



Audit & Ethics Committee

# Fuel Management Audit

Item 6a

May 24, 2022

# Fuel Management Audit

## Audit Scope

- Vendor selection
- Purchasing
- Delivery
- Usage
- Payments
- Reporting



	Product	FYE 2018/2019	FYE 2019/2020	FYE 2020/2021	Total
	Gasoline (unleaded)	\$2,096,700	\$2,018,100	\$1,578,482	\$5,693,282
	Diesel	407,500	380,500	255,221	1,043,221
	Propane, CNG, Aviation Fuel	108,400	38,100	60,901	207,401
					6,943,904

# Opinion: Less Than Satisfactory

- Fuel Disbursement
  - Control Design
  - Control Malfunctions
  - Circumvented Procedures
  - Inadequate Monitoring/Follow-up
- Equipment Malfunctions
- Inventory Procedures
- Invoice Review and Approval
- Fleet Card Transactions
- Mis-recorded and Underutilized Assets
- Fuel Tax Credits

# Opinion: Less Than Satisfactory

- Fuel Disbursement
  - Control Design
  - Control Malfunctions
  - Circumvented Procedures
  - Inadequate Monitoring/Follow-up
- Equipment Malfunctions
- Inventory Procedures
- Invoice Review and Approval
- Fleet Card Transactions
- Mis-recorded and Underutilized Assets
- Fuel Tax Credits

# Fuel Disbursement

## Telematic Devices

- Installed on pumps and fuel burning assets
- Captures asset identity and gallons pumped



# Fuel Disbursements Control Design

- Only 75% of District fuel burning assets have telematics
- Without telematics
  - Manual data input
  - Inadequate procedures to ensure correct vehicle information
  - Potential for unauthorized fueling





# Fuel Disbursements

## Securitas Example

- Securitas contract authorizes fueling of 17 vehicles
- None fitted with telematics
- Fuel Management System had 39 vehicles assigned to Securitas
  - 15 District vehicles
  - Four vehicles fueled after Securitas reported them sold (\$14,212)
    - Securitas staff input sold vehicle data to pump into other vehicles
  - One vehicle did not belong to Securitas; unable to determine ownership



# Fuel Disbursements Equipment Malfunctions

- Telematics should stop dispensing fuel after removing the nozzle from the tank
  - Fuel pumped exceeded asset tank capacity for 71 transactions (1,378 gallons)
- Fuel dispensing should not occur unless asset odometer reading is higher than that of previous recorded refueling
  - 353 of 945 refuelings showed lower odometer readings

# Fuel Disbursements Equipment Malfunctions

- Malfunctioning Telematics not identified and corrected
  - 663 of 1,227 assets fitted with telematics also had Employee Fueling transactions. We could not determine telematics status when fueling occurred.
  - The telematics on a Metropolitan vehicle assigned to California Fish and Game had not worked for more than 3 years

# Fuel Disbursements Circumvented Procedures

- Operators can place pumps in “Bypass Mode”
  - Between July 2017 and March 2021
    - “Bypass” disbursements not tracked
    - Pumps operated in Bypass Mode at all facilities for some period of time
    - Gene Camp diesel pump operated in Bypass Mode continuously for 11 months (4,010 untracked gallons); only deactivated after Internal Audit identified the situation.

# Invoice Review/Approval

- Invoiced quantities should be verified by physical tank measurements before and after each delivery.
- No evidence of physical measurement for 15 of 63 invoiced deliveries
- Receiving logs did not agree with the inventory report for 31 of 63 invoices

**METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**  
**REGULATED SUBSTANCE MEASUREMENTS RECEIVING LOG**  
**(WSO FLEET SERVICES)**

**DELIVERY INFORMATION**  
 IMPORTANT! Complete a separate log for each product type and each tank system.  
 Date: 11-19-19 Time: 7:30 Fuel: 1 ☒ Gas ☐ Fuel ☐ Diesel Fuel ☐ Engine Oil ☐ Antifreeze  
 Registration Number: 375263 Location Name: MILLS  
 Fuel Vendor Name: Pinnacle Petroleum Fuel Carrier Name: Krone Delivery Ticket Number: 12416

**MEASUREMENT/ QUANTITY RECEIVED**  
 Tank Number: 192 Product(s) Delivered: ☒ Unleaded Fuel ☐ Diesel Fuel ☐ Engine Oil ☐ Antifreeze

**TANK READINGS**  
 Readings must be taken after pour point depressant has been added, if any.  
 Enter readings for each manifold tank in tank system. For single tanks, use "A" only.  
 Was pour point depressant added to the diesel storage tank(s)? ☐ Yes ☒ No

**1. Readings After Delivery**

Tank	Reading (inches)	Reading (1/8")	Gallons
Tank A	<u>74 1/4</u>	<u>26 1/4</u>	
Tank B	<u>70 1/2</u>	<u>25 3/8</u>	
Tank C			
Tank D			
			After Delivery Total Gallons (Item 1): <u>5200</u>

**2. Readings Before Delivery**

Tank	Reading (inches)	Reading (1/8")	Gallons
Tank A	<u>37</u>	<u>12 1/2</u>	
Tank B	<u>26 1/2</u>	<u>7 1/2</u>	
Tank C			
Tank D			
			Before Delivery Total Gallons (Item 2): <u>1916</u>

**3. Subtract the total gallons before delivery (Item 2) from the total gallons after delivery (Item 1)**  
 = 3284 Gallons

**4. Enter number of gallons dispensed during product delivery**  
 = 3284 Gallons Dispensed

**5. Add items 3 and 4 to determine gallons received**  
 The total gallons must be recorded in the "Delivery" column on the line for that day on the FFI Report and Periodic Fuel Inventory Report.  
 = 3284 Gallons Received

**6. Record amount of pour point depressant added to tank**  
 Record the gallons of pour point depressant added to the tank in the "Delivery" column on the line for that day on the FFI Report and Periodic Fuel Inventory Report.  
 = 0 Gallons

**7. Record the net quantity shown on the delivery ticket**  
 = 3214 Gallons (Net Quantity)

**8. Record gallons variance (Item 5 minus Item 7)**  
 = 70 Gallons Variance

**Note: A variance of 250 gallons or more on Item 8 requires resolution and signature by the Regional Fleet Team Manager.**  
 Attach original log to the delivery receipt, then FAX both documents to Fleet Services Business Office at 213-376-5281.

Product Received & Checked By (Print Name): Matt Ross Regional Fleet Team Manager Signature (Item 8 variance is 250 gallons or more): \_\_\_\_\_

Retention Period: Shop - All months for current year and prior calendar year. Business Office - Five (5) years

Distribution: Business Location - Original Shop - 1 Copy

# Mis-recorded/Underutilized Assets

- New Chevy Colorado Truck purchased in April 2019 driven 39 miles as of March 2021
- New Dodge Sedan purchased in December 2014 driven only 10,603 miles as of May 2021
- Asset custodians told us a GMC truck, a generator, and a reciprocating air compressor were salvaged
  - No record of salvage
  - GMC truck found parked in salvage yard
  - Generator found at Lake Mathews
  - Reciprocating air compressor still missing



