



Audit Oversight Committee Agenda

Items listed on the agenda may be taken out of the order presented; two or more agenda items for consideration may be combined; and any item on the agenda may be removed or related discussion may be delayed at any time. Backup material for this agenda may be obtained from LuAnn D. Holmes, City Clerk, at the Office of the City Clerk, 495 South Main Street, 2nd Floor or on the city's webpage at www.lasvegasnevada.gov.

The public is encouraged to send comments electronically prior to the meeting via e-mail to meetingcomments@lasvegasnevada.gov. E-mails MUST contain the meeting name, date and item number in the subject. E-mails received up to an hour before the meeting will be considered public record, read during the meeting where appropriate and will be included in the backup. A time limit may be imposed on the reading of comments as is done during meetings when comments are made in person.

1. **Call to Order and Roll Call**
2. **Announcement Regarding: Compliance with Open Meeting Law**
3. **Public Comment:** Comment during this portion of the agenda must be limited to matters on the agenda for action. If you wish to be heard, come forward and give your name for the record. The amount of discussion, as well as the amount of time any single speaker is allowed, may be limited.
4. For possible action to approve the Final Minutes by reference of the Regular Meeting of October 15, 2020
5. Discussion for possible action regarding the election of Officers to the Audit Oversight Committee for calendar year 2021
6. Discussion for possible action regarding Audit Oversight Committee quarterly meeting dates for calendar year 2021
7. Discussion for possible action regarding Audit of Department of Human Resources – WellTrac Contract Compliance (HR005-2021-02)
8. Discussion for possible action regarding Audit of Department of Public Works – Capital Projects Administration (PW008-2021-03)
9. Discussion for possible action regarding Audits of Fueling Transactions Oversight; Audit of Office of Economic and Urban Development – Fueling Transactions Oversight (CW015-2021-04); Audit of Office of Community Services – Fueling Transactions Oversight (CW015-2021-05); Audit of Department of Public Safety – Fueling Transactions Oversight (CW015-2021-06); Audit of Office of Cultural Affairs – Fueling Transactions Oversight (C015-2021-07); and Audit of Department of Parks and Recreation – Parks and Ground Maintenance Division – Fueling Transactions Oversight (CW015-2021-08)
10. Report by staff regarding current audits
11. **Discussion regarding topics for future agenda items.** Comments made during this portion of the agenda by individual members shall refer solely to proposals for future agenda items and any discussion shall be limited to whether or not such proposed items are within the purview of the Committee and/or whether such proposed items

shall be placed on a future agenda. No discussion regarding the substance of any such proposed topic shall occur and no action shall be taken.

12. **Citizens Participation:** Public comment during this portion of the agenda must be limited to matters within the jurisdiction of the Committee. No subject may be acted upon by the Committee unless that subject is on the agenda and is scheduled for action. If you wish to be heard, come forward and give your name for the record. The amount of discussion on any single subject, as well as the amount of time any single speaker is allowed, may be limited.

13. **Adjournment**

Facilities are provided throughout City Hall for the convenience of persons with disabilities. Reasonable efforts will be made to assist and accommodate persons with disabilities or impairments. If you need an accommodation to attend and participate in this meeting, please call the City Clerk's office at 702-229-6311 and advise of your need at least 48 hours in advance of the meeting. Dial 7-1-1 for Relay Nevada.

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS
IN ACCORDANCE WITH THE STATE OF NEVADA EXECUTIVE DEPARTMENT
DECLARATION OF EMERGENCY DIRECTIVE 006
The City of Las Vegas website – www.lasvegasnevada.gov
and
The Nevada Public Notice Website – notice.nv.gov



Proposed Audit Oversight Committee Meeting Dates for 2021

- **Monday, January 11, 2021 10:00 a.m.**
- **Monday, April 12, 2021 10:00 a.m.**
- **Monday, July 12, 2021 10:00 a.m.**
- **Monday, October 11, 2021 10:00 a.m.**



Background

- Contract with WellTrac is to provide comprehensive annual physicals
- Entered into on November 17, 2014
- Contract is one year term with unlimited renewals at the city's discretion
- Current agreement expires October 31, 2020
- Annual Maximum Value of \$500,000
- The contract was not awarded via a competitive bidding process
- Exempt from competitive bidding under professional services exemption



Background

In calendar year 2018 WellTrac provided:

- 297 Physicals
- 533 additional procedures performed as permitted by the contract
- WellTrac was paid \$127,786 in calendar year 2018
- As of December 31, 2018, WellTrac has been paid \$629,983



Objectives

- Assess compliance with the contract by both WellTrac and the City
- Evaluate the adequacy of Human Resources' monitoring of the contract



Finding #1 – No Written Procedures for Monitoring Contract

- Human Resources does not have any documented management, verification, or oversight procedures for monitoring this contract.



