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**GENERAL SERVICES DEPARTMENT  
FLEET SERVICES DIVISION  
FUEL MANAGEMENT AND MONITORING  
CALENDAR YEAR 2006**

***MAYOR AND CITY COUNCIL***

<b><i>Mick Cornett</i></b>	<b><i>Audit Committee, Mayor</i></b>
<b><i>Gary Marris</i></b>	<b><i>Ward 1</i></b>
<b><i>Sam Bowman</i></b>	<b><i>Ward 2</i></b>
<b><i>Larry McAtee</i></b>	<b><i>Audit Committee, Ward 3</i></b>
<b><i>Pete White</i></b>	<b><i>Ward 4</i></b>
<b><i>J. Brian Walters</i></b>	<b><i>Ward 5</i></b>
<b><i>Ann Simank</i></b>	<b><i>Ward 6</i></b>
<b><i>Ronald "Skip" Kelly</i></b>	<b><i>Ward 7</i></b>
<b><i>Patrick Ryan</i></b>	<b><i>Audit Committee, Ward 8</i></b>



July 1, 2008

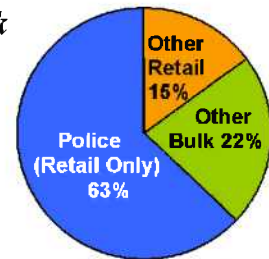
The Mayor and City Council:

The Office of the City Auditor has completed an audit of the acquisition and use of fuel purchased by the Fleet Services Division. The following summarizes the results of our audit:

**BACKGROUND**

◆ The City and related Trusts purchased over \$7 million of retail and bulk fuel during calendar year 2006.

◆ The General Services Department – Fleet Services Division (Fleet Services) managed \$3 million of these expenditures, of which, as depicted to the right, almost two-thirds stem from Oklahoma City Police Department (OCPD) transactions.



2006 Fuel: \$3 Million

◆ In addition to fuel, Fleet Services provides central support and advisory services to user departments; user departments are responsible for directly monitoring employee fuel activity.

◆ OCPD also operates its own internal fleet management function.

◆ The following generally describes the fuel management system established by Fleet Services:

◆ Fleet Services coordinates retail fuel purchases (vendor sites located throughout the City) and bulk fuel purchases (tanks maintained internally).

◆ Fuel access is granted through the issuance of fuel cards and employee PIN numbers.

◆ Transaction data (e.g., PINs, mileage, fuel type, etc.) and other records are entered on the Fleet Management System (M5).

◆ M5 facilitates fuel usage reporting, chargebacks and reconciliations.

## AUDIT RESULTS AND RECOMMENDATIONS


- ◆ *Roles and responsibilities have not been clearly developed or communicated. Fleet Services should develop and distribute comprehensive fuel management policies and procedures, delineating various roles and responsibilities and setting a tone of accountability. See Recommendation (1).*
- ◆ *Meaningful exception reports have not been developed or used. Fleet Services should work with user departments to provide accurate and complete exception reports, identifying unreasonable, unusual, or other significant transactions or errors. As an alternative, OCPD could work with the fuel vendor to obtain such reports. See Recommendation (2).*
- ◆ *User department chargebacks were not accurate, complete or timely. Fleet Services should improve user department chargeback procedures, ensuring that all chargebacks are accurately prepared on a regular basis. See Recommendation (3).*
- ◆ *Retail fuel: the validity of vendor databases (i.e., authorized employees and equipment numbers) and invoiced transactions are not periodically verified. Fleet Services should periodically verify vendor records to help ensure that fuel transactions are accurate, valid and authorized. See Recommendations (4), (5) and (6).*
- ◆ *Bulk fuel: physical fuel inventories are not consistently reconciled to inventory records. Fleet Services should perform accurate, complete and timely reconciliations to help ensure the accuracy and completeness of fuel inventories. See Recommendations (7) and (8).*
- ◆ *Three employees have been assigned incompatible fuel-related responsibilities. Fleet Services should assess the cost/benefit of segregating incompatible responsibilities, reducing the risk of errors and undetected fuel losses. See Recommendation (9).*

## CITY AUDITOR'S ASSESSMENT

*Controls were not adequate or effectively carried out to reasonably ensure that the acquisition and use of fuel purchased by Fleet Services were accurate, valid and authorized during calendar year 2006.*

*The content and emphasis of the items in this report have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the recommendations and observations arising from our audit. Management's response has been included as an attachment to this report.*

  
Susan McNitt  
City Auditor

  
Jim Williamson  
Assistant City Auditor

  
Brett Rangel  
Audit Manager

**GENERAL SERVICES DEPARTMENT  
FLEET SERVICES DIVISION  
FUEL MANAGEMENT AND MONITORING**

**AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this audit was to evaluate the adequacy and determine the effectiveness of controls reasonably ensuring that the acquisition and use of fuel purchased by the Fleet Services Division during calendar year 2006, were accurate, valid and authorized.

