



Audit of Fuel Services Planning, Procurement, Deployment, and Delivery

April 16, 2021

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Adam Medrano

Deputy Mayor Pro Tem

B. Adam McGough

Council Members

Carolyn King Arnold

Tennell Atkins

Adam Bazaldua

Paula Blackmon

David Blewett

Jennifer S. Gates

Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



City of Dallas

Executive Summary

Objective and Scope

The audit objective was to determine if the Department of Equipment and Fleet Management has adequate controls over fuel services. The scope of the audit primarily focused on compliance with fuel storage tank inspection requirements, fuel purchases, fuel deliveries, and inventory control.

The audit period covered transactions and management activities from October 1, 2018, to September 30, 2020.

What We Recommend

No recommendations were identified.

Background

The Department of Equipment and Fleet Management (EFM) is responsible for fuel operations, and related management systems and technology. The Department manages eight fueling stations with a total storage capacity of over 720,000 gallons. The fuel pumps at these eight stations are activated by a device called a Vehicle Identification Box (VIB) installed on most City-owned vehicles. The VIB authorizes the sale and creates a record of each transaction in Fleet Focus M5 software system.

The City has a master agreement with five fuel suppliers for the purchase of fuels based on Platts index rates. The average annual fuel usage is approximately 6.7 million gallons of unleaded gasoline, diesel fuel, and compressed natural gas. Total fuel expenditures for fiscal years 2019 and 2020 were \$14.1 million and \$11.5 million, respectively.

What We Found

The Department of Equipment and Fleet Management has adequate controls over fuel operations. In particular, the Department:

- Maintains a perpetual inventory system and performs month-end reconciliation between the fuel tank readings and the Fleet Focus M5 software system.
- Performs delivery reconciliations when receiving fuel at fuel stations.

In addition, the Department's staff:

- Reviews invoices for properly billed amounts and appropriately approves payments.
- Inspects the underground fuel storage tanks annually to comply with the State's inspection requirements.

Objectives and Conclusions

1. Does EFM have inventory controls to account for fuel purchases, receipts, usage, and inventory on-hand?

Yes. The Veeder-Root automatic tank gauge system provides real-time fuel inventory data. The Department reconciles the physical inventory of fuel to the records in the Fleet Focus M5 inventory system. The EFM fuel station on-site staff conduct daily inventory and document the results on the Daily Inventory Worksheets. At month-end, EFM staff reconcile fuel tank readings against the Fleet Focus M5 records to resolve the variance between the physical inventory and booked inventory.

2. Does EFM verify the amount of fuel received?

Yes. The Department performs fuel delivery reconciliation. The fuel station on-site staff perform fuel delivery reconciliation to verify the amount of fuel received and forward delivery documents to EFM management.

3. Does EFM track fuel purchases and verify correct invoiced amounts?

Yes. The Department maintains a fuel ordering and receiving log to track fuel purchases. The EFM staff verify that vendor invoices have correct per-gallon prices based on the Platts daily index prices. In addition, the fuel payments are reviewed and approved by appropriate supervisors.

4. Are fuel stations inspected and fueling activities monitored?

Yes. Fuel stations are inspected annually to meet the Texas Commission on Environmental Quality underground storage tank inspection requirements. Security cameras monitor the underground fuel tanks and fuel islands. The EFM technical support team utilizes the Fleet Focus M5 dashboard to monitor unusual activities such as high frequency of refueling.

Appendix A: Methodology

Methodology

To accomplish our audit objectives, we interviewed key personnel, reviewed applicable City and State compliance requirements, reviewed written policies and procedures, tested a random sample of fuel orders and payments, and reviewed monthly perpetual inventory control documentation. The risk of fraud, waste, and abuse was also considered. All five internal control components of the *Federal Internal Control Standards* were considered in this engagement.

This performance audit was conducted 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Lee Chiang, CIA, CISA – In-Charge Auditor

Anatoli V. Douditski, CIA, MPA, ACDA – Audit Manager

Appendix B: Management's Response

Memorandum



DATE: April 14, 2021

TO: Mark S. Swann, City Auditor

SUBJECT: Response to Audit of Fuel Services Planning, Procurement, Deployment, and Delivery

This letter acknowledges the City Manager's Office and the Department of Equipment and Fleet Management received the *Audit of Fuel Services Planning, Procurement, Deployment, and Delivery*.

We would like to thank the Auditor for confirming proper controls are in place and performing as designed within the Department of Equipment and Fleet Management's fuel operations.

Sincerely,

A handwritten signature in black ink, appearing to read "T.C. Broadnax".

T.C. Broadnax
City Manager

C: Kimberly Bizor Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer
Donzell Gipson, Director, Department of Equipment and Fleet Management

"Our Product is Service"
Empathy | Ethics | Excellence | Equity