I. EXECUTIVE SUMMARY

The Office of Public Integrity examined accountability, and the adequacy of internal controls and procedures pertaining to motor vehicle fuel inventories at remote locations. This report identifies several areas requiring management attention.

- Standardized fuel storage policies and procedures do not exist. A standardization directive, stating the fuel inventory procedures for all locations with fuel storage tanks, would promote consistency and enhance control over all City fuel inventories.

- Personnel at remote fuel locations do not stick, measure and record fuel tank levels before and after vendor deliveries. This is a standard control procedure used in fueling operations and allows verification of the quantities delivered by fuel vendors.

- The gas storage tanks at Mt. Hope and Riverside Cemeteries are not properly secured. These storage tanks are above ground and are designed so that neck covers can be padlocked. However, personnel at these facilities do not lock the neck covers, allowing potential access to them.

- We noted three significant differences between the actual ending inventory of fuel during our test period and the ending inventory that we calculated based on fuel logs and purchase information.

- Equipment Services does not input fuel transactions from remote locations into the automated fuel system. Additionally, they do not reconcile beginning and ending inventories, purchases and dispensed fuel.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity (OPI) conducts routine examinations of City inventories and related internal controls at various sites. The Bureau of Operations and Parks, Equipment Services Division requested this review.

B. Background

The Equipment Services Division is responsible for distributing fuel to all City vehicles. In addition to the main fuel stations at the Centralized Vehicle

Maintenance Facility (CVMF), vendors deliver diesel and unleaded fuels directly to eight remote, City-operated locations maintaining fuel storage tanks.

Remote Fuel Storage Locations

Department	Location	Storage Capacity (gals)
Unleaded Fuel		
Fire	Lake Ave. Fire Station	1000
DRYS	Riverside Cemetery	500
	Mt. Hope Cemetery	500
DES	Upland Water	1000
Diesel Fuel		
Fire	Lake Ave. Fire Station	1000
	Clinton Ave. Fire Station	1000
	Goodman St. Fire Station	1000
	Goodman St. Fire Station	1000
	Genesee St. Fire Station	600
	Broad and Allen Fire Station	1000
DRYS	Riverside Cemetery	300
	Mt. Hope Cemetery	300
DES	Upland Water	1000

Although fuel distribution and the payment of all related vendor invoices is an assigned duty of Equipment Services, the Division maintains inventory control only over tanks at the CVMF. Control over the remote storage tanks is at the discretion of the departmental unit operating each respective facility.

Currently, the stations at the CVMF and Upland Water are the only fuel sites where Equipment Services automatically records all fuel transactions into the computerized Automated Fuel System (AFS). The remaining remote fuel sites in the listing above are not on-line with the AFS. Vehicle operators manually record each transaction at these remote locations.

C. Objective and Scope

In this examination, we reviewed inventory control procedures existing at the eight remote fuel sites and, particularly, each location's ability to account for all transactions. We selected the period April 8, 2008 to May 14, 2008 as the test period for the review of detail records.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of this review identify various instances of weak inventory control over the City's fuel inventories at the remote locations. The cumulative effects of these findings impair internal control over the fuel inventories at those locations and require management attention to improve inventory control.

A. No Comprehensive Interdepartmental Fuel Inventory Policies and Procedures

Public Integrity's observation of procedures used by the Equipment Services Division at the CVMF indicates that control over fuel inventories stored at this location appears adequate. Additionally, this facility can reasonably account for fuel transactions pumped from their tanks at the CVMF. This

location generates reliable information that assists in managing their inventories.

However, a comprehensive interdepartmental directive regarding fuel inventory policies and procedures does not exist. Consequently, due to the absence of a documented policy, other departmental units with fuel storage tanks inconsistently apply various procedures that may result in fuel deficiencies. A standardized directive, stating the fuel inventory procedures for all locations with fuel storage tanks, would promote consistency and enhance control over all City fuel inventories.

♦ Recommendation

The City Administration should consider the issuance of a comprehensive interdepartmental fuel inventory policy.

B. Vendor Fuel Deliveries Not Always Verified

A standard control procedure used in fueling operations is to measure fuel tank levels before and after vendors deliver fuel. This procedure allows verification of the quantities delivered by fuel vendors and is especially important because the City has experienced problems with fuel tanker delivery drivers in the past.

Personnel at the eight remote fuel locations do not stick, measure and record fuel tank levels before and after vendor deliveries. This situation exists because departments have not required that employees measure and record fuel tank levels before and after deliveries. Additionally, in many instances there are no employees at the facilities when fuel is delivered because they are out in the field or out on call. As a result, quantities delivered are subject to manipulation by vendor drivers.

♦ Recommendation

The City should require employees at all fuel storage sites to measure and record fuel levels before and after all fuel deliveries.

C. Unsecured Gas Storage Tanks

As noted above, both Mt. Hope and Riverside Cemeteries have 500 gallon unleaded gas storage tanks and 300 gallon diesel gas storage tanks. These storage tanks are above ground and are designed so that the opening neck cover, through which fuel deliveries are made, can be padlocked. Padlocking the opening neck cover would prevent unauthorized removal of fuel from the tank by siphoning.

OPI observed that DRYS personnel at these facilities do not lock the opening neck covers.