Recommendations

- 1.1 Human Resources management should develop, document and implement procedures for managing contract provisions.
- 1.2 Human Resources management should develop, document and implement procedures to verify a sample of invoices received.
- 1.3 Human Resources management should develop, document, and implement procedures to ensure proper management oversight.



Finding #2 – No Quarterly Aggregate Report Submitted by WellTrac

- WellTrac is not providing the City with a quarterly report which details the health risk findings of each eligible City employee as required by the contract.



Recommendation

- 2.1 Evaluate this contract provision and request compliance or amend the contract to reflect management's expectations.



Finding #3 – WellTrac Does Not Have a City of Las Vegas Business License

- WellTrac has not obtained a City of Las Vegas Business License.



Recommendation

- 3.1 Human Resources management should require WellTrac work with the City of Las Vegas Business Licensing Division to obtain a City of Las Vegas business license.



Finding #4 – WellTrac was not Notified in Writing after Change in Project Manager

- WellTrac was not notified in writing when the designated project manager changed.



Recommendation

- 4.1 Human Resources management should develop, document, and implement procedures to require that WellTrac is notified in writing when there is a change in the project manager.



Finding #5 – Invoice Details Do Not Match CLV Enterprise Management Database

- Invoice details do not match the City of Las Vegas Enterprise Management Database.



Recommendation

- 5.1 Human Resources management should develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into the City of Las Vegas Enterprise Management Database.



Questions and Discussion

- **Vince Zamora, HR Director**

CITY AUDITOR'S OFFICE



AUDIT OF DEPARTMENT OF HUMAN RESOURCES WELLTRAC CONTRACT COMPLIANCE

Report HR005-2021-02

October 29, 2020

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

Submitted at Meeting
Date: 1/11/2021 Item: 7
Submitted by: Staff

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**AUDIT OF DEPARTMENT OF HUMAN RESOURCES
WELLTRAC CONTRACT COMPLIANCE
Report HR005-2021-02**

BACKGROUND

The City of Las Vegas (CLV) offers at no charge to their employees and eligible dependents over the age of 18 one comprehensive physical at no charge to the participant.

To provide this service CLV has contracted with WellTrac (vendor) located in Henderson, Nevada. CLV and WellTrac entered into a contract on November 17, 2014. The term of the contract is one year with unlimited renewals at the city's discretion. As of October 30, 2019, the city has renewed the contract four times with the current agreement continuing through October 31, 2020. The contract has a maximum yearly value of \$500,000.

WellTrac was not awarded the contract via competitive bidding. This contract is considered a professional service and is an exception to the competitive bidding requirement pursuant to NRS 332.115.1 (b) Professional Services. The decision to award the contract to WellTrac was because the proprietor of WellTrac was the physician for the previous service provider.

In calendar year 2018, the vendor was paid for 297 physicals. Of the 297 physicals performed, WellTrac was also paid for: 278 (94%) audiometry tests, 116 (39%) treadmill stress tests, 35 (12%) bone scans, 6 (2%) pap smear handling fees, 97 (33%) PSA tests, and 1 (0%) HIV test. WellTrac was paid \$127,786 for services rendered during calendar year 2018. Since the beginning of the contract, WellTrac has been paid \$629,983.

An administrator in the Human Resources Department (Human Resources) has been designated as the project manager over this contract.

OBJECTIVES

The objectives of this audit were to assess the vendor and the city's compliance with the provisions of the WellTrac contract and to evaluate the adequacy of Human Resources' monitoring of compliance.

SCOPE AND METHODOLOGY

The scope of the audit was limited to a review of contract compliance during calendar year 2018. The last date of fieldwork was October 30, 2019.

Our audit methodology included:

- Research of contract provisions
- Interviews with city employees
- Review of available data and reports

We conducted this performance 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.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following conclusions and findings to our audit objectives were noted:

- Human Resources does not have documented management, verification, and oversight procedures for monitoring the contract. (See Finding #1)
- WellTrac is not providing the city with the required quarterly aggregate report which details the health risk findings for each city employee. (See Finding #2)
- WellTrac does not have a CLV business license. (See Finding #3)
- Human Resources did not provide written notice to WellTrac of a change in the Project Manager. (See Finding #4)
- Invoice details entered into the procurement module of CLV's enterprise management database do not always reflect the actual services performed. (See Finding #5)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

James Burnett, CIA
Senior Internal Auditor

1. No Written Procedures for Monitoring the Contract

Criteria

The city's Contract Administration Procedure (FN 611a) requires departments to adhere to a systematic process to monitor, report, and maintain records of contract performance.

