

**CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL**

**FOLLOW UP TO THE AUDIT REPORT ON FUEL
CONSUMPTION**

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Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted a follow-up to the February 2014 Audit Report on Fuel Consumption. The Purchasing Division is responsible for the purchase of fuel by the City. The FuelMaster System is used to record all fuel dispensed from City tanks. There are two types of devices for tracking the vehicles/equipment which receive the fuel: AIM units and PROKEEs. AIM is newer technology and has replaced use of the PROKEE in most City owned light passenger vehicles. The PROKEES are used for heavy equipment and for small motorized equipment.

The AIM technology guarantees that the vehicle's identity and fuel received are accurately electronically recorded. The AIM unit is mounted on the vehicle and connects to the vehicle's onboard diagnostic computer. It transmits vehicle data through a radio frequency to the Fuel Management Unit. The AIM Unit turns on the fuel pump.

The PROKEE is a key which can turn on a City fuel pump. A PROKEE is assigned to a specific vehicle or individual piece of equipment. The PROKEE offers weaker internal control over fuel as there is no guarantee that the assigned vehicle is the one which receives the fuel.

This follow-up Audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The following terms will be used throughout the report:

Audit Recommendation – recommendations from the original February 2014 audit.

Department Response – May 2015 status update on implementation of audit recommendations provided by Bill Sunderlin, Director of Purchase.

Auditor Comments – commentary provided by Department of Audit and Control (DAC) related to original audit recommendations, department response and additional procedures performed for the follow-up report.

Status of Significant Audit Recommendations

AIM Technology Deployment

Audit Recommendation: It is recommended that the City deploy the AIM technology on all vehicles due to significant improvement in internal control offered by this technology. The City should work with the AIM vendor to find solutions to radio transmission issues which prevent deployment of AIM on heavy duty vehicles.

Department Response: All current light duty vehicles are equipped with the AIM system. Approximately 100 new police, engineering and public works vehicles have been equipped with the AIM system. It is the directive of the Division of Purchase to equip all light duty vehicles

with this technology. No heavy duty vehicles have been equipped with AIM. Issues with transmission of the radio frequency and cable harness corrosion problems have hindered installation.

Auditor Comments: The AIM technology was first introduced in 2013. Since then the Purchasing Division has aggressively deployed the AIM technology on light weight vehicles. 63% of City vehicles with fueling activity in calendar year 2014 were equipped with AIM. 37% continue to use the older PROKEE technology.

Summary of City Vehicles			
	Number of Vehicles	Percent of Vehicles	Gallons Consumed
AIM Vehicles	632	63%	670,086
PROKEE Vehicles/Equipment	364	37%	432,469
Total	996	100%	1,102,555

AIM units should be deployed in as many City vehicles as possible.

FuelMaster Odometer Controls

Audit Recommendation: The FuelMaster system has a control requiring input of an accurate odometer reading to dispense fuel when using a PROKEE. The reading must be sequentially higher than the previous reading to turn the pump on. This control is not in use. It is recommended that this control be used to increase accuracy of manually entered odometer readings. This also should reduce instances where fuel is pumped into a vehicle not associated with the PROKEE used.

Department Response: All odometer readings on AIM equipped vehicles are consistent and sequential. There have been inconsistent odometer readings on some large equipment vehicles using the PROKEE system. These vehicles and authorized users have been identified via the reporting system. A one on one review with each of the department superintendents has been conducted to correct future transactions. All FuelMaster consoles have been posted with a notice on the proper odometer entry.

Auditor Comments: 49% of the 18,818 PROKEE transactions in 2014 had odometer readings which were not sequential. As previously noted the current setup does require the entry of an odometer number but the fuel pump will turn on when the odometer entry is not sequential. The odometer control within FuelMaster is not utilized. DAC recommends the odometer control be turned on to increase internal controls.