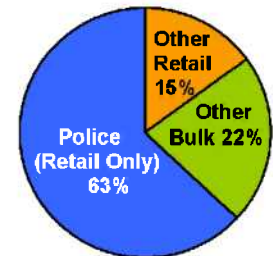
We conducted this audit in accordance with generally accepted government auditing standards, except for the standard relating to personal independence. It is possible that the Office of the City Auditor may not be viewed as impartial due to a personal relationship between the City Auditor and the Chief of Police.

The scope of our audit was limited to fuel purchased by the General Services Department - Fleet Services Division (Fleet Services) and primarily used by the City of Oklahoma City (City) general fleet, which includes the Oklahoma City Police Department (OCPD) general fleet. Our audit excluded fuel purchased by City-related Trusts and departments outside of Fleet Services' scope of authority. Our audit also excluded verifications of the fuel price per gallon charged by vendors.

Procedures performed during this audit included interviews of management personnel; reviews of fuel-related benchmarks and practices; analysis of in-house and vendor fuel management system setup, processes and data; examinations of unusual fuel transactions; and assessments of management exception reporting.

**BACKGROUND**




The City and related Trusts spend more than \$7 million per year on fuel. Among other fleet maintenance and support responsibilities, Fleet Services generally manages over 40% of these fuel expenditures, or approximately \$3 million during calendar year 2006. OCPD fuel expenditures comprised about \$1.9 million (or 63%) of the 2006 total. See chart to the right. Fleet Services provides retail, bulk and related fuel resources to the departments served (user departments) for the necessary operation of vehicles and equipment. Fleet Services also provides fleet advisory services (e.g., assessments, analysis or information) to facilitate user department decision-making. The OCPD, due to its heavy fuel usage, also operates its own internal fleet management function. The OCPD and all other user departments are responsible for directly monitoring and managing their employees' use of vehicles, equipment and required fuel resources.





2006 Fuel: \$3 Million

Effective fuel management controls help to ensure the accuracy, completeness, validity, and overall effectiveness of fuel service operations. The following generally describes the fuel management system established by Fleet Services.





**Fuel Access: Employees generally use a fuel card to obtain fuel for their vehicles.**

<b>FUEL CARD</b> 	<b>EMPLOYEE with PIN (personal identification no.)</b> 	<b>VEHICLES / EQUIPMENT</b> 
<ul style="list-style-type: none"> <li>Fuel cards are assigned to specific vehicles or equipment.</li> <li>Fuel cards are used to record transaction data (e.g., employee PINs, vehicle/equipment numbers, vehicle mileage, fuel types, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Services and OCPD coordinate the authorization and assignment of fuel cards and PINs to employees needing to obtain fuel.</li> </ul>	<ul style="list-style-type: none"> <li>Vehicles and equipment have a unique equipment number, assigned to a fuel card.</li> </ul>





**Fuel Sources: Fleet Services coordinates both retail and bulk fuel purchases.**

<b>RETAIL FUEL OUTLETS</b> 	<b>BULK FUEL STORAGE</b> 
<ul style="list-style-type: none"> <li>The City contracts with two retail fuel vendors.</li> <li>Retail sites are located throughout the City.</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Services also purchases bulk fuel, which is transported and/or stored in 2 tanker trucks (tankers), 4 aboveground storage tanks (ASTs), and 2 underground storage tanks (USTs).</li> </ul>

**Fuel Records: Most records are entered on the Fleet Management System (M5).**

<b>FUEL PURCHASES: BULK ONLY</b> 	<b>FUEL USAGE: BULK &amp; RETAIL</b>  Receipts and Invoices	<b>FUEL INVENTORIES (Purchase - Usage activity): BULK ONLY</b> 	 M5 System Inventories
<ul style="list-style-type: none"> <li>Fleet Services periodically records bulk fuel purchases (deliveries) on M5.</li> </ul>	<ul style="list-style-type: none"> <li>Most usage transactions are automated.</li> <li>Some usage transactions are manually entered by Fleet Services.</li> </ul>	<ul style="list-style-type: none"> <li>Fleet Services maintains AST and UST fuel inventory records on M5.</li> <li>Bulk fuel inventory records depend upon the accuracy and completeness of purchase and usage transactions.</li> </ul>	

**Fuel Management: Fuel services management consists of the following components.**

<b>POLICIES &amp; PROCEDURES</b> 	<b>MANAGEMENT REPORTING</b> 	<b>USER DEPARTMENT CHARGEBACKS</b> 	<b>FUEL RECORDS &amp; RECONCILIATIONS</b>  vs. Actual M5
<ul style="list-style-type: none"> <li>Fuel management policies and procedures provide guidance and control over the purchase, use and management of fuel.</li> </ul>	<ul style="list-style-type: none"> <li>Exception and usage reports help user departments and Fleet Services monitor fuel usage and costs, ensure compliance with policies, and control access to fuel.</li> </ul>	<ul style="list-style-type: none"> <li>Fuel costs are billed to user departments via chargebacks.</li> <li>Fleet Services prepares and submits chargebacks to OMB for approval.</li> <li>User departments reimburse Fleet Services for fuel used.</li> </ul>	<ul style="list-style-type: none"> <li>Accurate and complete records help ensure the integrity of chargebacks, exception reports and fuel inventories.</li> <li>Periodic reconciliations help prevent the loss and waste of fuel resources.</li> </ul>