Governmental standards for internal controls state the following:

Each unit, with guidance from management, documents policies in the appropriate level of detail to allow management to effectively monitor the control activity. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

Condition

The project manager disclosed that there are no documented management, verification, or oversight procedures for monitoring the provisions within this contract.

To further illustrate the lack of verification and oversight procedures, when reviewing processed invoices it was found that minor differences existed between what was charged by the vendor versus what should have been charged for services during the months of January, March, May and June 2018.

Cause

- No written contract management, verification, and oversight procedures have been developed.

Effect

- Non-compliance with certain contract provisions.
- Lack of continuity in monitoring should there be a change in project managers.

Recommendations

1.1 Human Resources management should develop, document, and implement procedures for managing contract provisions. The procedures should include at a minimum:

- Process for reviewing invoices prior to submission for payment
- Process for submitting invoices for payment
- Process for investigating and documenting billing irregularities
- Roles and responsibilities of employees and/or departments involved in managing the contract
- Contract deliverables and associated deadlines

- How and where to store the associated documents
- Key vendor contacts

1.2 Human Resources management should develop, document, and implement procedures to verify a sample of invoices received. Items that should be considered are:

- The appropriateness of age and gender specific testing
- Participants receiving services are eligible pursuant to the contract at the time of service
- Amounts charged for procedures are in line with the contract provisions
- How to document the results and any follow-up performed if necessary

1.3 Human Resources management should develop, document, and implement procedures to ensure proper management oversight. Procedures should include:

- Process for assigning project managers
- Process for performing periodic reviews of the work of the contract file
- Process for addressing escalated disputes (if applicable)
- Process for verifying invoices to:
 - Ensure that charges are consistent with the terms of the contract
 - Ensure that duplicate invoices are identified
- Process for addressing invoice discrepancies (if necessary)

2. No Quarterly Aggregate Report Submitted by WellTrac

Criteria

Pursuant to clause C-2 (a) (ii) of the contract: "The Company shall provide quarterly aggregate reports detailing the health risk findings of each eligible City employee."

Condition

WellTrac is not providing CLV with the required quarterly aggregate report which details the health risk findings of each eligible CLV employee.

Cause

- Failure to manage the terms of the contract by the project manager.
- Failure to comply with the terms of the contract by WellTrac.

Effect

- Employee health risk findings detail not available for management review.
- Non-compliance by WellTrac with contract provisions.

Recommendation

- 2.1 Human Resources management should evaluate the contract requirement that WellTrac provide quarterly aggregate reports and either require WellTrac provide the quarterly aggregate reports or amend the contract to reflect the expectations of management if they differ from the provisions within the contract.

3. WellTrac Does Not Have a City of Las Vegas Business License

Criteria

Pursuant to Clause D-5 of the contract: "During the entire performance period of this Contract, the Company shall maintain all federal, state, and local licenses, certifications and registrations applicable to the work performed under this contract, including maintaining an active city of Las Vegas business license."

Condition

WellTrac has never obtained a CLV business license as required by the contract.

Cause

- Failure to manage the terms of the contract by the project manager.
- Failure to comply with the terms of the contract by WellTrac.

Effect

- Non-compliance by WellTrac with contract provisions.
- Lost business license revenue for CLV.

Recommendation

- 3.1 Human Resources management should require WellTrac work with CLV Business Licensing Division to obtain a CLV business license.

4. WellTrac Was Not Notified in Writing after Change in Project Manager

Criteria

Pursuant to clause D-2 (a) of the contract: "The City will provide written notice to the Company should there be a subsequent Project Manager change. The Project Manager will be the Company's principal point of contract at the City regarding any matters relating to this Contract, will provide

all general direction to the Company regarding Contract performance, and will provide guidance regarding the City's goals and policies. The Project Manager is not authorized to waive or modify any material scope of work changes or terms of the Contract."

Condition

Human Resources failed to notify WellTrac in writing when the designated Project Manager changed as required by the contract.

Cause

- There are no documented procedures in place to direct Human Resources to notify WellTrac in writing upon a change in the Project Manager.

Effect

- Failure to formally notify WellTrac of a change in their primary contact at the CLV. This could lead to missed communications.

Recommendation

- 4.1 Human Resources management should develop, document, and implement procedures to require that WellTrac is notified in writing when there is a change in the project manager.

5. Invoice Details Do Not Match CLV Enterprise Management Database

Criteria

The invoice details entered into the procurement module of the city's enterprise management database (Oracle) for payment should match the details on the invoice.

