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Date: April 30, 2013

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Fleet Services Fuel Management – Follow-up Review

cc: John Pombier, Deputy City Manager
Pete Scarafiotti, Fleet Services Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of Fleet Services Fuel Management. The final report is attached. Please feel free to contact me you have any questions.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date:	April 30, 2013
Department:	Fleet Services
Subject:	Fuel Management
Auditor:	Bill D'Elia, Sr. Internal Auditor

OBJECTIVE

The objective of this review was to determine whether the Fleet Services Department has effectively implemented the action plans presented in their responses to our December 2011 audit of fuel management.

SCOPE & METHODOLOGY

To accomplish our objective, we interviewed City staff members responsible for fuel management; analyzed fuel system activity and validation settings; and reviewed controls related to fuel system access, miscellaneous fueling, physical security, and management oversight.

BACKGROUND

In 2011, we audited the City's Fleet Services Department to determine whether City fuel is adequately procured, safeguarded, and accounted for. Based on our findings, we recommended that Fleet Services do the following:

- Use appropriate validation settings to limit fuel access.
- Require management authorization for new access requests.
- Deactivate unnecessary vehicles and fuel cards.
- Monitor system changes.
- Limit users' access to only those functions that are essential to their job duties.
- Improve controls over miscellaneous fueling.
- Improve physical security over fuel sites.
- Improve controls over leased vehicle fueling.

CONCLUSION

In our opinion, all of the corrective actions planned by management in response to the audit have been substantially implemented. However, in order to ensure ongoing effective fuel management, Fleet Services should continue to conduct periodic reviews of system settings and should regularly analyze exception reports to identify potential issues as they arise. A complete list of the original recommendations and departmental responses, along with our findings regarding the implementation status of each corrective action plan, is presented in the attached Appendix.

APPENDIX

✓ = Implemented ◆ = In Progress ✗ = Not Implemented ∅ = Not Applicable*

<u>Corrective Action</u>	<u>Implementation Status</u>	
CAP#1: Improvements to Fuel Authorization Process		
<p>Recommendation #1: Fleet should ensure that FuelForce validation settings, including odometer validations and 2-hour wait requirements, are appropriate for all vehicles.</p> <p>Management Response: <i>"Fleet will audit all active Fuel Force vehicles and work orders to ensure proper validations in place per normal vehicle operation or documented department request."</i></p>	<p>Implemented</p> <p>Fleet audited and corrected validation settings to address the original audit findings; however, they did not establish a process for recurring reviews. We recommend that they periodically review these settings to ensure settings remain appropriate for all vehicles, especially those acquired since the last review.</p>	✓
<p>Recommendation #2: Fleet should periodically identify and deactivate unnecessary FuelForce vehicles and fuel cards.</p> <p>Management Response: <i>"We will request a query report to identify vehicles and cards which meet the criteria. On occasion there are valid reasons why there has been no activity, but in reviewing the audit findings most cases are historical oversights."</i></p>	<p>Implemented</p> <p>Fleet developed the query report as promised, and deactivated most of the vehicles and cards as recommended; however, they did not establish a process for recurring reviews. We recommend that they periodically run and review the report to ensure only necessary vehicles and cards remain active in the system.</p>	✓
<p>Recommendation #3: Fleet should develop a process for ensuring that new fuel cards have been properly authorized, such as requiring supervisors and/or RC managers to sign a request or send an email to Fleet administrative staff.</p> <p>Management Response: <i>"Fleet will continue to provide a fuel card for new vehicles put in service. However, we will require proper department authorization to grant employee key pad authorization for fuel."</i></p>	<p>Implemented</p> <p>Fleet requires proper department authorization to grant an employee key pad authorization for fuel.</p>	✓

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<p>Recommendation #4: Fleet should work with the Information Technology Department (ITD) to develop reports that notify Fleet administrative staff of changes to FuelForce vehicles, fuel cards, or vehicle validation criteria, and verify that all changes are appropriate.</p> <p>Management Response: <i>"We concur that an administrative review of any changes as mentioned is beneficial. Unfortunately the vendor does not currently maintain a transaction log that would provide this data. We have spoken with the vendor regarding creating a file in future updates. We have implemented a formal log for all miscellaneous fuel transactions by Fleet staff."</i></p>	<p>Implemented</p> <p>Fleet maintains a log of miscellaneous fuel transactions, as noted in their response. However, we also continue to recommend that, to the extent possible, changes to existing records should be monitored.</p>	<p>✓</p>
CAP#2: Improvements to FuelForce & FleetAnywhere Systems Access Controls		
<p>Recommendation #1: Fleet should continually ensure that users only have access to FuelForce functions that are necessary for their job duties. Special care should be given when granting system administrator rights or access to fuel authorization settings.</p> <p>Management Response: <i>"Fleet staff members responsible for this system were not aware of the security level issues until questioned in the audit. This resulted in a follow up conversation with the vendor and appropriate changes have been implemented."</i></p>	<p>Implemented</p> <p>Overall, access rights have been appropriately limited as recommended. However, we found that one retired employee still had administrative rights to the system. Staff corrected this when informed of the issue.</p>	<p>✓</p>

