



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

FLEET SERVICES - FUEL SERVICES

(FORMERLY FLEET MANAGEMENT)

REPORT #222 (FOLLOW – UP TO REPORT #197)

OCTOBER 13, 2011

October 13, 2011

The Honorable Al Higginbotham, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Ken Hagan
The Honorable Lesley "Les" Miller, Jr.
The Honorable Sandra L. Murman
The Honorable Mark Sharpe

Dear Chairman Higginbotham and Commissioners:

We have performed a follow-up audit of the Fleet Management – Fuel Services, Audit Report #197, dated April 15, 2010. Ten original audit concerns were contained in this report (six Findings and four Observations).

Based on our follow-up audit work and discussions with the Director of Fleet Services, we are closing seven of the original audit concerns (six Findings and one Observation). Our follow-up audit indicated that these original concerns have been addressed and corrective changes have been implemented. Three observations remain open. The report on the follow-up audit is enclosed.

We appreciate the cooperation and professional courtesies extended to our auditors by the Director and personnel of Fleet Services during this audit.

Sincerely,

Daniel A. Pohto, CPA, CIA
Director, County Audit

cc: Mike Merrill, County Administrator
Sharon Subadan, Deputy County Administrator
Bob Stanton, Director, Fleet Services
Paul Vanderploog, Director, Public Utilities
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

The primary objective of the original audit was to examine and evaluate the adequacy and effectiveness of the internal control and procedures over Fleet Services – Fuel Services (Department).

OBJECTIVE:

The objectives of this follow-up audit were to review and evaluate the conditions reported in County Audit Report # 197, dated April 15, 2010, to determine if corrective actions have occurred and are effective, and if the corrective actions appear to be continuous and/or correction will be monitored to ensure the control weaknesses will not be repeated. In addition, we wanted to evaluate the controls over the dispensing of fuel with Fleet's recently installed Automotive Information Modules II (AIMs) computer units.

SCOPE:

The follow-up was based on the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors. Our follow-up procedures were applied to the records, documents, and controls that were in effect during the period January 1, 2011 through March 31, 2011. We also observed dispensing and safeguarding controls at various fuel sites, and tested various controls over the AIMs units.

OVERALL EVALUATION:

We found that corrective actions had been fully implemented on seven of the ten audit concerns noted in the original audit. As a result, we have closed six findings and one observation. For the remaining three open observations, County Administration has initiated corrective actions. However, the actions taken have either not been completed or not fully corrected the audit observations.

Please see the Summary of Original Audit Concerns on page 4.

We suggest that management monitor the open observations listed in this report to assure that appropriate corrective action is taken. In addition, the corrective action for all concerns should be periodically assessed and adjusted, as necessary, so that the control weaknesses will not be repeated in the future.

The final exit conference was held on September 6, 2011.

AUDIT BY:

Daniel A. Pohto, Director, County Audit
Pete McGregor, Audit Manager
Ed Tobias, Audit Manager
Brenda Tyler, Auditor

STATUS CHART OF ORIGINAL AUDIT CONCERNS

This chart provides the status of the original report concerns at the completion of the follow-up audit.

For reference purposes, the entire original audit report #197 (issued Fiscal Year 2010, 04/15/2010) can be viewed on the Clerk’s web site at <http://www.hillsclerk.com> under Clerk Services, County Audit – Recent Reports.

FINDINGS	OPEN	CLOSED
1		X
2		X
3		X
4		X
5		X
6		X
OBSERVATIONS	OPEN	CLOSED
1		X
2	X	
3	X	
4	X	

NOTE: An *Open finding* is defined as a control weakness that needs additional corrective action and a *Closed finding* is a control weakness for which corrective action has been completed to the auditor's satisfaction.

SUMMARY OF ORIGINAL AUDIT CONCERNS

This chart summarizes the original audit concerns at the completion of the follow-up audit. The original audit concerns that remained open are detailed in the next section – **FOLLOW-UP COMMENTS ON OPEN CONCERNS WITH CLIENT RESPONSES.**

FINDING	DESCRIPTION	STATUS	COMMENTS
1	A Fleet employee could take a trip that is not pre authorized by the approving authority.	CLOSED	Management ensures the department is complying with Administrative Directive AD-09, <i>Travel on Hillsborough County Business.</i>
2	Lack of a strong password management and control process may put the FuelMaster computer application and data at risk of compromise, unauthorized access, and/or usage.	CLOSED	Management is complying with Information Technology's policies & standards for password management.
3	Unauthorized fuel transactions could occur.	CLOSED	Fleet Services has lowered the risk of unauthorized fuel transactions by installing AIMs units in various vehicles and/or equipment. This lowered the risk of unauthorized dispensing of fuel.
4	The Department's server room environmental controls need improvement.	CLOSED	Management has protected server room equipment from physical and environmental threats.
5	Software application change controls need some improvement.	CLOSED	Application changes by allowing vendor access to Fleet's system is tightly controlled.
6	There is a formatting error on the Fleet's billing reports.	CLOSED	The billing reports were changed to display the correct time for each fueling transaction.
OBSERVATION	DESCRIPTION	STATUS	COMMENTS
1	The Public Utilities' assets could be understated.	CLOSED	Public Utilities recorded fuel as an asset at year-end 2010.

2	Ineligible expenditures could be paid to employees in error.	OPEN	See page 6 of the Report
3	Internal Controls surrounding the safeguarding of fuel needs improvement.	OPEN	See page 8 of the Report
4	Failure to notify BOCC Fixed Assets of a tangible asset transfer could lead to misinformation and inaccurate reporting of an asset.	OPEN	See page 10 of the Report

FOLLOW-UP COMMENTS ON OPEN CONCERNS WITH CLIENT RESPONSES

This section details the open concerns at the completion of the follow-up audit.
Note: Client Responses are included verbatim and are seen in *italics*

OBSERVATION 2: FOLLOW-UP COMMENT

Ineligible expenditures could be paid to employees in error.

