



COLLIN COUNTY

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Date: February 14, 2011
To: Jon Kleinheksel, Director of Public Works
From: Jeff May, County Auditor 
Subject: Fuel Inventory FY10 Audit Results - Final

The Internal Audit personnel observed the fuel inventory conducted by your department on October 1, 2010. The audit objectives were to ensure county property is properly accounted for, accurately recorded and adequately safeguarded.

The purpose of the audit was to observe and document the procedure of the fuel inventory measurement and reporting. During the review we identified certain practices and procedures that we believe could be enhanced to strengthen internal control and increase efficiencies. The review was not intended to be a comprehensive examination of every procedure or activity. Accordingly, the findings and recommendations presented in this report should not be considered as all-inclusive of areas where improvements may be needed.

Your office personnel were extremely helpful and courteous in assisting with the questions regarding fuel inventory.

Please feel free to contact us with any questions or desired assistance.

Findings:

Public Works manages a total of 6 fuel tanks at the following locations:

Location	Type of Fuel	Primary use
McKinney Service Center	Gasoline	Fleet Refueling
McKinney Service Center	Diesel	Fleet Refueling
Justice Center	Diesel	Generators
UDCF	Diesel	Generators
Farmersville	Diesel	Fleet Refueling
Farmersville	Gasoline	Fleet Refueling

Fuel inventory usage is managed by Fuelmaster Fuel Management System. The fuel tanks located at Farmersville and Public Works Service Center are installed with Fuel Management Units which allow authorized personnel to initiate fuel transactions. The fuel tanks located at Justice Center and UDCF support the generators and are not used for vehicle refueling. Devin Robertson, Asset Management Technician, documents the fuel inventory daily. Liz Gray, Fleet Analyst, reconciles the fuel inventory. We reviewed the inventory process and found the following:

1. As of September 30, 2010, the Fuelmaster Fuel Management System had been out of order since August 2010 due to a computerized board inside the system. With the system down, fuel transactions and inventory additions were recorded manually. Using manual records can result in inaccurate reporting. Appropriate internal controls require, where available, automated recording and reporting of transactions to provide a better and more accurate transaction detail.
2. When fuel usage is recorded manually, Fuel Report Cards are used to document fuel usage. The Cards were to be filled out by the vehicle operator after refueling; the transaction was posted and the inventory reconciled daily. In several instances, Cards were not completed; the transaction reported on small pieces of papers. Proper internal controls require transactions to be reported on the appropriate form to reduce the potential for incomplete or inaccurate reporting from lost or misplaced "small pieces of paper."
3. The in-ground or overhead fuel tanks are not locked. Appropriate internal controls recommend inventory control measures include the securing of accessible inventory storage areas.

Recommendations:

The following recommendations should be implemented to strengthen internal control, increase efficiency and safeguard county property:

1. The Fuelmaster Fuel Management System should be repaired immediately and maintained regularly. (Note: Subsequent to the date of this report, the system was fixed October 15.)
2. When the system is not working, Fuel Report Cards should be used to document all fuel transactions during the day. To control the use of the Cards and ensure complete records, the Cards should be pre-numbered. Proper controls would include ensuring a sufficient number of Fuel Report Cards are available at all

times for recording re-fueling transaction. Re-fueling transactions must be recorded on the approved and official Collin County Fuel Report Card with Collin County logo and unique tracking numbers should be used. The Fuel Report Card should document the name of the department and the person who initiates the fuel transaction.

3. The fuel tank openers should be secured with locks immediately for safety reasons.

Responses:

1. The Fuel Management system experienced numerous problems in the fall of 2010. Mainboards, modem expansion cards and telecom lines all became non-functional. Each repair revealed further problems with the system. Public Works promptly initiated repairs but the final solution required a comprehensive collaboration of FuelMaster technicians along with our IT and Facilities departments. We have a full service maintenance contract with the vendor and did receive good service. Two major problems were: landline (telecom) was deficient and the overall system is antiquated. We do maintain regularly and have been fortunate in the past repairing the system quickly when it is down. We stock spare boards for such emergencies. In this particular instance, too many components were damaged in the system to enable a quick fix. Phone line problems prevented Fuelmaster technicians from troubleshooting.

We are in the process of researching the feasibility of upgrading to the newest Fuelmaster system that utilizes network communications rather than land lines which should improve reliability in data transfer and assist in troubleshooting.

2. Without physically monitoring fuel dispensing (i.e. a gas station attendant), we are powerless to ensure proper recording of fuel cards. One alternative would be to shut the system down and use credit cards instead of initiating manual mode. In lieu of that, manual issue cards are supplied and drivers are instructed on the proper use of the cards. If the user transposes a number or doesn't record the fuel accurately, there is no way to track that.

In the manual operation mode, we record totalizer meter readings before placing on manual. Each day we read the totalizer again and collect the completed cards. We calculate the gallons dispensed from each pump and total the number of gallons on the cards that were submitted for each pump. These numbers should agree. If they do not, it may be that someone did not fill out a card, did not turn in a card yet, or turned it in after we collected the cards. We did not have any major discrepancies in the two (card totals vs. meter totals) except for the one instance in which drivers were placing cards in an old location. We found them, and the fuel was reconciled.

We are not aware of a process for controlling the use of the cards unless we issue them out as needed. This could be accomplished during the business hours, but would present a problem at night and over the weekend. We do not understand the

concept of numbering the cards. These cards currently are stored in weatherproof boxes at each pump and drivers retrieve a card as needed, complete it and place it back in the designated box.

Public Works will redesign the boxes at each site that store the blank and completed cards. Also, we will ensure all users are aware of department procedures for recording fuel transactions. Outside of that, we are not aware of additional measures we could enact to ensure the accuracy of fuel transactions in manual mode (Other than a "gas station attendant" or shutdown). In manual operation, there is no mechanism for tracking the driver who received fuel and did not fill out a card or recorded the information inaccurately. It is the responsibility of the user to provide us with correct data.

Fuel Report cards have been redesigned in accordance with Auditor's recommendation sans the tracking number. We require clarification on the advantages of this process and implementing it in a practical setting.

We will begin a daily check to ensure that there are ample cards at each site. However, this system is susceptible to failing such as someone removing all the cards or the box door left open during rain. We depend on users to notify us in the event the manual mode operation has been comprised.

An alternative to fuel cards is to provide all drivers with log sheets to complete, but these could be misplaced or damaged and never get turned in, especially in the case of the Sheriff's Office in which there are at least 3 drivers per vehicle each day. We would be unable to collect the logs at the same time we read the meters so this solution would be untenable.

3. Tanks located within secure (gated/fenced) areas previously were not locked. All others are locked/secured. We will secure all tanks with locks. However, it will require that we have someone present at Farmersville to receive fuel deliveries there.