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<p>Recommendation #2: Fleet and the MFD should continually ensure that FleetAnywhere users are only granted vehicle creation or system administrator rights if their job duties warrant it.</p> <p>Management Response: <i>“As a result of this audit there are two individuals in Fleet Services and one in MFD that have full administrator access. These individuals determine the level of access staff have to the system. When employees terminate ITD removes all their computer access rights. MFD has addressed the issue for their users.”</i></p>	<p>Implemented</p> <p>Administrative rights to the FuelForce system are now limited to those employees who need it to perform their duties. However, as noted above, we recommend that retired employees have their FuelForce administrative rights terminated in addition to having their network rights terminated by ITD.</p>	
CAP#3: General Lack of Control Over Miscellaneous Fueling		
<p>Recommendation #1: Fleet should consider implementing proximity card readers, at least at the less-secure fueling sites (6th Street, EMSC, Magma); to ensure that only authorized staff with City of Mesa access cards can obtain fuel.</p> <p>Management Response: <i>“Disagree. ... This proposal may be a viable alternative to cards but an in depth feasibility study must be done prior to making an implementation decision.”</i></p>	<p>N/A</p> <p>No action was expected, as the department disagreed with the recommendation and no alternative actions were proposed.</p>	

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<p>Recommendation #2: Fleet should reduce the specified gallon capacities and/or add 2-hour wait times, as appropriate, for each miscellaneous vehicle code.</p> <p>Management Response: <i>"Fleet has requested and received formal documentation from all Department Supervisors who utilize miscellaneous fuel regarding fuel requirements and made the necessary changes. We are also investigating the feasibility of installing smaller fuel tanks for Parks and Cemetery on site."</i></p>	<p>Implemented</p> <p>Although no gallon capacities were reduced, 2 hour wait times were established as recommended.</p>	<p>✓</p>
<p>Recommendation #3: Fleet should work with ITD to develop exception reports that highlight unusual transactions or patterns; and follow-up on exceptions and/or distribute them to the departments for review and resolution.</p> <p>Management Response: <i>"The fuel system administrators will develop exception criteria reports."</i></p>	<p>Implemented</p> <p>Fleet runs exception reports and follows up to appropriately resolve exceptions.</p>	<p>✓</p>
<p>CAP#4: Physical Security Improvements</p>		
<p>Recommendation #1: Fleet should request that Municipal Security close the gates to the 6th Street and EMSC fuel sites during unpopulated hours (currently all daytime hours for EMSC and Saturday afternoons for 6th Street); AND/OR implement Rec #2.</p> <p>Management Response: <i>"Fleet is not in a position to dictate Yard Schedules as the yards are used by multiple departments."</i></p>	<p>N/A</p> <p>No action was expected, as the department disagreed with the recommendation and no alternative actions were proposed.</p>	<p>Ø</p>

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<p>Recommendation #2: Fleet should implement additional physical security measures, such as installing locking fill pipes on fuels tanks or dedicated security cameras.</p> <p>Management Response: <i>“Fleet has ordered tamper proof lockable fill caps for the Sixth street and East Mesa yards. They will be installed when obtained from the vendor. Access to the keys will be limited. Fleet will also request the fuel sites be considered for future security enhancements.”</i></p>	<p>Implemented</p> <p>Tamper proof caps have been installed at both locations and keys have been appropriately limited.</p>	<p>✓</p>
CAP#5: Lack of Controls Over Leased Vehicle Fueling		
<p>Recommendation #1: The Police Department should work with Fleet and ITD to develop fuel usage reports; and periodically review these reports to ensure that fuel is only being used for City business.</p> <p>Management Response: <i>“MPD and Fleet personnel met and are in the process of developing a report, which will track fuel usage by personnel assigned to lease vehicles. The report will be reviewed and analyzed by MPD Fleet Management and then forwarded to workgroup supervisors to verify fuel usage by assigned personnel. The report will be generated and analyzed every six months. MPD Fleet Management will act as the custodian of records.”</i></p>	<p>Implemented</p> <p>A report was developed, and is now used by MPD to monitor the fuel usage of personnel assigned to leased vehicles.</p>	<p>✓</p>

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<p>Recommendation #2: The Police Department should work with Fleet to assess the feasibility of using separate vehicle codes and applying odometer validations for each leased vehicle.</p> <p>Management Response: <i>“The feasibility of using separate vehicle codes and applying odometer validations for each lease vehicle was analyzed. Although it is possible, it would be impractical given that the associated cost in time to MPD and Fleet staff would outweigh the benefit of implementation. The MPD uses lease vehicles for many reasons, to include the flexibility of exchanging vehicles and assigned drivers. Although a lease vehicle contract is typically a year in duration, the contract allows for frequent exchanges based on mission critical requirements. A lease vehicle maybe exchanged in as little time as a month. As such, it is recommended that the aforementioned report be utilized to track this requirement.”</i></p>	<p>N/A</p> <p>No action was expected, as the department disagreed with the recommendation and no alternative actions were proposed.</p>	<p>Ø</p>

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