

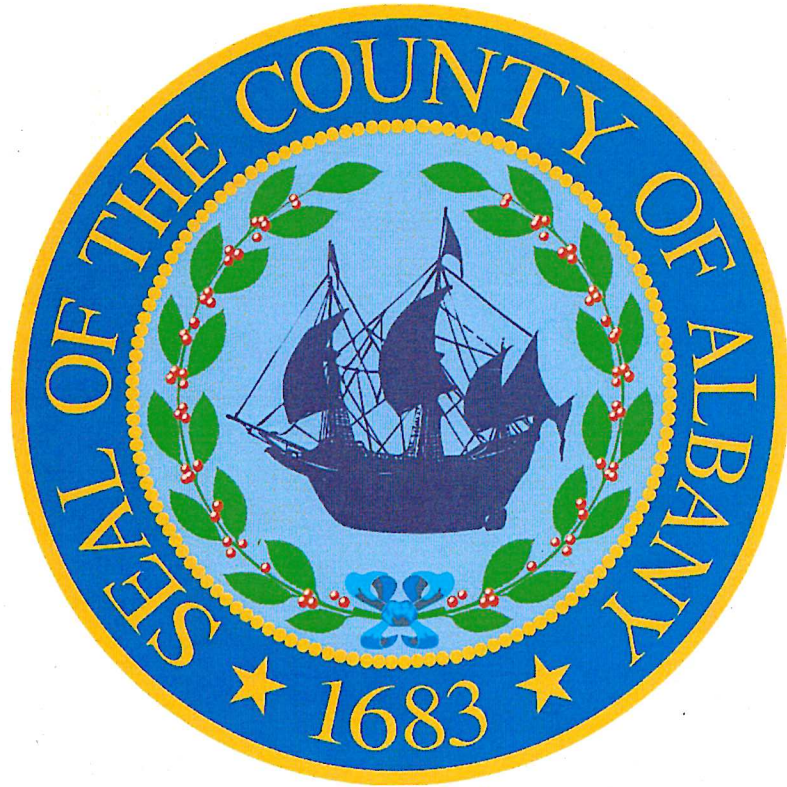
ALBANY COUNTY

Department of Audit and Control

Final Report

Fuel Audit

Department of Public Works



May, 2023

Susan Rizzo, Comptroller

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Executive Summary

The Albany County Comptroller's Office, Department of Audit and Control (DAC) performed follow up procedures to an audit in 2020 of all activities related to fuel purchased by the Albany County Department of Public Works (DPW). The objectives of the original audit were primarily to ensure that the department had adequate controls in place to produce and maintain accurate records of deliveries and dispersals and to prevent loss resulting from vendor overcharge and employee theft. While several improvements have been implemented based on the recommendations from the 2020 Fuel Audit, the DAC observed that the Department of Public Works (DPW) management does not perform a monthly reconciliation between the fuel dispersals and deliveries. Additionally, employee safety issues prohibit the physical measurement of fuel in some of the tanks.

Background

The DPW prepares and executes plans for the construction, repair and maintenance of all County roadways, bridges and certain State highways in Albany County to ensure they are safe and accessible. Ice and snow removal, determination and placement of appropriate road signage and operation of traffic signals are additional functions performed by the department. DPW operates a vehicle maintenance shop located at its headquarters at the County Highway Garage, located at 449 New Salem Road, Voorheesville, NY 12186 in the Town of New Scotland. Additionally, there are six satellite facilities with fuel pumps located in the Towns of Coeymans, Berne, Knox, Colonie, Rensselaerville, and Westerlo. DPW maintains a fleet of approximately one hundred fifty vehicles of various types to facilitate the maintenance of County roads. Fuel is purchased primarily for the purpose of operating County vehicles and equipment, however, a nominal amount of fuel is sold to outside entities including the Voorheesville School District and the Albany County Cooperative Extension program.

In accordance with the Comptroller's stated¹ duty to "Be the chief fiscal and auditing officer of the County..." the DAC periodically performs audits and reviews to identify and evaluate the design and effectiveness of controls over financial transactions in all departments. The purchase and dispersal of motor vehicle fuel is inherently a moderate to high risk area, subject to employee theft and manipulation by vendors. Controls over this function should adequately provide assurance that events resulting in loss are prevented or detected.

¹ Albany County Charter Article 4 §403(b)

Objectives

- Evaluate the department's level of implementation of the recommendations for improvement that were provided by the DAC at the completion of the Fuel Audit performed in 2020;
- Determine if effective controls exist over purchasing, dispensing and accounting for the motor fuel that the department consumes and provides to its outside customers; and
- Provide management with further recommendations, where appropriate.

Scope

The scope of this audit included all fuel purchased from the vendor, dispersed to DPW Vehicles and sold to outside entities for the period December 2022 through February 2023.

Field work was substantially completed May 10, 2023.

Approach

To accomplish these objectives the DAC performed the following:

- Conducted interviews with accounting staff at the New Scotland DPW location to gain an understanding of operational procedures in place and the level of security at the facility. Additional interviews were also conducted related to the Fuel Master Plus system and the process for dispersing fuel.
- Reviewed documentation detailing the dispersal and billings of fuel from the Fuel Master System, fuel measurement at satellite departments, vendor contract information and monthly fuel reconciliation records for December 2022 thru February 2023.

