



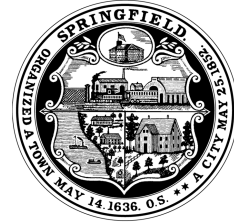
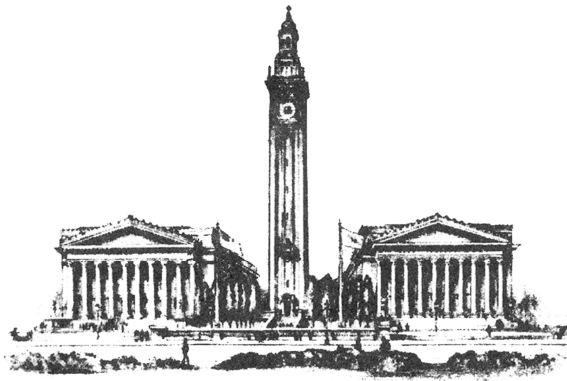
Review of the City's Fuel Operations

September 2016

Office of Internal Audit

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THE CITY OF SPRINGFIELD, MASSACHUSETTS

September 26, 2016

RE: *Review of the City's Fuel Operations*

Honorable Audit Committee Members,

As a result of an alleged fuel misuse by a Parks employee, we conducted an investigation on the fuel purchases made by that employee. Our investigation identified approximately \$22,000 of improper fuel purchases and found the allegation to be substantiated. We have detailed our findings in a separate report to management and recommended that the City take appropriate disciplinary action and/or referral to other agencies as deemed necessary. In July 2016, the City terminated the employee and referred the matter to law enforcement authorities. The City is also seeking restitution. In September 2016, the terminated employee agreed to make full restitution to the City.

Our investigation also identified several internal control deficiencies related to the City's fuel operations. The accompanying report details the findings and the recommendations for improvement which have been discussed with City management. City's management has taken numerous positive actions in response to our recommendations and their responses have been incorporated into the report.

We would like to acknowledge the assistance extended to us by the Department of Public Works, the Parks, Building and Recreation Management Department, Information Technology Department, Human Resources, their staff, and all others during the course of this investigation.

Respectfully submitted,

Yong Ju No, CPA

CC: Honorable Mayor Domenic J. Sarno
T.J. Plante, CAFO
Christopher Cignoli, Director of DPW
William Mahoney, Director of Human Resources
Robert Houldson, DPW IT Manager

Springfield City Council
Patrick Sullivan, Director of PBRM
Edward Pikula, City Solicitor
Andrew Doty, Chief Information Officer
Mike Nelligan, CPA, Powers & Sullivan

Enclosure: *Report on Review of the City's Fuel Operations*

*Report information about fraud, waste, or abuse of City resources to the Office of Internal Audit:
(413) 886-5125 <http://www.springfield-ma.gov/fraud>*



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The Office of Internal Audit (OIA) has completed an investigation regarding inappropriate fuel usage by a Parks Department employee. This report informs you of the result of our investigation and recommendations to remediate the findings noted.

COMPLAINT

On May 19, 2016, the Office of Internal Audit received a complaint from Patrick Sullivan, Director of Parks, Buildings and Recreation Management (PBRM), regarding unusual amounts of gas used by a Parks Department employee.

BACKGROUND

Authorized employees purchase gas for City operations using a gas card fob at the gas depot station at the Department of Public Works (DPW). Gas card fobs (gas fobs) are issued at DPW by Bob Houldson, DPW Information Technology Manager (after approval from Bill Pianka, City Fleet's Manager) with unique identifiers that are either associated with a vehicle or for a gas container.

On May 16, 2016, a Parks employee was observed to have two non-city gas containers on the employee's City-owned vehicle which were taken off premises after the employee's shift ended. Also, a review of this employee's gas container fuel usage appeared to be excessive based on the employee's responsibility, i.e., this employee had no responsibility for the gas replenishment of gas powered equipment at City or School facilities.

METHODOLGY AND SCOPE

Based on our review of the available supporting documentation, the frequency and the amount of gas purchases, and discussions with certain City employees and a former City employee, we classified the purchases made with the City's gas fobs as either reasonable or improper from November 19, 2010 to May 16, 2016. Records of gas purchases prior to 2010 were unavailable. Purchases were classified as improper if they appeared personal in nature, if they were made while the employee was off duty, if they were purchased using another individual's gas fob which was not authorized, or if the purchases were unreasonable for the employee's responsibilities and the City's operations.