Failure to secure these tanks creates the possibility that anyone could access these tanks after hours or when left unattended, and could easily siphon fuel from them.

♦ Recommendation

The City should require that responsible personnel properly secure these tanks by padlocking the opening neck covers except during fuel deliveries. They should also limit access to the keys to the padlocks.

D. Inventory Discrepancies

At each remote fuel location, employees manually update fuel logs with every fuel transaction recording the City vehicle number, its operator, the date and the number of gallons pumped. Using this information, personnel at those locations can make a reasonable comparison of metered gallons pumped to logged gallons recorded on the fuel logs.

On April 8, 2008, OPI took dipstick readings for all of the remote fuel tank locations except for Upland Water because Upland is connected to the Automated Fuel System. These dip stick readings established beginning inventory levels for our detail testing. We repeated this procedure on May 14, 2008 to determine the actual ending inventory for each gas storage tank. We obtained all available fuel logs and purchase information for the period inclusive of these dates and calculated the expected ending inventory based on this information. We then compared the actual ending inventory per our dipstick readings on May 14 to the calculated ending inventory that is based on beginning dipstick readings on April 8, fuel log dispensation and purchase information. The table below presents the results of this testwork.

Review of Remote City Fuel Pumps
Comparison of Calculated Ending Inventory to Actual Ending Inventory

Location	Fuel Type	Tank Size (gallons)	Beginning Inventory 4/8/2008	Total Purchases	Total Available	Total Reported Fuel Pumped	Calculated Ending Inventory 5/14/2008	Actual Ending Inventory 5/14/2008	Difference
N. Clinton Fire Station	Diesel	1000	807.10	925.40	1,732.50	1,002.80	729.70	575.50	(154.20)
Allen St. Fire Station	Diesel	1000	966.60	1,460.70	2,427.30	2,033.30	394.00	518.70	124.70
Lake Ave. Fire Station	Unleaded	1000	287.99	1,331.10	1,619.09	698.10	920.99	986.25	65.26
Lake Ave. Fire Station	Diesel	1000	623.51	652.70	1,276.21	504.10	772.11	999.48	227.37
Genesee St. Fire Station	Diesel	600	689.00	1,067.90	1,756.90	1,234.90	522.00	477.40	(44.60)
N. Goodman St. Fire Station	Diesel	1000	879.40	266.90	1,146.30	463.20	683.10	774.40	91.30
N. Goodman St. Fire Station	Diesel	1000	575.50	772.30	1,347.80	1,044.50	303.30	239.10	(64.20)
Mt. Hope Cemetery	Unleaded	500	445.70	600.40	1,046.10	603.70	442.40	450.90	8.50
Mt. Hope Cemetery	Diesel	300	274.90	208.10	483.00	213.50	269.50	278.10	8.60
Riverside Cemetery	Diesel	300	87.70	224.20	311.90	187.60	124.30	36.90	(87.40)
Riverside Cemetery	Unleaded	500	449.60	188.20	637.80	303.70	334.10	303.40	(30.70)

OPI noted three excessive differences between the calculated ending inventory and the actual ending inventory. These include:

1. A difference of 154.20 gallons of diesel fuel at the North Clinton Avenue Fire Station. The calculated ending inventory was greater than the actual ending inventory. It appears that this occurred due to missing fuel log documentation, maintained at the station, for one week during the test period.

2. A difference of 124.70 gallons of diesel at the Allen Street Fire Station. The calculated ending inventory was less than the actual ending inventory. This difference can result from erroneous beginning or ending dipstick reads, or overstatement of fuel log dispensation transactions.

3. A difference of 227.37 gallons of diesel fuel at the Lake Avenue Fire Station. The calculated ending inventory was less than the actual ending inventory. As in D.2. above, the difference can result from erroneous beginning or ending dipstick reads, or overstatement of fuel log dispensation transactions.

♦ Recommendation

Personnel at all remote fuel tank locations should accurately record all pumped fuel on fuel logs. Additionally, they should document a monthly reconciliation of fuel quantities dispensed per the fuel pump meters with logged quantities dispensed per the fuel logs and notify Equipment Services of significant differences.

E. Remote Fuel Location Transactions Not Input Into Automated Fuel System

When employees fuel their vehicles at remote locations, they are required to record the transactions on a manual fuel log maintained at each location. These manual fuel logs normally include specific vehicle data including gallons pumped, vehicle identification, mileage and the vehicle operator's name. Fire Department and Mt. Hope Cemetery personnel then forward the manual fuel logs to Equipment Services. Riverside Cemetery does not forward their fuel logs to Equipment Services. When Equipment Services receives the fuel logs, they file them in a box.

OPI noted that Equipment Services does not input fuel transactions, manually recorded on fuel logs at remote sites, into the AFS. As a result, the only data available from the AFS is that directly accumulated from the automated pumps at the CVMF and Upland Water.

Without the manual fuel log data from the remote locations, any fuel reports or analysis generated from the AFS is incomplete and Equipment Services cannot monitor fuel inventories at the remote locations. The AFS currently cannot provide fuel consumption data recorded at any of the remote fuel locations except for Upland Water. Therefore, complete information regarding fuel inventory levels, vehicle fuel consumption and accurate vehicle miles per gallon is not available on the AFS. This type of information can serve as the basis for preventative maintenance, vehicle replacement decisions and fuel management.