Review of Previous Observations and Recommendations from 2020 Fuel Audit

Observation I: Written Procedures – Fully Implemented		
<p>Original Observation:</p> <p>Written procedures did not exist outlining fuel transactions and activity, particularly security information and vehicle usage.</p> <p>The DAC recommends that DPW further strengthen the process by adding additional and specific details to written procedures related to the use of the fuel pumps and management of the fuel pump database, to ensure seamless overlap in the event of staff and management changes.</p>	<p>July 2020 Follow-Up Results:</p> <p>Department created a written document for procedures and instructions regarding daily operations of the Fuel Master system. In addition, the Shop Foreman stated that the Fuel Master Instruction manual is available online and can be accessed by any shop employee. The Shop Foreman also has access to a database detailing the vehicle usage. This database uses a 2 factor identification system that entails each vehicle having its own unique Key Fob containing a Vehicle Identification Number, along with the user of that vehicle being required to enter their county ID # along with the Key Fob in order to use the fuel pump. This database will be effective in tracking the usage of the department's vehicles.</p>	<p>DAC Recommendation:</p> <p>No further recommendations at this time for this observation.</p>

Observation 2: Segregation of Duties; Reconciliation of Records – Fully Implemented		
<p>Original Observation:</p> <p>The DPW has segregated the responsibilities of monitoring fuel records between the Inventory Control Clerk and the Shop Foreman, however the department does not perform periodic reconciliations between fuel dispersals and fuel deliveries provided by the vendor.</p> <p>The DAC recommends that the DPW establish a process to perform and document periodic reconciliations between dispersal records and vendor delivery documentation. Reconciliations should be reviewed and signed by staff independent from the process on a more timely basis</p>	<p>July 2020 Follow-Up Results:</p> <p>There is now in place a three way reconciliation between The Inventory Control Clerk, Clerk II and final review by Health and Safety Coordinator.</p> <p>The Inventory Control Clerk has contacted the software vendor in order to receive additional training in how to reconcile pump billing records in the new system. Also, in the absence of the Inventory Control Clerk, there is an additional employee cross trained (Shop Foreman).</p>	<p>DAC Recommendation:</p> <p>No further recommendations at this time for this observation.</p>

Observation 3: Physical Inventory; Measurement of Fuel in Tanks – Fully Implemented		
Original Observation:	July 2020 Follow-Up Results:	DAC Recommendation:
<p>Safety concerns make it difficult for employees to do a physical measurement on the level of fuel in the tank.</p> <p>The DAC recommends that DPW continue to develop a process to record physical inventory for all tank locations in a manner consistent with employee safety regulations.</p>	<p>The DPW has implemented a process for recording physical inventory of fuel in tanks.</p> <p>DPW staff now performs a consistent physical measurement of the inventory in the fuel tanks, taking beginning and ending inventory readings on a monthly basis.</p>	<p>No further recommendations at this time for this observation.</p>

Observation 4: Written Procedures – Fully Implemented		
Original Observation:	July 2020 Follow-Up Results:	DAC Recommendation:
<p>When the Department of Public Works places an unleaded fuel order for 500 gallons or more, the New York State contract price is approximately \$1.00 less per gallon than if they were to order less than 500 gallons. Although the Department of Public Works is ordering more than 500 gallons per delivery, they are receiving less than the 500 gallons that they ordered and are accepting the deliveries. This results in the department being charged at a higher rate of roughly \$1.00 more per gallon than the quoted New York State contract price for over 500 gallon orders. Staff currently responsible for placing fuel orders with the vendor is aware of previous issues and does not accept deliveries of less than 500 gallons, however the DAC recommends that the DPW develop a written procedure to ensure that alternate staff would understand the requirement to order 500 gallons or more and understand the financial risk associated with accepting split orders of a lesser quantity.</p>	<p>DPW staff does not allow for deliveries lower than 500 gallons. DAC auditors reviewed a sample of current invoices to ensure the control was in place and operating as designed.</p>	<p>No further recommendations at this time for this observation.</p>

Conclusion

The Department of Public Works Headquarters in New Scotland has made several improvements based on the 2020 audit's recommendations. Reconciling fuel purchases and dispersals substantially decrease the risk of loss resulting from loss or vendor overcharge. The Inventory Control Clerk should perform monthly reconciliations are being reviewed and signed off by the Health and Safety Coordinator. The DAC will perform and discuss additional follow up procedures as needed in the spring of 2025 to ensure adequate process has been implemented and maintained.


Additionally, during the auditors site visit, auditors were given information about a project to replace fuel tanks that were leaking. The auditors determined that the issue was corrected, and that no further work was necessary related to this topic.

I would like to thank the Commissioner and staff for their cooperation and assistance, and for providing us with the materials and documentation to complete this audit.

Sincerely,



Susan Rizzo,
County Comptroller



Stephanie Slominski, CIA CFE
Chief Auditor

cc: Scott Duncan, Deputy Commissioner, Department of Public Works
Edward Dott, Executive Deputy Comptroller