Our review covered fuel dispensation procedures at the Department of Public Works' fuel depot station and at the Parks Department's manual diesel fuel pump. The City's golf courses have manual fuel pumps; and its dispensation procedures will be covered in a separate review (City's golf courses).

CONCLUSION

We identified improper fuel purchases associated with three different gas fobs, totaling \$21,968.04, and found the allegation to be substantiated. We have detailed our findings in a separate report to management and recommended that the City take appropriate disciplinary action and/or referral to other agencies as deemed necessary.

In July 2016, the City terminated the employee and referred the matter to law enforcement authorities. The City is also seeking restitution from the former employee. In September 2016, the terminated employee agreed to make full restitution to the City.



RECOMMENDED PROCEDURES

As part of our investigation, we reviewed the procedures used by the City to dispense fuel. Our findings and recommendations are as follows:

1. **Fuel Policy** – During our review, we noted that adequate policies and procedures are not in place to govern the City’s fuel program. The existing policy (Automobile Policy) contains limited guidance that does not address the key controls and procedures that need to be followed for maintaining proper transactions. Procedures have not been established to specify the authority and conditions for the issuance and return of fuel fobs. Also, responsibilities for monitoring the fuel program and related monitoring procedures have not been addressed.

Recommendation – The DPW should develop a comprehensive fuel program policy and related procedures to address:

- Authority and conditions for the issuance of fuel fobs associated with vehicles and gas containers,
- Employee acknowledgement of responsibilities,
- Operational use of fobs,
- Monitoring of usage, record keeping, termination of fob; and
- Management’s monitoring of consumption, including protocols for investigating and reporting abnormalities, and operating compliance.

Management Response - The DPW is in the process of updating / modifying the City's "Policies and Procedures Governing City Motor Vehicles". Currently in the document there is only one paragraph that addresses fuel usage, fuel fobs, etc. We anticipate that the new document, once approved, will address the concerns of this item.

2. **Management Monitoring of Fuel Consumption** – The DPW distributes fuel consumption reports to City management monthly. We noted that there was no evidence of management review of the Building department’s gas consumption for the period under review.

Recommendation – Each department head or his/her designee should adhere to the DPW’s fuel policy by monitoring fuel usage monthly and establishing reporting benchmarks by which to perform the usage analysis as described in Finding 3 below.

Management Response - The DPW is in the process of updating / modifying the City's "Policies and Procedures Governing City Motor Vehicles". One of the recommended modifications is that the DPW will submit to each department a detailed fuel usage report each month. Each Department will be required to review and sign off on each report and return them to the DPW each month. The response from the Department should note any identified discrepancy of fuel usage.



3. **Mechanism to Monitor Fuel Usage** – City departments’ mechanisms to monitor fuel usage are not well defined and lack structure. While ultimate fuel usage responsibility resides within each department, the department does not have standard tools or parameters needed to objectively determine reasonable use.

Recommendation - Each department should establish reasonable parameters for acceptable use, either in terms of volume range or occurrences, and define parameters for what would constitute exceptions that management would want to research. The departments should work collaboratively with the DPW to determine if Crystal reports can be used to create these exception reports for management to routinely analyze data in identifying questionable fueling usage/patterns.

We also recommend that the City establish an accountability structure in which a designated team carries out centralized, independent reviews of the following:

- Fuel and vehicle usage,
- Accident reviews, and
- Disciplinary proceedings for violations of the Vehicle and Fuel policy.

Management Response - The DPW is in the process of updating / modifying the City's "Policies and Procedures Governing City Motor Vehicles". One of the recommended modifications is that the DPW is recommending the in addition to the fuel vehicle report, that individuals who fuel gas containers must list the # of cans filled and what the intended use is (i.e. "mowing of Van Horn Park). This will allow each department to better monitor the fuel use to the individual work assignments.

4. **Assignment of Gas Container Fobs** - We noted that gas container fobs are not always assigned to individuals. For example, we noted that three gas container fobs were assigned generic labels such as “Mower Can.” Accountability as to which employee is using a fuel fob is difficult and inefficient when the DPW assigns a generic label to gas fobs.

Recommendation – We recommend that all gas container fobs be assigned to specific authorized individuals.