♦ Recommendation

Equipment Services should require personnel at all remote fuel locations to forward fuel logs to Equipment Services on a timely basis, at least monthly. Equipment Services should then input, upon receipt, fuel transactions from all remote fuel locations into the AFS. Additionally, Equipment Services should reconcile fuel consumption with beginning and ending inventory levels, and fuel deliveries during each month.

IV. MANAGEMENT RESPONSE

The response of the Department of Environmental Services to this report begins on the next page.

City of Rochester

Inter-Departmental Correspondence

one city

To: Daniel Markese, Office of Public Integrity

From: Paul Holahan, Commissioner of Environmental Services

Date: September 29, 2008

Subject: Response to "Review of Remote Fuel Inventories" Report

My staff has reviewed the audit report that reviewed Remote Fuel Inventories. The attached are steps that the department will take to correct the deficiencies and respond to your recommendations.

1.) Equipment Services will secure all fuel tank filler caps.
2.) Equipment Services will schedule all deliveries and notify City of Rochester Security via e-mail of the delivery locations and times.
3.) Equipment Services will request City of Rochester Security to witness every fuel delivery at any and all locations. ***(Subject to approval by Vince McIntyre)***
    a. Unlock the filler cap for each delivery.
    b. Witness that the delivery truck meter is set @ 0 before the delivery.
    c. Witness the meter reading at the end of each delivery and compare it to the printed ticket.
    d. Take the customer copy from the delivery.
    e. Lock the filler cap after each delivery.
    f. Bring the delivery tickets to Lynn Simson-Kita, at Equipment Services the next business day.
4.) Equipment Services will enter the fuel data into the FASTER Fleet Management System.
5.) Satellite fuel locations will be required to either stick each fuel tank or record the electronic reading and supply that information to Lynn Simson-Kita at Equipment Services by noon on every Monday.
6.) Satellite locations will be required to supply Lynn Simson-Kita at Equipment Services with a legible copy of the fuel usage report by noon on every Monday. The delivery slips, stick or meter readings and usage reports will be reconciled weekly for accuracy. Usage data will be recorded for each vehicle into the Faster Fleet Management System, to update PM schedules.
7.) Discrepancies in the fuel reporting will be reported to a named users Department
8.) Fleet Services will develop a ***"Standard Operating Procedure"*** for fuel dispensing and record keeping for satellite fuel stations. SOP will be distributed to all department heads and site supervisors.

Equipment Services Recommendations
(short term)

1. Stop deliveries of diesel fuel to the Lake Ave. address until the rotted tank filler cap can be repaired.

2. Stop deliveries of diesel fuel to the N. Clinton address until the fuel filler covers are repaired.

(long term)

1. Perform assessment on closing down all underground fuel tank locations.

2. Instruct users of the Broad / Allen St. satellite fueling location to utilize the current fueling facility at 945 Mt. Read Blvd., which has the Petro-Vend Fuel Management System. **(2.4 road miles)**

3. Instruct users of the 873 Genesee St. satellite fueling location to use the Monroe County Green Fuel Station on Scottsville Rd., which has the Petro-Vend Fuel Management System **(1.5 road miles)**

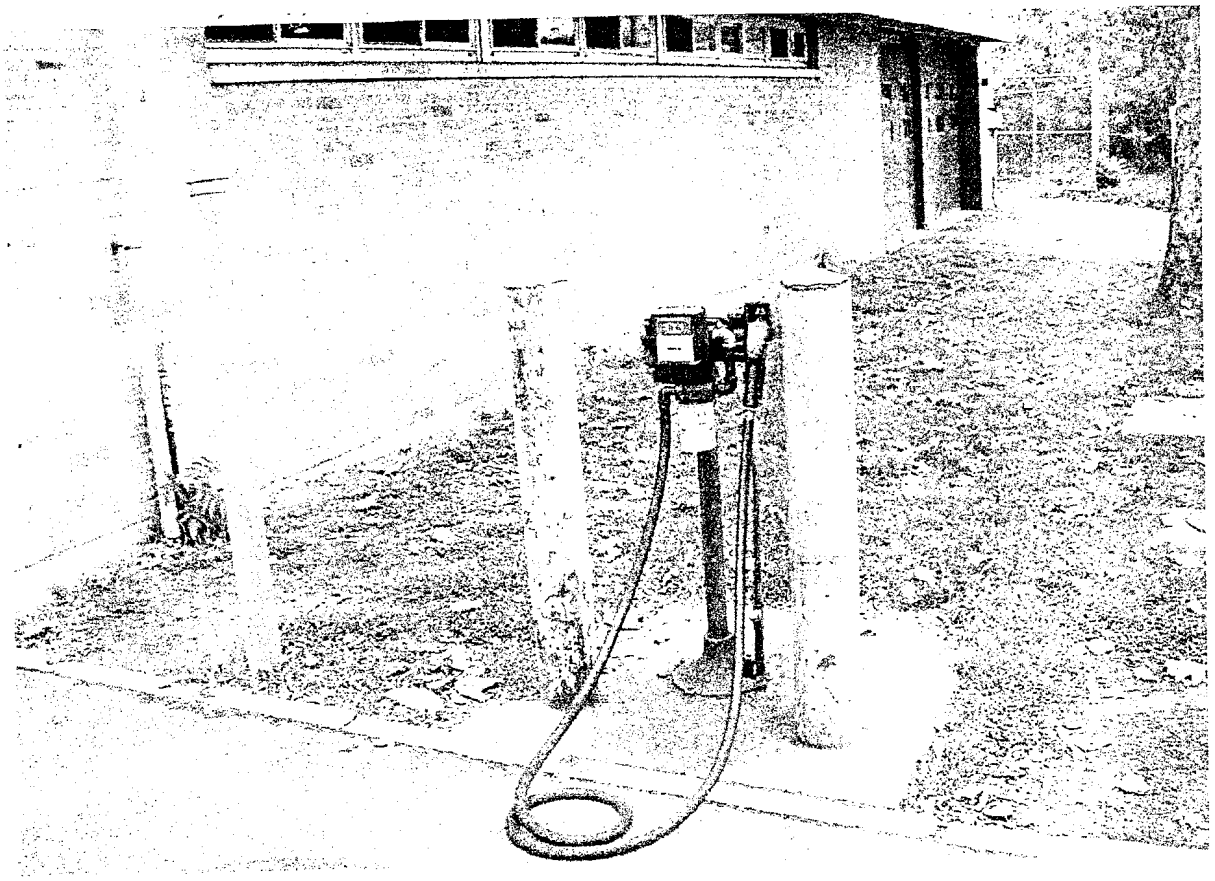
4. Instruct users of the 4090 Lake Ave satellite fueling location to use the current fueling facility at 945 Mt. Read Blvd. which has the Petro-Vend Fuel Management System. (5.0 road miles) In the near future they can utilize the new Vann Leer Green Fuel Station upon it's construction, as it will also have the Petro-Vend Fuel Management System. **(2.5 road miles)**