Condition

A review of the vendor invoices found that the number of treadmill stress tests and bone density scans which have the same cost were combined by Human Resources staff when entering the details into Oracle's procurement module. Additionally, in June 2018 the invoice processed for payment included a minor difference between what was charged by the vendor versus what should have been charged. Since the contractual amounts for services performed are pre-populated in Oracle procurement, Human Resources staff had to adjust the number of services performed to ensure that the vendor was paid the correct amount on the invoice.

AUDIT OF DEPARTMENT OF HUMAN RESOURCES
WELLTRAC CONTRACT COMPLIANCE
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Cause

- Human Resources management has not created any documented procedures directing their staff on how to appropriately enter the vendor's invoices into Oracle.

Effect

- Failure to accurately record all invoice details in Oracle misrepresents the actual work performed by WellTrac, thereby providing inaccurate data for management to use in determining the effectiveness of the health care program.

Recommendation

- 5.1 Human Resources management should develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Human Resources management should also implement procedures to periodically verify the accuracy of the information being entered into Oracle by their staff.

MANAGEMENT RESPONSE

1. No Written Procedures for Monitoring the Contract

1.1 Human Resources management should develop, document, and implement procedures for managing contract provisions. The procedures should include at a minimum:

- Process for reviewing invoices prior to submission for payment
- Process for submitting invoices for payment
- Process for investigating and documenting billing irregularities
- Roles and responsibilities of employees and/or departments involved in managing the contract
- Contract deliverables and associated deadlines
- How and where to store the associated documents
- Key vendor contacts

Management Action Plan:

We agree with the recommendation and the responsibility of Human Resources management to develop, document, and implement procedures for managing the provisions of the WellTrac contract. Procedures will cover all key activities noted in 1.1 above, including the invoice review and payment process, the responsibilities of employees and departments involved in managing the contract, any required contract deliverables, and other relevant information.

Estimated Date of Completion: December 31, 2020

1.2 Human Resources management should develop, document, and implement procedures to verify a sample of invoices received. Items that should be considered are:

- The appropriateness of age and gender specific testing
- Participants receiving services are eligible pursuant to the contract at the time of service
- Amounts charged for procedures are in line with the contract provisions
- How to document the results and any follow-up performed if necessary

Management Action Plan:

We agree that periodic sampling of the monthly invoices should be performed to ensure the accuracy, appropriateness, and amounts of the charges per the contract. Procedures will be developed, documented, and implemented to ensure these actions are to be performed. WellTrac currently verifies current participant eligibility at the time of each physical, but our review will provide an additional verification. We will also document the results and follow-up as needed.

Estimated Date of Completion: December 31, 2020

1.3 Human Resources management should develop, document, and implement procedures to ensure proper management oversight. Procedures should include:

- Process for assigning project managers
- Process for performing periodic reviews of the work of the contract file
- Process for addressing escalated disputes (if applicable)
- Process for verifying invoices to:
 - Ensure that charges are consistent with the terms of the contract
 - Ensure that duplicate invoices are identified
- Process for addressing invoice discrepancies (if necessary)

Management Action Plan:

We agree that proper management oversight is necessary for the full range of activities involved in ensuring compliance with the WellTrac contract. We will develop, document, and implement appropriate procedures for performing periodic reviews of the work of the contract file, verifying that invoices are in line with the terms of the contract, addressing invoice discrepancies, and other relevant matters.

Estimated Date of Completion: December 31, 2020

2. No Quarterly Aggregate Report Submitted by WellTrac

2.1 Human Resources management should evaluate the contract requirement that WellTrac provide quarterly aggregate reports and either require WellTrac to provide the quarterly aggregate reports or amend the contract to reflect the expectations of management if they differ from the provisions within the contract.

Management Action Plan:

Human Resources management has previously reviewed the quarterly aggregate report requirement. It was determined that given the relatively limited number of eligible employees taking advantage of the annual WellTrac benefit, it was not deemed to be significantly meaningful to review and monitor the aggregate biometric measurement results and changes over time. We will review and address a possible amendment to the contract to eliminate this requirement.

Estimated Date of Completion: December 31, 2020

3. WellTrac Does Not Have a City of Las Vegas Business License

- 3.1 Human Resources management should require WellTrac to work with CLV Business Licensing Division to obtain a CLV business license.

Management Action Plan:

Human Resources Management will address the business license issue further with CLV Business Licensing Division and take any necessary actions. As WellTrac operates only one clinic in Henderson, it may be determined that a business license with the City of Las Vegas is not required.

Estimated Date of Completion: December 31, 2020

4. WellTrac Was Not Notified in Writing after Change in Project Manager

- 4.1 Human Resources management should develop, document, and implement procedures to require that WellTrac is notified in writing when there is a change in the project manager.

