



**CITY AUDITOR**

**Gary W. Nystul CPA CFE**  
**City Auditor**  
**345 Sixth Street Suite 600**  
**Bremerton, WA 98337-1873**  
**360.473.5369**  
**[www.gary.nystul@ci.bremerton.wa.us](http://www.gary.nystul@ci.bremerton.wa.us)**

June 15, 2012

Honorable Patty Lent, Mayor  
Members of the City Council

In 2011 the City purchased over \$573,000 of fuel for vehicles and equipment. The State Auditors at the exit conference in December 2011 took exception with the adequacy of the City's monitoring of fuel purchases.

Attached is a report reviewing purchases of fuel for 2011. This report is intended to address the SAO concerns and makes several recommendations. No response to the draft of the report was received from City management.

One recommendation is to have one person to be responsible for the overall fuel operation. Some Departments could improve their monitoring of use and could encourage better accuracy of odometer readings. Some minor changes in software would assist departments in monitoring and entering data. Fuel purchases for two vehicles used by a non-governmental agency are under review.

The assistance of Fire Chief Al Duke, David Buffington of the IT Department, and Gemma Fray and Chuck Ernst of Equipment Services is greatly appreciated.

Please let me know if you have any questions.

Sincerely,



Gary W. Nystul

## **FUEL PURCHASES**

The City Auditor has reviewed the procedures and accountability of fuel purchases by the City for 2011. This review is included in the 2012 work plan and was precipitated by an Audit Exception issued by the Washington State Auditor.

During the exit conference conducted by the State Auditors Office in December 2011 for their audit of the year 2010, they pointed out five audit exceptions. One exception was for fuel. They stated "We reviewed 63 vehicles to determine if they had reasonable mileage. We found 59 vehicles with reasonable mileage, and the other four could not be reviewed due to input errors. We continue to recommend the City improve data input for fuel purchases to better monitor usage." This report is intended to address the SAO concerns.

This review found that some departments carefully monitor their fuel use while others do it infrequently. Some enhancements in the data provided to managers would facilitate oversight. Having one person responsible for overall management of fuel purchases could improve oversight.

### **BACKGROUND**

In 2011, for 228 vehicles and equipment, the City purchased 158,444 gallons of fuel costing \$573,711 in over 9,800 transactions. The City has a contract for fuel which is obtained from a 24 hour card key system in West Bremerton. The system requires the use of the card that is assigned to each vehicle, and a personal identifying number. To obtain fuel, the City employee swipes the card, enters their PIN number and is supposed to enter the odometer reading.

The Fire Department also has a diesel fuel station at each fire station and an unleaded fuel station at the headquarters station. The fuel contractor delivers bulk fuel to these units. This system also requires a card for each vehicle, an operator PIN number and the odometer reading can be entered.

Each month the city receives an electronic copy of the invoice for all purchases from the card key system. This is downloaded to the COBWEB (the city web page) fuel page and any errors or corrections are resolved by Equipment Services staff. The data is then downloaded to the equipment maintenance software (Cartegraph). Fuel dispensed from the Fire Department fuel system is manually entered into the equipment maintenance program by Equipment Services staff. Any fuel purchased on a fuel credit card used when vehicles travel out of the area is entered. Fuel obtained at the golf course by Forestry or other departments is also added. The total is then loaded into Excel and transmitted to the Finance Department for entry into the accounting records. The Equipment Services Division prepares the monthly interfund transfer forms for the departments to approve.

Monitoring of fuel purchases relies on a review by the purchasing departments. Management review is dependent upon having sufficient data to make judgments about reasonableness. The minimum required data is the name of the purchaser, vehicle or equipment name, date, fuel type, quantity, and odometer reading.

Some departments have so few transactions that reviewing the monthly fuel transfer invoice with the total cost is an adequate measure. This invoice only provides cost and no information on vehicles, fuel type or operators. Many departments have many vehicles that have several fuel purchases so that miles-per-gallon is the reasonable measure. Managers with many purchases should look at documents other than the monthly invoice to adequately monitor their use.

On the City web page (COBWEB) is a "fuel page" which lists each fuel purchase during every month. It can be viewed by department, operator, cost, or fuel type and is available to all city employees. This is the only source of detail available to managers.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **1. Management**

One person has not been assigned the responsibility for overall fuel management. The Equipment Services Division administers the fuel contract and does the monthly billing and administration. However, they do not have authority or responsibility to monitor use, fueling entries, consumption, or perform any analysis. A policy has not been established for this oversight.