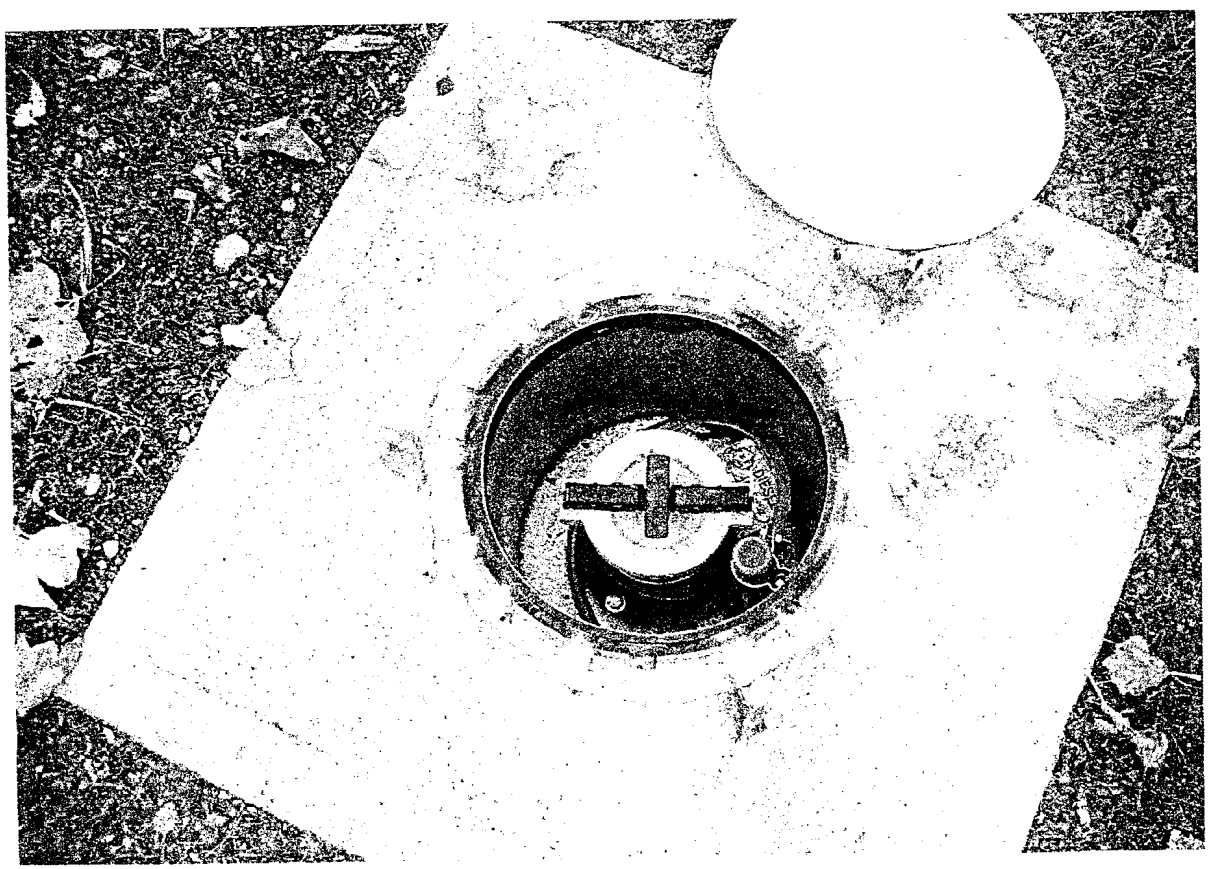
5. Instruct users of the 1215 N. Clinton Ave. satellite fueling location to use the RGRTA fuel station on Main St., which has the Petro-Vend Fuel Management System. **(3.0 road miles)**