Management Action Plan:

Human Resources management will determine and implement a procedure to require and ensure that WellTrac is timely notified in writing when there is a change in the project manager.

Estimated Date of Completion: December 31, 2020

5. Invoice Details Do Not Match CLV Enterprise Management Database

- 5.1 Human Resources management should develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Human Resources management should also implement procedures to periodically verify the accuracy of the information being entered into Oracle by their staff.

Management Action Plan:

We agree with the recommendation to develop, document, and implement procedures to ensure that all invoices are entered accurately and completely into Oracle. Procedures will also include the requirement to periodically verify the accuracy of the information being entered into Oracle.

Estimated Date of Completion: December 31, 2020



Background

- Public Works provides sustainable and cost effective infrastructure planning, design and construction management; wastewater and stormwater management; and traffic control services to Las Vegas residents, businesses and visitors.
- City Engineering Division of Public Works is responsible for oversight of major capital improvement projects.
- The division oversees design services, construction management, special improvements, and more.



Objectives

Determine whether:

1. To determine whether capital project funds are being properly budgeted for and approved.
2. To evaluate the adequacy of management controls over capital project consultants



Objectives

Determine whether:

3. To evaluate the adequacy of the management controls over capital project bids
4. To evaluate the adequacy of the management controls over capital project construction contracts



Objectives

Determine whether:

5. To evaluate the adequacy of the management controls over capital project payments
6. To evaluate the adequacy of Public Works' documented capital projects policies and procedures.



Finding #1

- **Contracted Amounts Differ from Approved Funding**



Recommendation

- 1.1 Public Works Management should review their contract review and approval process and implement additional controls that would ensure that contract agenda items noting the amounts approved by City Council agree with the amounts recorded in the project contracts.



Finding #2

- **Outdated Policies and Procedures**



Finding #2

Policy/Procedure Title	Last Update
Purchase Requisition Procedure for Professional Service Agreements	11/5/2001
Which Written Authorization to Use when modifying the Contract Documents	12/20/2005
Changes in project scope and use of the construction contract contingency	11/9/2009
Change Orders & Construction Change Directives	5/31/2011
Contract Signature Authority	11/10/2011
Consultant Agreement Added Funding	2/27/2012
Adding to the Construction P.O. Contingency	2/27/2012
Consultant Agreement Additional Service Authorization	2/28/2012
Adding Project Funds	2/28/2012
Bid Evaluation Form	4/10/2014
Capital Project Approvals Required	6/9/2015



Recommendation

- 2.1 Public Works Management should update its policies and procedures and document and implement a process to periodically review and update them to ensure they reflect new Public Works regulations and standards that are released



Questions and Discussion

- **Mike Janssen – Executive Director of Community Development**
- **Rosa Cortez – Assistant City Engineer**
- **Matt Klainer – Quality Assurance Administrator**

CITY AUDITOR'S OFFICE



AUDIT OF DEPARTMENT OF PUBLIC WORKS CAPITAL PROJECTS ADMINISTRATION

Report PW008-2021-03

November 16, 2020

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

Submitted at Meeting
Date: 1/11/2021 Item: 8
Submitted by: Staff

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AUDIT OF DEPARTMENT OF PUBLIC WORKS
CAPITAL PROJECTS ADMINISTRATION
Report PW008-2021-03

BACKGROUND

The City Engineering Division of the Department of Public Works is responsible for the oversight of major capital improvement projects within the city. The division oversees design services, construction management, special improvements, and more for city facilities.

The City Engineering Division manages most high-value capital improvement projects. Prior to the beginning of each new fiscal year, Public Works prepares the Five Year Capital Improvement Plan for the city of Las Vegas. The plan details the capital improvement projects Public Works is currently working on and projects that will start during the next 5 years. The plan is presented to the City Council for review and acceptance. For the fiscal year ended June 2019, total funding approved for capital projects was approximately \$143 million. Project funds come from several sources including the city's general fund and from outside sources such as the Regional Transportation Commission (RTC).

Project consultants (such as architects and engineers) are selected by a special committee and a consultant contract is created and approved by Public Works management, the city's purchasing division (Purchasing), and/or the City Council. Additionally, contractors are hired via bidding or request for proposal per Nevada Revised Statutes (NRS) and must also be authorized by Public Works management, Purchasing, and/or the City Council. Any project scope changes to the consultant or construction contract that go beyond the contingency amounts listed in the original contracts require an amendment (for consultant contracts) and/or change order (for construction contracts) and also require appropriate approval.

The City Engineering Division project managers are responsible for overseeing project costs, schedules, contract compliance, and ensuring proper payment is made to all project consultants and contractors.