### **2. Department Procedures**

An inquiry of department managers disclosed a variety of levels of monitoring. Some Managers look frequently at the fuel page and some do not look very often. In one instance a department is budgeted to pay for the fuel which is used by another agency and they have no knowledge of the use. In another instance, the department looks at their monthly cost but assumes another manager is reviewing use. One person should be in charge of the entire process to ensure accountability of all users.

A review of over 9,000 fuel purchases disclosed many errors by employees entering the odometer reading. Without accurate readings, computing miles per gallon and monitoring use is difficult. Part of the management oversight should include accuracy of odometer readings. However, managers do not have reports with odometer readings that are readily available. Adding odometer readings to the fuel page would help make more complete data available for review.

### **3. Fuel Web Page**

The fuel page report on CobWeb is a good management tool that was created by the IT Department. All managers should be familiar with it. One limitation is that the odometer reading is not included on the report page. The readings are included in the Excel schedule that is attached but it must be downloaded to be reviewed. The better procedure would be to show the odometer readings so managers could more easily review consumption and accuracy.

The fuel page also has a computation of miles-per-gallon. However, the computation starts from the first day the vehicle was placed in service by the city. A cumulative mpg over several years is not a meaningful measure. If the computation of mpg were by calendar year it would be more useful to department managers. Accurate odometer readings are necessary for this computation.

### **4. Fire Department System**

The Fire Department fuel system provides data such as date, amount, operator, vehicle and type of fuel. This data is not downloaded to the fuel page on CobWeb. If it were, the Fire Department would be better able to review and monitor its use. The Department of Information Technology can easily make this addition if requested.

### **5. Recommendations**

- All departments should have a system in place to monitor fuel purchases. Monitoring of fuel purchases is similar to monitoring the purchase of supplies and materials. Adequate documents or reports are needed to verify the purchase. Departments with minimal purchases may be able to track monthly dollar amounts. Departments with many purchases may need to use miles per gallon to assure propriety.
- Managers need to be provided with sufficient data to perform their monitoring. Reports in CobWeb with odometer readings and miles per gallon computed on an annual basis would be helpful.
- Management should establish an overall policy and procedure to ensure adequate monitoring. One person needs to be responsible for the overall fuel operation.
- Fire Department data on fuel use should be downloaded automatically to the fuel system.

### **Additional Information**

The following tables list fuel activity by department and fuel for 2011.

## FUELS USED BY DEPARTMENTS

Department	Diesel		Off Highway Diesel		Regular		Premium		TOTAL	
	Gallons	Cost	Gallons	Cost	Gallons	Cost	Gallons	Cost	Gallons	Cost
BKAT	0	0	0	0	240	870	16	53	257	\$923
Community Development	0	0	0	0	634	2,280	0	0	634	2,280
Community Services	0	0	0	0	962	3,421	43	152	1,005	3,573
Engineering	0	0	0	0	839	2,985	0	0	839	2,985
Equipment Services	20	71	0	0	1,116	3,987	0	0	1,136	4,058
Facilities	27	88	0	0	584	2,018	0	0	611	2,106
Fire	11,390	45,224	0	0	2,686	10,170	30	115	14,106	55,509
Information Services	0	0	0	0	189	674	0	0	189	674
Parks	2,244	8,200	0	0	9,132	32,885	0	0	11,376	41,084
Police	27	105	0	0	50,615	180,102	209	818	50,851	181,025
Sewer	3,577	12,982	23	89	759	2,652	0	0	4,359	15,723
SOG	0	0	0	0	3,833	13,655	0	0	3,833	13,655
Storm	10,874	40,558	0	0	2,765	9,819	0	0	13,639	50,377
Streets	8,819	31,778	0	0	7,406	26,336	26	105	16,251	58,219
Wastewater	1,073	3,989	1,493	5,487	5,422	19,368	0	0	7,987	28,844
Water	5,899	21,628	1,219	4,422	24,239	86,565	15	61	31,371	112,675
<b>Total</b>	<b>43,949</b>	<b>164,621</b>	<b>2,735</b>	<b>9,999</b>	<b>111,421</b>	<b>397,787</b>	<b>340</b>	<b>1,304</b>	<b>158,444</b>	<b>\$573,711</b>

### TOTAL FOR DEPARTMENTS All Fuels

Department	Gallons	Cost
Police	50,851	\$181,025
Water	31,371	112,675
Streets	16,251	58,219
Fire	14,106	55,509
Storm	13,639	50,377
Parks	11,376	41,084
Wastewater	7,987	28,844
Sewer	4,359	15,723
SOG	3,833	13,655
Equipment Services	1,136	4,058
Community Services	1,005	3,573
Engineering	839	2,985
Community Development	634	2,280
Facilities	611	2,106
BKAT	257	923
Information Services	189	674
<b>Total</b>	<b>158,444</b>	<b>\$573,711</b>