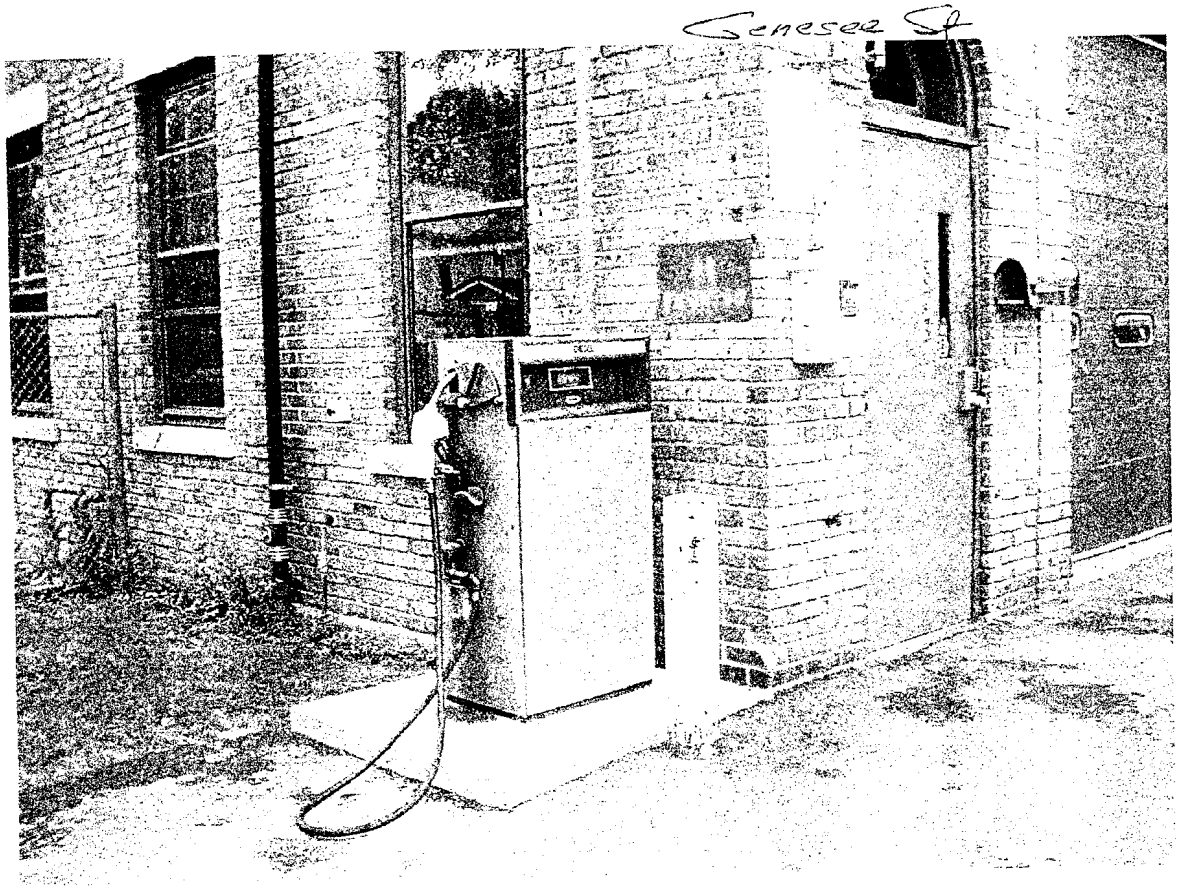
6. Instruct users of the 740 N. Goodman St. satellite fueling location to use the RGRTA fuel station on Main St. which has the Petro-Vend Fuel Management System. **(1.2 road miles)**