Fuel Master Report Recommendation

Audit Recommendation: An annual reconciliation of fuel purchased and fuel consumed should be performed to verify all gallons of fuel are accounted for. The detailed monthly Transaction Reports provided to management should be given to an appropriate supervisory level employee who is familiar with the users and with the operation to assess whether the amount of fuel consumed is reasonable. The supervisor should determine if dates fuel pumped and equipment used are consistent with the individual's work schedule and assignments. There should be signature verification each month by the supervisor acknowledging the review and reasonability of the data in the report. Annually each user should certify that all fuel consumed was used only for City business.

Department Response: A reconciliation report was compiled for 2014.

Auditor Comments: The reconciliation prepared by the Purchasing Division was reasonable and accurate. To make this determination DAC confirmed calendar year 2014 fuel purchases with the two fuel vendors and then compared the purchases to the FuelMaster record of fuel consumed.

Purchasing provided detailed monthly Transaction Reports for the month of April 2015. There were no supervisory signatures indicating a review was completed. It is recommended that supervisory signatures be obtained on all detailed monthly Transaction Reports.

There was no documentation of an annual user certification that all fuel consumed was used only for City business. It is recommended that an annual user certification be obtained.

Third Party Gas Consumption

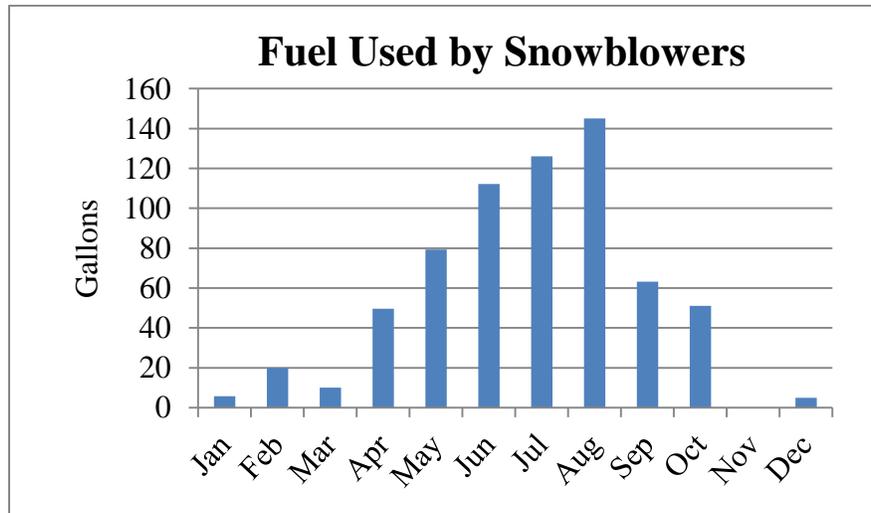
Audit Recommendation: Olmsted should be provided with detailed monthly Transaction Reports from the FuelMaster System.

Department Response: Olmsted utilizes fuel per the agreement with the City of Buffalo. The Superintendent of Olmsted reviews/signs the monthly Transaction Report.

Auditor Comments: The Audit recommendation pertaining to Olmsted supervisor review of the Olmsted monthly detail Transaction Report was implemented.

Observation from Follow-up Procedures

It was observed that 2 PROKEEs assigned to snowblowers had the majority of their fueling activity during summer months. It is likely that the fuel pumped during the summer months did not go into the snow blowers. This anomaly should be reviewed by Parks Department and Olmsted Conservancy Supervisors of the employees who fueled the equipment.



The summer fueling of snowblowers highlights the internal control weakness related to use of the PROKEE.

Conclusion

The majority of the recommendations from the prior audit have been addressed, including the AIM deployment, Olmsted consumption review and annual reconciliations all of which enhance internal control. There remain opportunities to improve internal controls over fuel consumption, including, further deployment of AIM technology on new vehicles and retirement of PROKEES, review of monthly fuel consumption by management and odometer control activation on vehicles that use PROKEES.