CITY AUDITOR'S OFFICE

Audit of East Service Center Employee Fuel Theft

Report No. CAO 2901-1011-04

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CITY AUDITOR

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BACKGROUND

The City's Fleet and Transportation Services Division (Fleet Services) is a division of the Department of Field Operations. Fleet Services is responsible for the acquisition, maintenance and repair of over 900 licensed city vehicles and 200 pieces of equipment. Fleet Services has approximately 30 staff and operates out of four locations including the West and East Service Centers and two satellite yards. The City's fleet of vehicles is serviced at the East and West Service Centers.

An un-named City employee alerted a supervisor that another City employee was taking fuel from the vehicles while they were being serviced.

The Department of Detention and Enforcement was notified and they set up a surveillance of the area.

OBJECTIVES

The audit objective was to evaluate the adequacy and effectiveness of management controls over the prevention of fuel theft from the East Service Center.

SCOPE AND METHODOLOGY

The scope of this audit was limited to an evaluation of the controls related to prevention of fuel theft from the East Service Center. The scope of our work on internal control was limited to the controls within the context of the audit objectives and the scope of the audit.

Our audit methodology included:

- Research of policy and procedures and applicable guidelines,
- Interviews of City personnel,
- Observations of work processes, and
- Analysis and detail testing of available data.

We conducted this audit in accordance with generally accepted government auditing standards except for the requirement for an external peer review every three years. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The exception to full compliance is because the City Auditor's Office has not yet undergone an external peer review. However, this exception has no affect on the audit or the assurances provided.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

The allegation was substantiated. Observations on March 15, 2010 and April 21, 2010 identified an employee who siphoned fuel from various City vehicles subsequently transporting the fuel to his privately owned vehicle. The suspect utilized a City owned fuel can and transported to the employee parking lot in a City owned golf cart.

The subject was observed taking 100 gallons of fuel from 20 vehicles worth approximately \$290. The suspect was arrested and charged with a felony.

Controls were inadequate to prevent the theft of fuel from vehicles being repaired at the East Service Center. (Finding 1)

Controls were inadequate to prevent the unauthorized use of a City owned golf cart to transport stolen fuel at the East Service Center. (Finding 2)

Further information is contained in the sections below.

1. Security over Fuel in Vehicles Being Serviced

Criteria

Access to assets should be limited. The implementation of appropriate security devices as a preventative control will minimize the unauthorized use of assets.

Condition

- An employee was able to gain access to fuel in vehicles being repaired at the East Service Center. The employee was able to siphon over 100 gallons of fuel form 20 City vehicles as documented by surveillance.
- The subject employee violated the Department of Field Operations Work Rules and Regulations. (A. Operational Rules 9.City Property) "Supplies, equipment … and/or services provided or paid by the City are to be used exclusively for City-related business and are not available for personal use…"
- The subject employee violated the Fraud Policy CM105.2 "An employee is subject to discipline up to and including termination if he/she: Has committed a fraud related to work as established by one or more of the following…Results of an investigation…Fraud includes…Theft…The act of stealing; specifically, the felonious taking and removing of personal property, with an intent to deprive the rightful owner of use of the subject of property. (NRS 205.0832)

Cause

Inadequate use of appropriate security devises.

Effect

Access to fuel in City owned vehicles.

Recommendation

1.1 Fleet Services should install appropriate security devises to prevent or minimize theft of fuel form City owned vehicles. This could include the installation of locking fuel caps and/or anti-siphoning devises in City vehicles.

2. Controls over Equipment Use

Criteria

Access to equipment should be controlled to prevent the use of equipment for purposes not in keeping with management's authorization.

Condition

- After taking the fuel, the employee utilized a City-owned golf cart to transport the fuel to his privately owned vehicle.
- No formal system exists in Fleet Services to control the use of City-owned equipment.
- Fleet Services Management relied on observations by supervisory personnel to deter unauthorized use.

Cause

Fleet Services Management's oversight was inadequate.

Effect

City assets were used inappropriately.

Recommendation

2.1 Fleet Services Management should implement policies and procedures to control and limit the use of City-owned equipment.

MANAGEMENT RESPONSE

1. Security over Fuel in Vehicles Being Serviced

Recommendation 1.1: Fleet Services should install appropriate security devises to prevent or minimize theft of fuel form City owned vehicles. This could include the installation of locking fuel caps and/or anti-siphoning devises in City vehicles.

Management Response: The Department of Detention & Enforcement has been and will continue to conduct unannounced and random surveillance activities in the service bays. Additionally, Fleet Services supervisorial staff routinely and randomly perform similar functions. Additionally, we will install "anti-fuel siphoning" theft devices on vehicles as they are brought in for their scheduled, routine preventive maintenance work.

Estimated Date of Completion: The surveillance activities have been in place since May 2010. The installation of the anti-theft devices will commence with maintenance work schedules beginning January 3, 2011.

2. Controls over Equipment Use

Recommendation 2.1: Fleet Services Management should implement policies and procedures to control and limit the use of City-owned equipment.

Management Response: We eliminated the small cart we used to move around the east yard service area as the down line was being inspected. This cart was used by the perpetrator to quickly access the employee parking lot and offload the stolen fuel without anyone noticing. Additionally, we no longer allow the use of any city vehicle to access any of the parking lots. We also implemented a policy whereby each service bay has at least two (2) Fleet Services staff present so as to minimize the likelihood or temptation for a repeat offense. Also, a written Policy and Procedure specifying specific uses of City owned equipment and the limitations of their use, will be implemented.

Estimated Date of Completion: Elimination of the cart and prohibiting the use of City owned vehicles to access the employee parking lots has been in place since May 2010. A written Policy & Procedure documenting use of City owned vehicles will be completed by January 3, 2011.