7. Install Petro-Vend fuel data systems on above ground tanks at Mt. Hope & Riverside Cemeteries.

Xc Rick Saltrelli
Lou Guilmette
Mary Gaudioso
Daniel Mastrella



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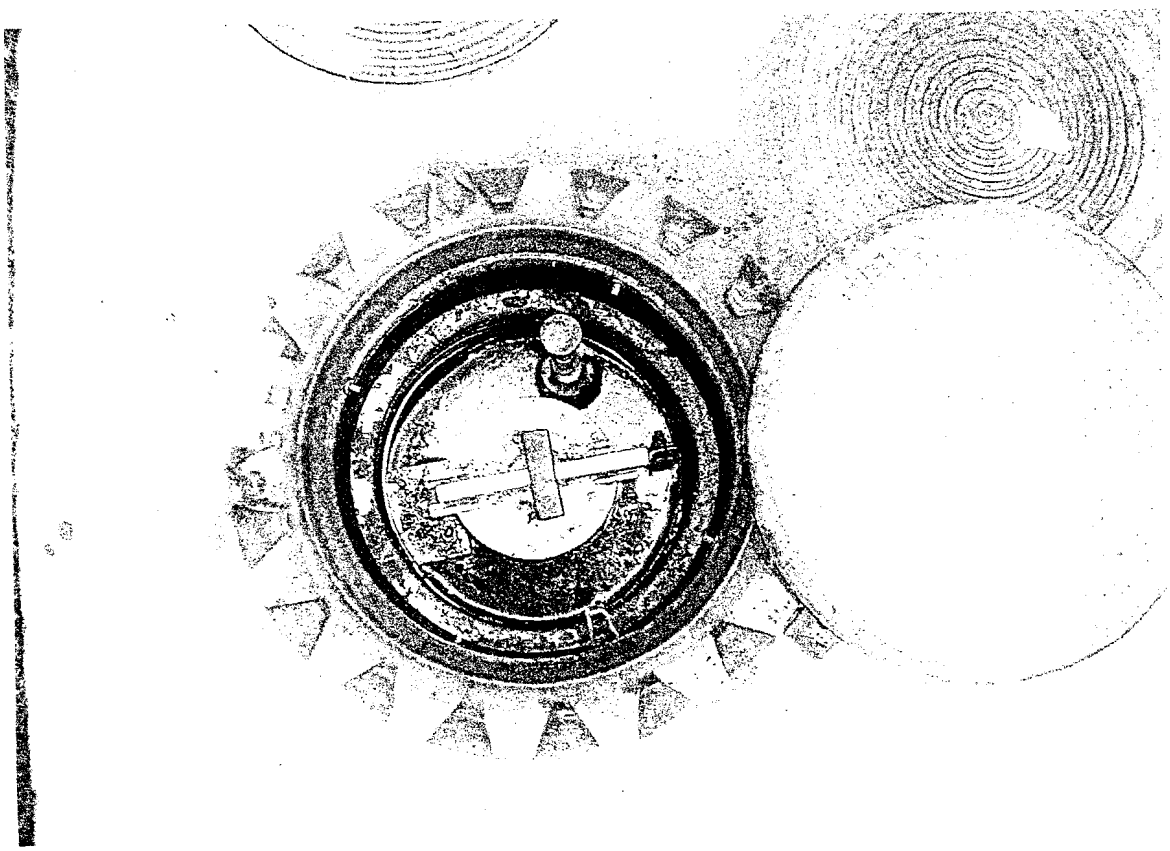

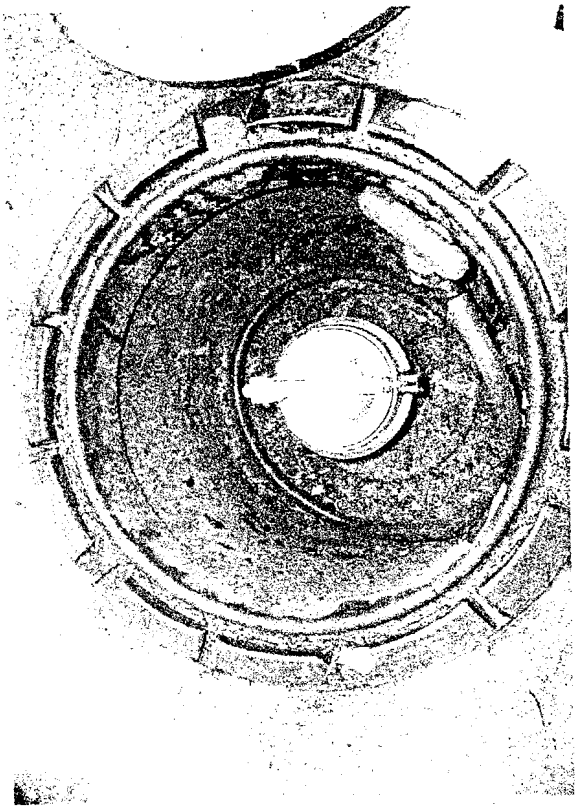

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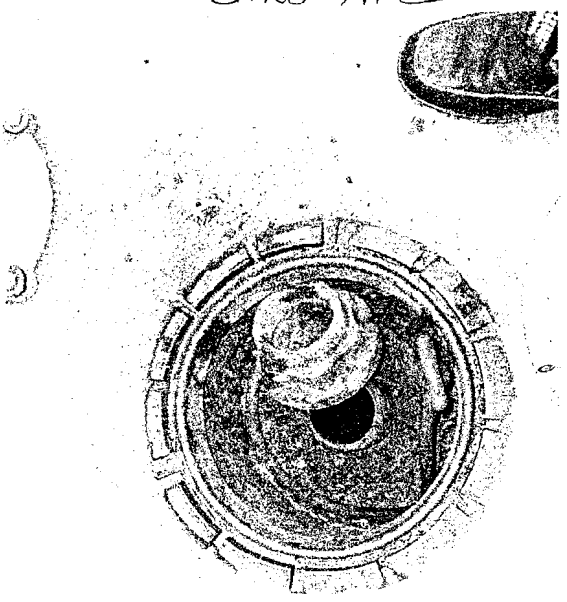