OBJECTIVES

Our objectives in completing this audit were as follows:

1. To determine whether capital project funds are being properly budgeted for and approved.
2. To evaluate the adequacy of management controls over capital project consultants including determining whether:
 - Capital project consultants are being selected in accordance with Public Works policy
 - Funding for these consultants is being appropriately approved and allocated
 - Consultant contracts are being appropriately drafted and any changes to these contracts are authorized

3. To evaluate the adequacy of the management controls over capital project bids including determining whether:
 - Bids were within previously approved budgeted amounts
 - Bids were in compliance with all related regulations and city policies and procedures
 - Bids selected were appropriately authorized and approved
4. To evaluate the adequacy of the management controls over capital project construction contracts including determining whether:
 - Contracts are awarded to the appropriate bidder
 - Contracts do not exceed bid proposals
 - Change orders are appropriately reviewed, authorized, and documented
5. To evaluate the adequacy of the management controls over capital project payments including determining whether:
 - Payments are valid
 - Payments are properly reviewed and authorized
 - Payments are appropriately deducted from the correct project accounts
6. To evaluate the adequacy of Public Works' documented capital projects policies and procedures.

SCOPE AND METHODOLOGY

The scope of the audit was limited to transactions and activity that occurred during fiscal year 2019. The following criteria was used when selecting which capital projects to review:

- Overseen by the City Engineering Division
- Project costs exceeded \$1 million
- Projects which were officially closed out during fiscal year 2019, wherein construction was completed, final payments were made, and all contractually required closeout documents were received

A total of 14 capital projects were identified that fit the criteria above. Two of our six audit objectives were applied to all 14 of these projects, while the other four objectives were applied to a sample of 4 of the projects as outlined in the report. 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. The audit methodology included:

- Conducting interviews with Public Works management and staff
- Reviewing relevant regulations, Public Works standards, and city policies
- Analysis and detail testing of available data

We conducted this performance 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 last fieldwork date of this audit was September 4, 2020.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The results of our audit procedures to each of our audit objectives are found below:

Objective 1:

To determine whether capital project funds are being properly budgeted for and approved.

Conclusion:

During fiscal year 2019, there were a total of 14 capital improvement projects of \$1 million or greater that were closed out. We randomly selected 4 of these 14 projects for testing and verified whether the projects were appropriately budgeted for and funded. We also verified whether the selected projects were reviewed and authorized by the appropriate committees and by City Council as required. No findings were noted.

Objective 2:

To evaluate the adequacy of management controls over capital project consultants including determining whether:

- Capital project consultants are being selected in accordance with Public Works policy
- Funding for these consultants is being appropriately approved and allocated
- Consultant contracts are being appropriately drafted and any changes to these contracts are authorized

Conclusion:

For all 14 projects, we verified whether all consultants for the projects were selected and approved in accordance with Public Works policy. We also verified whether funding for the consultant contracts were approved in accordance with Public Works policy. For any contract amendments that were required, we verified whether proper documentation for the amendment was available and whether the amendments were appropriately approved. Our review found one exception and we determined that additional controls are needed to ensure contracted amounts with consultants agree to management or City Council approved amounts. (See finding #1)

Objective 3:

To evaluate the adequacy of the management controls over capital project bids including determining whether:

- Bids were within previously approved budgeted amounts
- Bids were in compliance with all related regulations and city policies and procedures
- Bids selected were appropriately authorized and approved

Conclusion:

For the four projects selected, we verified whether all construction bids were completed in compliance with Nevada Public Works regulations, bids were within budgeted amounts, and that the winning bids were appropriately selected and approved. No findings were noted.

Objective 4:

To evaluate the adequacy of the management controls over capital project construction contracts including determining whether:

- Contracts are awarded to the appropriate bidder
- Contracts do not exceed bid proposals
- Change orders are appropriately reviewed, authorized, and documented

Conclusion:

For all 14 projects, we verified whether all construction contracts were properly authorized and awarded to the winning bidder and contracts did not exceed approved bid amounts. Our review found one exception and we determined that additional controls are needed to ensure contracted construction amounts agree to management or City Council approved amounts. (See finding #1) We also reviewed a random sample of four change orders for the 4 selected projects noted in Objective 1. For each change order selected, we verified whether the correct documentation was created and provided for approval of the change order. No findings were noted.

Objective 5:

To evaluate the adequacy of the management controls over capital project payments including determining whether:

- Payments are valid
- Payments are properly reviewed and authorized
- Payments are appropriately deducted from the correct project accounts

Conclusion:

For the four projects selected, we obtained all project invoices and randomly selected a total of four to review for each project. We verified whether the invoices were reviewed by the appropriate personnel and were appropriately authorized for payment. Additionally, we verified whether the payment was in compliance with contract provisions. We then verified whether payments were deducted from the correct project funds and whether in total, payments did not exceed the total authorized contract amounts. No findings were noted.

