not appear to have adequate staffing resources to ensure controls are sufficient or to consistently review fueling transactional data. Instead, the departments monitor their fuel cost from a budget perspective, identifying any significant fluctuations in each year. While the departments may remain within budget, they have no assurance the fueling charges are correct.

“Fleet Services has made some system changes to address issues identified during the audit,” commented City Auditor Laura Doud. “We want to thank Fleet Services and the departments for their cooperation, and we appreciate their efforts to improve processes in order to secure and safeguard City resources.”

To better account for fuel usage, the audit recommends the following areas be addressed:

- Determine the most effective way to disperse fuel
- Reconcile the existing fuel key inventory against actual department needs
- Establish appropriate system parameters based on user needs and limit the ability for users to exceed parameters
- Reconcile billing information to ensure departments are being billed appropriately
- Develop system reports to identify system overrides, unusual transactions, and system edits.

“Due to the volume of fueling activity, it is critical the City have a strong software system managing these transactions,” said City Auditor Doud. “In addition, solid internal controls are needed to ensure staff is monitoring fuel usage appropriately.”

The second and third audit reports will discuss results relating to the Harbor and Water Departments’ fuel expenditure systems respectively. The final report will explore the possibility of consolidating fueling systems Citywide.

The full report with a detailed explanation of the City Auditor’s recommendations and management comments can be viewed on the City Auditor’s website, www.CityAuditorLauraDoud.com.

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