In the original audit, we noted two employees who received an auto allowance also received ineligible reimbursement for parking tolls. During our follow-up review of travel expenditures for employees who receive auto allowances, we noted an employee was reimbursed for airport parking fees at Tampa International (TIA) for an out of town trip on County business.

Administrative Directive (AD) AD-10, *Automobile Allowance*, was to be modified to require the Blanket Authorization for Local Vicinity Travel form be updated and filed with County Finance to reflect the current level of authorization for local vicinity travel as it relates to parking fees and auto allowance. The AD-10 is not clear as to whether an employee who receives an auto allowance should receive reimbursement of TIA parking fees.

RECOMMENDATION:

AD-10 should be modified as follows:

1. The Blanket Authorization for Local Vicinity Travel form should be updated and filed in County Finance to reflect the current level of authorization for local vicinity travel as it relates to parking fees and auto allowance.
2. As to what type of parking fees would be reimbursable for employees who receive a monthly auto allowance.
3. The "Statement of the Total Destination Mileage" form should include a signed acknowledgement by the employee that they understand AD-10.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*
3. *Concur*

CORRECTIVE ACTION PLAN:

1. *AD-10 will be modified to require an updated “Blanket Authorization for Local Vicinity Travel” form be on file in County Finance, and that it reflects the current level of authorization for parking fees and auto allowance. A county-wide email will be distributed reminding employees of this requirement.*
2. *AD-10 will be modified to specify what type of parking fees are reimbursable to employees receiving a monthly auto allowance.*
3. *The “Statement of the Total Destination Mileage” form as part of AD-10 will be modified to include a signed acknowledgement that the employee understands and will fully comply with AD-10.*

TARGET COMPLETION DATE:

1. *October 15, 2011*
2. *October 15, 2011*
3. *October 15, 2011*

OBSERVATION 3: FOLLOW-UP COMMENT

Internal Controls surrounding the safeguarding of fuel needs improvement.

Bulk Fuel is used for refueling small engines, construction equipment, or portable gas tanks. A Bulk Fuel Requirement Notification form was created by Fleet and signed by a department representative for each department with bulk fuel sites or a bulk fuel key. Weekly, Fleet sends an email to the departments with a listing of deliveries made by Fleet's fuel truck. Fleet's weekly email makes reference to their bulk fuel policy, FM 2.08 *Small Bulk Tanks*.

It was noted in the original audit that some departments were not documenting their bulk fuel transactions and were not safeguarding their bulk fuel storage. During this follow-up audit, the following additional concerns were noted when we visited seven fuel storage locations.

- A fuel hose was leaning over the fuel tank, no logs are kept of the dispensing of the fuel out of the bulk tank, the fuel pump is not locked and the amount of fuel in the tank is not measured.
- The manual log kept for the unleaded fuel tank were unreadable.
- A cap on a fuel tank could be twisted off, even though it appeared to be locked.
- Four out of twenty-four fuel transactions, or 16%, recorded on the manual logs kept for transactions using individual bulk keys, did not match Fleets records. The logs are not reconciled to the actual billings from Fleet.

RECOMMENDATION:

1. Sites that get bulk fuel should document their bulk fuel transactions as directed by FM 2.08 to ensure fuel is only used for a County purpose.
2. Management should continue to design and implement controls and written procedures over non-automated sites.
3. Site management should ensure the employees are following the control and procedures as management intended.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*
3. *Concur*

CORRECTIVE ACTION PLAN:

1. *The County will amend its Administrative Directive for inventory control to assure that all department inventory items, including fuel are properly controlled, documented and monitored.*
2. *The County will amend its Administrative Directive for inventory control to assure that all department inventory items, including fuel are properly controlled, documented and monitored.*
3. *The County will amend its Administrative Directive for inventory control to assure that all department inventory items, including fuel are properly controlled, documented and monitored.*

TARGET COMPLETION DATE:

1. *February 1, 2012*
2. *February 1, 2012*
3. *February 1, 2012*

OBSERVATION 4: FOLLOW-UP COMMENT

Failure to notify BOCC Fixed Assets of a tangible asset transfer could lead to misinformation and inaccurate reporting of an asset.

In the original audit, BOCC Fixed Assets was notified one year after a County vehicle was transferred from the Communication Department to the Public Works Department. A suggestion was made for Administration to periodically send Countywide emails reminding staff to complete the required forms when property is transferred between departments.

In addition, Administration planned to modify AD PI-01, *Procedures for Implementation of Board Policy for Control of Tangible Personal Property and Sensitive Property*, to include language requiring all departments to notify Fleet Management when vehicles are transferred.

Also, due to the June 2010, County Administrator's Transition Plan, the completion of this observation needs to be expedited.

RECOMMENDATION:

1. Departments involved in the transfer of any County-owned property should timely submit to County Finance a Fixed Assets Action Request form to ensure that all tangible property is properly identified in Fixed Assets.
2. County Administration should continue to pursue a modification to AD PI-01 to include notifying Fleet Management of vehicle transfers.

CLIENT RESPONSE:

1. *Concur*
2. *Concur*

CORRECTIVE ACTION PLAN:

1. *The County will post a reminder on its COIN website, and distribute a county-wide email instructing departments to submit a timely "Fixed Asset Action Request" form to County Finance for all transfers of county-owned property*
2. *AD PI-01 will be updated to require all departments to notify the Fleet Management Department when a vehicle is transferred.*

TARGET COMPLETION DATE:

1. *October 15, 2011*
2. *October 15, 2011*

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