Management Response - The DPW is in the process of updating / modifying the City's "Policies and Procedures Governing City Motor Vehicles". One of the recommended modifications is that the DPW will ensure that every gas container fob is assigned to a specific individual holding a position of foreman or higher. This individual will be listed in each month's reports generated by the DPW and signed off by the individual departments.



5. **Retention of Surveillance Video** - The DPW has surveillance cameras deployed at its gas depot station. According to Bob Houldson, DPW Technology Manager, the surveillance videos are currently kept for approximately two weeks with the intention that they will be ultimately kept for one month before they are overwritten. However, since fuel usage reports are disseminated to management monthly, the current and proposed video retention schedule does not allow management to complete their review and communicate any abnormalities/exceptions to be investigated by timely reviewing the surveillance video.

Recommendation – We recommend that DPW either increase the proposed retention schedule of the surveillance video to allow management to complete their review or generate and distribute semi-monthly reports to be reviewed by management, thereby allowing management to access the surveillance video for any questionable usage.

Management Response – The DPW is in the process of determining if the video storage can be increased to a minimum of 42 days (6 weeks). We will be working with the IT Department to determine if the increased storage will have any negative impacts to the Departments data storage requirements.

6. **Management of Gas Fobs** – We noted that Fleet does not perform fuel fob audits by having the user departments validate, by employee, the fuel fob and/or vehicle ownership and/or authorization status. As a result, the fuel fob and vehicle listing maintained by Fleet is not updated to reflect changes in personnel. We also noted that changes in employee status were not communicated to Fleet. For example, there are two gas container fobs assigned to individuals who are no longer employed with the City. Consequently, gas container fobs are continuously used after they are no longer justified or authorized.

Recommendation – Fleet should perform annual audits of their gas fob/vehicle listing by having departments confirm authorized users.

Also, the City, with the input of the Human Resources (HR) Department, should evaluate additional, practical steps to ensure timely communication to Fleet regarding employee status changes for prompt updates to the Gasboy program, DPW's gas record keeping system. The City, with the input of HR, should discuss a practical mechanism to include fuel card deactivation as part of the employee status change process. A mechanism should also be considered to inform Fleet of any organizational changes that affect the use of cards.

Management Response (DPW) - The DPW is in the process of updating / modifying the City's "Policies and Procedures Governing City Motor Vehicles". One of the recommended modifications is that the DPW will submit a list of individual who are assigned fuel fobs to each Department every month when the fuel usage reports sent. We will require that each Department sign and return each of the reports showing any employee changes. Departments will be required to also to follow the additional proposed procedures on the reassignment of fuel fobs to other employees.



7. **Lack of Controls at the Parks Department's Manual Diesel Fuel Pump** - The Parks Department maintains a manual diesel fuel pump on its premise. Access to this fuel pump is restricted to authorized individuals; and the building in which the fuel pump is located is locked during non-business hours. This fuel pump does not require fuel cards or PINs (personal identification numbers); individuals could access fuel directly from the pump without verifying their identity. Although, this site does not represent a large portion of the City's overall fuel use, the lack of electronic system to record transactions increases the need for effective fuel monitoring.

We noted that this fuel pump has no gauge to indicate the amount of fuel dispensation. Also, there are neither logs to record usage by person and by date nor reviews performed by a supervisor on the fuel usage for reasonableness and whether the fuel dispensation was appropriate.

Recommendation – We recommend that the Parks Department perform the following:

- Install a meter on the fuel pump to indicate usage with a transaction counter and cumulative counter. The meter should be periodically tested by the City's Weights and Measures Department for accuracy.
- Development and implement the use of a daily fuel log by requiring authorized users of the fuel pump to complete the information on the daily fuel log each time fuel is dispensed, such as the amount of fuel dispensed with a cumulative meter reading, by date, by person, and the reason for fuel usage.
- A supervisor review the daily fuel logs weekly.

Management Response (Parks Department) - We have implemented the manual log for the diesel tank at the Forest Park Maintenance Barn. Regular Gasoline is handled at the DPW facility. This fueling station at Forest Park is for Diesel Fuel only. This is necessary for the day to day operations of specialized maintenance equipment. We are working with a vendor to install a fuel gauge and will update the Audit office once this gauge is installed. The maintenance equipment that utilize diesel fuel are known and the department maintains the fuel delivery slips.