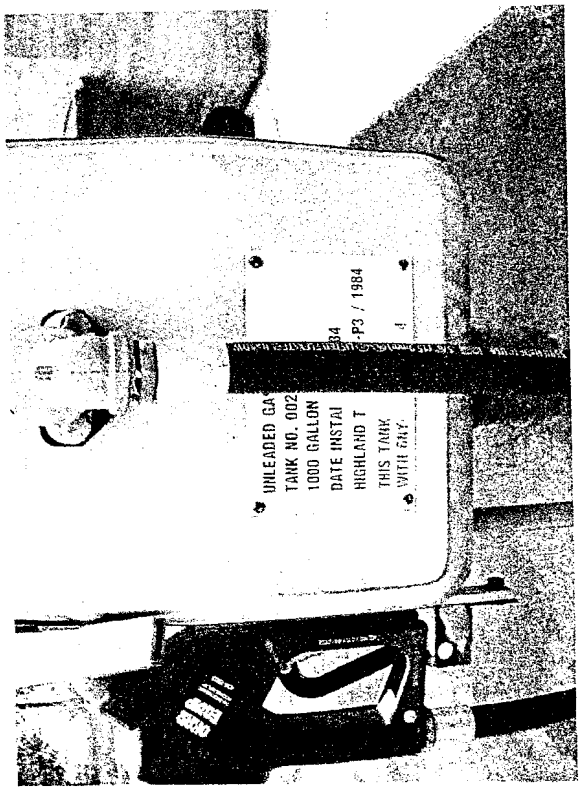
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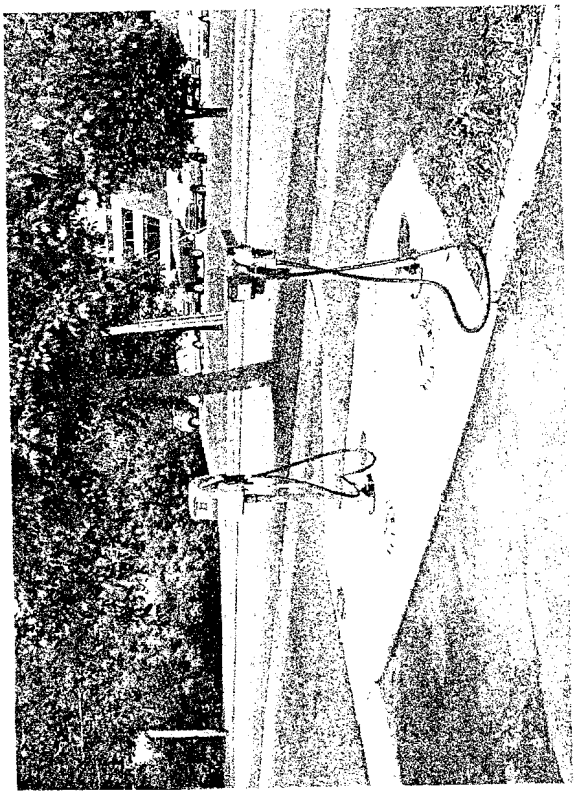