Objective 6:

To evaluate the adequacy of Public Works' documented capital projects policies and procedures.

Conclusion:

We obtained and reviewed all Public Works capital project management policies and procedures listed and maintained on the Public Works Capital Management Documents and Information webpage. We noted that the policies and procedures on the webpage had not been updated in years. (See finding #2)

Further information on these areas is contained in the sections below. While other issues were identified and discussed with management, they were not deemed appropriate for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Nancy Cardoza
Senior Internal Auditor

1. Contracted Amounts Differ from Approved Funding.

Criteria

Contractual amounts must agree with amounts approved by the authorized approving authority to ensure appropriate use of funds.

Condition

Consultant contracts for capital projects that are over \$50,000 require City Council approval. Additionally, construction contracts for capital projects over \$1,000,000 also require City Council approval. Project managers draft up contracts and send them to Purchasing. Purchasing prepares the agenda item for the next City Council meeting to obtain approval. Two of the fourteen capital projects reviewed for the audit contained a contract that did not correctly reflect the amounts that were approved and awarded to the selected firms by City Council. One project's contracted amount was approved by City Council but was understated by \$2,000 while the second was overstated by \$3,000.

Cause

Per inquiry of Public Works management, a discrepancy occurred during the process from when the project contract was drafted to when the agenda item was created for the City Council meeting, wherein a final review was not conducted by either Purchasing or Public Works to ensure the Council agenda item amount agreed with the contract draft amount.

Effect

- Potential for overfunding or underfunding of capital projects
- Potential for project delays

Recommendation

- 1.1 Public Works Management should review their contract review and approval process and implement additional controls that would ensure that contract agenda items noting the amounts approved by City Council agree with the amounts recorded in the project contracts.

2. Outdated Policies and Procedures

Criteria

City policy regarding maintenance of department policies:

- **Adding, Revising and Deleting Policies/Procedures - CM601**

“The originating Department is responsible for...

2. Writing and updating citywide policies/procedures, department policies/procedures, and SOPs/work rules relevant to their department functions and scope of work;

5. Ensuring that all department policies/procedures and SOPs/work rules have a commencement and expiration date that does not exceed five years”

Condition

During the course of our audit, we reviewed the Public Works capital projects management policies and procedures maintained on the Public Works Capital Management Documents and Information webpage. We noted that most of the policies and procedures had not been updated in many years and in compliance with city policy. See the table below for a sample of policies and procedures that have not been updated recently:

Policy/Procedure Title	Last Update
Purchase Requisition Procedure for Professional Service Agreements	11/5/2001
Which Written Authorization to Use when modifying the Contract Documents	12/20/2005
Changes in project scope and use of the construction contract contingency	11/9/2009
Change Orders & Construction Change Directives	5/31/2011
Contract Signature Authority	11/10/2011
Consultant Agreement Added Funding	2/27/2012
Adding to the Construction P.O. Contingency	2/27/2012
Consultant Agreement Additional Service Authorization	2/28/2012
Adding Project Funds	2/28/2012
Bid Evaluation Form	4/10/2014
Capital Project Approvals Required	6/9/2015

The above table also included policies and procedures that contained outdated references to state regulations and the city municipal code.

Cause

Public Works management has not reviewed and updated their documented policies and procedures to ensure they reflect current practices and state and city regulations.

Effect

- Non-compliance with city policy CM601
- Possible non-compliance with NRS regulations and the city of Las Vegas municipal code

Recommendation

- 2.1 Public Works Management should update its policies and procedures and document and implement a process to periodically review and update them to ensure they reflect new Public Works regulations and standards that are released.

MANAGEMENT RESPONSE

1. Contracted Amounts Differ from Approved Funding

- 1.1 Public Works Management should review their contract review and approval process and implement additional controls that would ensure that contract agenda items noting the amounts approved by City Council agree with the amounts recorded in the project contracts.

Management Action Plan:

On April 22, 2019, the City Engineer added review of agenda items prior to Council Briefings as a standing item on the City Engineer's weekly Program Manager's Meeting. This item was added to discuss any idiosyncrasies with particular projects, as well as a final check of the Wards identified on the Agenda items. Since Purchasing & Contracts prepares all contracted related agenda items, PW only reviewed these agenda items to be familiar with what was being presented to council in the event questions arose. In response to preliminary findings of this audit, this review was expanded on February 10, 2020, to include verification of the requested contract value against the agenda item.

Estimated Date of Completion: We consider this item complete as we have already implemented the new process.

