

**Post-Audit Review 18-05:  
Fuel Key Inventory Management**

**December 2019**

**City Auditor**

Stan Sewell, CPA, CGFM, CFE

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# OFFICE OF INTERNAL AUDIT

## Stan Sewell, City Auditor

December 27, 2019

To: Mayor Andy Berke  
City Council Members

**RE: Post-Audit Review of Fuel Key Inventory Management (Audit Report #18-05)**

Dear Mayor Berke and City Council Members:

Attached is a summary on the status of audit recommendations from our 2019 Fuel Key Inventory Management audit report. The purpose of this report is to confirm whether, and to what extent, management has implemented the recommendations from our prior audit.

Our audit concluded that internal controls over vehicle and equipment fuel keys generally aligned with applicable requirements and industry standards. However, we identified potential areas of vulnerability and opportunities to improve the Fleet Services Division internal control framework.

We made the following three (3) recommendations in our audit report: (a) establish comprehensive policies and procedures; (b) improve segregation of duties; (c) strengthen controls to reduce the risk of theft, fraud and abuse. At the time of our post-audit review, there was one (1) recommendation implemented, one (1) recommendation not implemented, and one (1) recommendation partially implemented. Recommendations not implemented and partially implemented are reported herein to the Audit Committee for follow-up, as appropriate.

Our post-audit review consisted of interviews with Fleet Services personnel and examination of supporting documentation. The evidence we obtained provided a reasonable basis for our conclusions. However, the issues discussed in this report are not the result of an audit performed in accordance with generally accepted government auditing standards. Had we performed such an audit, additional issues might have been reported.

Sincerely,

Stan Sewell, CPA, CGFM, CFE  
City Auditor

Attachment

cc: Audit Committee Members  
Stacy Richardson, Chief of Staff  
Maura Sullivan, Chief Operating Officer  
Daisy Madison, Chief Financial Officer  
Justin Holland, Public Works Administrator  
Gary Franks, Director of Fleet Services  
Jim Arnette, Tennessee Local Government Audit

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## RECOMMENDATION NOT IMPLEMENTED (1)

<i>Recommendation</i>	<i>Actions Taken</i>
1) We recommended Fleet Services establish written policies and procedures for fuel key inventory management. Policies and procedures should be published on the City's Employee Portal website and clearly establish procedures for fueling vehicles and equipment using City fuel cards.	Fleet personnel are currently working on standard operations procedures for fuel key management.

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## RECOMMENDATION PARTIALLY IMPLEMENTED (1)

<i>Recommendation</i>	<i>Actions Taken</i>
2) We recommended Fleet Services consider implementing the following strategies to strengthen controls to prevent theft, fraud and abuse: (a) immediately remove terminated employees from the fuel key user databases. Fleet Services should also work with Human Resources to obtain a monthly listing of terminated employees, and send an active fuel key user list to each department for review and approval on a bi-annual basis; (b) develop and distribute fuel key procedures to all departments, clearly defining user expectations, responsibilities, and decision point roles; (c) implement procedures for documenting the reason(s) for overriding fuel system controls; (d) Exception reports, fuel variances, and reconciliation reports should be regularly reviewed and approved by Fleet management; (e) using the cost/benefit approach, investigate the feasibility of integrating the fuel management systems with the Veeder-Root and RTA systems; and (f) consider upgrading the current version of the Phoenix software to a newer version with security features to prevent unauthorized system access.	<ul style="list-style-type: none"><li>a) Fleet receives notification of terminated employees from Human Resources and removes former employees from the fuel key user databases.</li><li>b) Fleet personnel are currently working on written procedures to distribute to managers and supervisors of fuel key users. Additionally, the City is accredited through the American Public Works Association (APWA), which maintains a manual on fueling operations.</li><li>c) Fleet maintains a list of all management overrides, mileage adjustments, etc. The list is reviewed and approved by the Deputy Director.</li><li>d) Fleet management regularly reviews exception reports, fuel variances and reconciliation reports.</li><li>e) Fleet plans to submit a Request for Proposal (RFP) for a third-party vendor to handle all fueling activities, including bulk fuel.</li><li>f) Once the vendor assumes responsibility for fueling operations, Fleet plans to discontinue using the current software.</li></ul>

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## RECOMMENDATION IMPLEMENTED (1)

<i>Recommendation</i>	<i>Actions Taken</i>
3) We recommended that job tasks be divided between the Fleet Services staff as much as practical to reduce the risk of employee error or omission, whether intentional or unintentional. Furthermore, we recommended the use of compensating controls such as having the Fleet Services Deputy Director periodically review fuel key transactions.	Fleet maintains a listing of all management overrides, mileage adjustments, etc. The list is reviewed and approved by the Fleet Services Deputy Director.

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