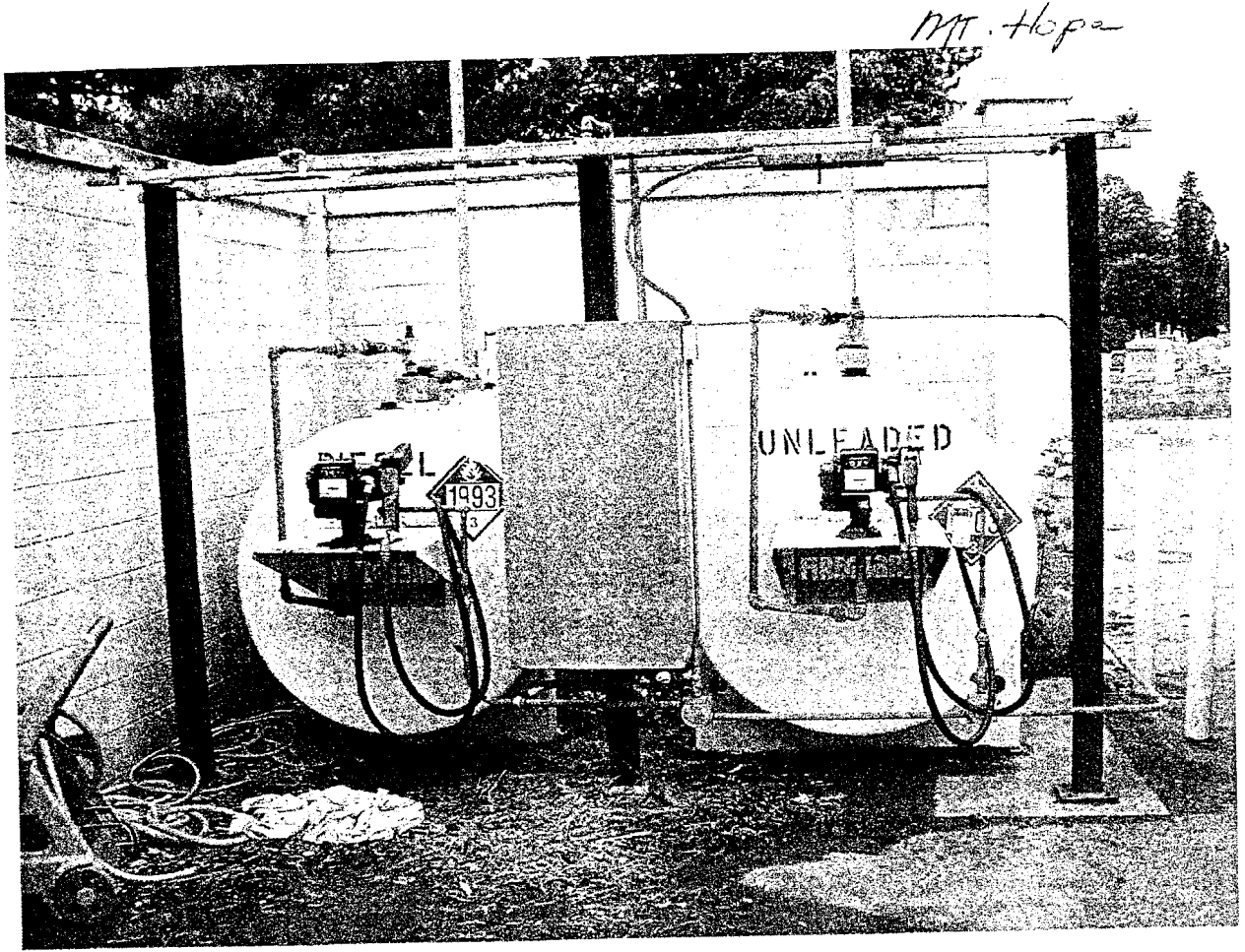
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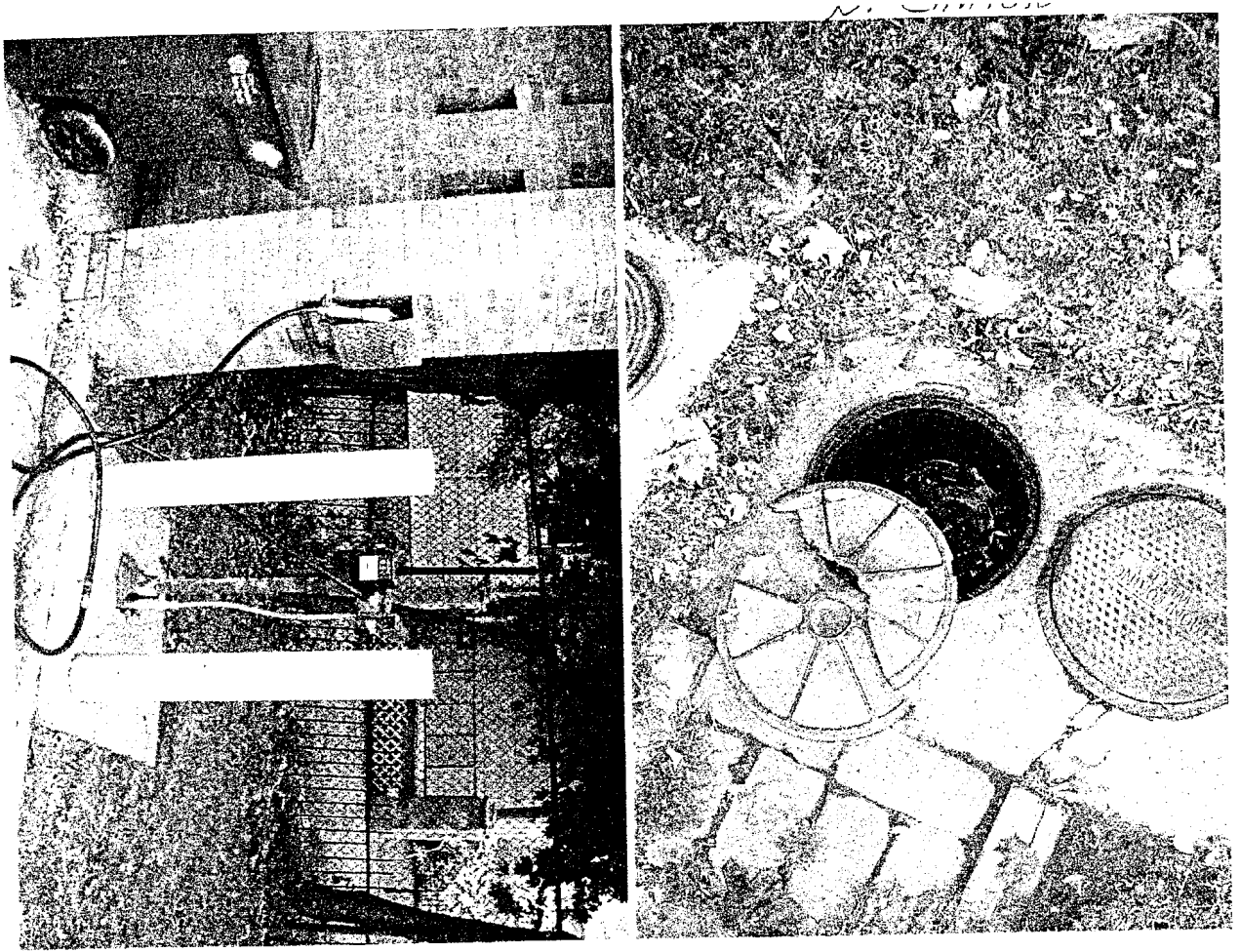

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