

# Citywide Fuel Expenditures Consolidation of Fuel Operations

Report 4 of 4

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## Summary

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We have concluded our comprehensive audit of Citywide fuel expenditures. The City currently has three fueling systems overseen by the Fleet Services Bureau (Fleet Services), the Harbor Department (Harbor) and the Water Department (Water). The objective of our audit was to assess the appropriateness of the City's fuel expenditures. We conducted this comprehensive performance audit in accordance with Generally Accepted Government Auditing Standards. 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.

Due to the use of multiple fuel systems and the size and complexity of the fuel operations, the results of our audit were communicated through a series of reports. Specifics regarding scope and methodology, as they pertain to each fuel operation, are documented in each of the three individual audit reports. The first report, issued on July 10, 2013, focused on the City's largest fuel operation, which is overseen by Fleet Services. The second report, issued on September 5, 2013, focused on the fuel operation overseen by Harbor and the third report, issued on November 14, 2013, focused on the fuel operation overseen by Water. This report (the final report) will discuss the possibility of consolidating fuel operations Citywide. Therefore, numbers and statistics referenced throughout this report pertain to Citywide fuel operations, which encompasses the entire City's fuel use, including Fleet Services, Harbor and Water.

As seen in Table 1, in fiscal year (FY) 2012, the City purchased over 2 million gallons of fuel costing over \$5.7 million. Fuel users performed an estimated 123,000 fuel transactions during the same period with approximately 88% of the gallons consumed by users of the fuel system overseen by Fleet Services. With this volume of activity, it is critical that the City have strong software systems managing the transactions, along with solid internal controls and processes to ensure staff can account for all fuel usage.

**Table 1**  
**Citywide Fuel Usage**  
**FY 2012**

Fuel System	Fuel Transactions	Fuel Quantity (in Gallons)	Fuel Cost
Fleet Services*	112,000	1,800,000	\$ 4,928,000
Harbor Department	9,000	109,000	388,000
Water Department	2,300	132,000	408,000
<b>Total</b>	<b>123,300</b>	<b>2,041,000</b>	<b>\$ 5,724,000</b>

*\*"Fleet Services" represents all City Departments that access fuel through the Fleet Services fueling system.*

## **Reasons Consolidation of Fuel Operations Citywide Should be Considered:**

1. All three fuel operations, Harbor, Water and Fleet Services, are due for fuel system upgrades.

Harbor and Water are operating old versions of the Orpak fuel system. Both departments are currently upgrading to a more current version of the software, which will be compatible with one another. In addition, Water is also exploring the use of fuel rings, similar to Harbor. Fleet Services uses a different system, EJ Ward, but has budgeted for a system upgrade in FY 2014. If Fleet Services also procures Orpak, this would reduce technical support needs and should lower future costs of upgrades and maintenance.

2. The current fuel systems offer functionality and controls that are either not used or not used effectively to restrict fuel usage.

With the exception of fuel rings, fuel system hardware (such as fuel keys, master keys and box rings) allow unlimited fueling and mitigating controls are not in place to ensure fueling is appropriate. There is also a lack of accurate inventories of fuel keys, fuel rings, etc. to be able to ensure all methods of accessing fuel are accounted for and assigned appropriately.

The fuel systems also possess functionality to set system parameters, which restrict the use of fuel based on the user's need. We found that none of the departments were using this function effectively with system parameters either not used, unreasonable or ineffective in controlling access to fuel.

If fuel systems were consolidated, the City could standardize fueling methods and implement effective system parameters to provide increased controls over fuel usage.

3. Departments have limited personnel to monitor fueling transactions and establish effective policies and procedures.

Review of transactional data to detect anomalies, errors or inappropriate transactions is either inadequate or not occurring within all three fuel operations. Our audit noted issues with excessive transactions, incorrect fueling times, and significant master key usage. Because review is limited, these activities were not identified. In addition, outdated or non-existent policies and procedures contribute to inconsistencies in operations. Centralizing the oversight of the fuel system will provide experienced and knowledgeable designated personnel responsible for ensuring updated policies and procedures are established, adequate reporting is generated, and appropriate transactional review is implemented.

Having a central point of contact for fuel users and departments to assess system updates, fueling methods and procedures will provide the opportunity for issues to be addressed more thoroughly and consistently. Given the possible benefits of a more centralized approach to management of the City's fuel operations, we recommend Harbor, Water and Fleet Services consider the concept of consolidation and explore the pros and cons in more detail. Consolidation would not only provide for potential cost savings but would also allow for vast improvements to the administration of this significant City operation, which would provide greater assurance that this valuable City resource is protected and used only as intended.

Harbor and Water are better positioned to employ an easy transition to a new system and organizational structure. However, due to the volume of activity and significance of issues within the fuel operation overseen by Fleet Services, we recommend improvements be made to the Fleet Services' fuel operation before taking steps to consolidate Citywide.