2. Outdated Policies and Procedures

- 2.1 Public Works Management should update its policies and procedures and document and implement a process to periodically review and update them to ensure they reflect new Public Works regulations and standards that are released.

Management Action Plan:

Public Works uses an intranet page referred to as the "Public Works Capital Management Documents and Information" page, to disseminate contract and process related information to all PW staff. The key components of this page are routinely updated by PW staff, as needed. However, in early 2019 the PW Management team recognized that a large portion of the reference material on the site had not been updated or reviewed in many years. On March 21, 2019, a reoccurring meeting with representatives from Engineering, Architecture, and PW Quality Assurance was established to systematically go through the website's contents. The focus of this effort is the review of forms and reference materials for accuracy and completeness, and removal of material no longer valid or necessary. However, if the information was still valid and applicable no changes were

AUDIT OF DEPARTMENT OF PUBLIC WORKS
CAPITAL PROJECTS ADMINISTRATION
PW008-2021-03
November 16, 2020

made. Based on these audit findings, the on-going effort will continue; however, a review date will be incorporated into forms and documents.

Estimated Date of Completion: June 30, 2021



Background

- The city's Fleet and Fuel Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations.
- Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.
- To access a city fuel pump, a plastic electronic fob known as a **prokee** must be placed into a slot at the pump.
- **Primary Prokee** – Assigned to a specific vehicle.
- **Secondary Prokee** – Not assigned to any specific vehicle or piece of equipment. Used for filling gas cans and small equipment.



Prokee





Secondary Prokee Request Form

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- Drive up to appropriate fuel dispenser
- Insert prokee into electronic reader
- Remove and reinsert prokee as prompted
- As prompted enter employee identification number
- As prompted enter pump number desired
- Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel
- Return pump lever and nozzle to original positions upon completion
- Insert prokee into electronic reader to update daily data

- **CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with NRS 205.0832, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
- No smoking is allowed in or around a fuel pump area.
- No loitering is allowed in or around a fuel pump area.
- A vehicle in a fuel pump area is to be turned off and attended to at all times.
- During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
- Utilize approved transport containers only.
- **User is responsible for tracking all fuel disbursements.**
- **Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
- Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
- Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
- The user is responsible for knowing and following all other applicable safety rules and precautions
- **Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name

Employee Signature

Date

Manager Printed Name

Manager Signature

Date



Quarterly Primary Prokee Fueling Report

Quarterly Fueling Transactions for Vehicles With Unit IDs for 7/1/2020 to 9/30/2020

Color Legend:	Transactions Before 6 AM and After 6 PM	Transactions Within 60 Min of the Previous	Transactions on Fri, Sat, Sun, or CLV Holiday
	Transaction MPG +/- 5 Miles of Ave. MPG	Transactions > Tank Capacity	Total Miles > Total Possible Miles Per Tank

Vehicle	Odometer	Employee#	Date	Time	Trans #	Trans Type	Site	Pump	Fuel Type	Price/Gal	Fill Qty	Total Cost	Total Miles	MPG	
Budget Organization: 16801															
3026	2T PICKUP	16801	96,678	000964870	8/18/2020	8:35 am	343513	0	105 X208	BioDiesel	1.94	24.24	47.10	206	8.50
3026	2T PICKUP	16801	96,761	000964870	8/27/2020	6:01 am	344582	0	105 X208	BioDiesel	1.99	18.94	37.66	82	4.33
3026	2T PICKUP	16801	96,888	000964870	9/2/2020	2:29 pm	345334	0	105 X208	BioDiesel	1.99	13.89	27.62	127	9.14
3026	2T PICKUP	16801	97,055	000964870	9/16/2020	1:57 pm	347141	0	105 X208	BioDiesel	2.00	20.61	41.25	171	8.30
3037	2T DUMP BED TRUCK	16801	98,570	000963543	7/30/2020	12:16 pm	340448	0	101 X306	BioDiesel	1.90	31.90	60.61	304	9.53
3037	2T DUMP BED TRUCK	16801	98,794	000963543	8/20/2020	1:18 pm	343436	0	101 X306	BioDiesel	1.94	33.60	65.09	224	6.69
3037	2T DUMP BED TRUCK	16801	98,960	000963543	9/9/2020	10:33 am	346236	0	101 X306	BioDiesel	2.05	31.10	63.82	166	5.34
3037	2T DUMP BED TRUCK	16801	99,127	000963543	9/23/2020	3:16 pm	348133	0	101 X305	BioDiesel	1.97	22.10	43.54	167	7.56
3141	10 WH DUMP BED TRUC	16801	58,544	000930107	7/14/2020	2:04 pm	338143	0	101 X305	BioDiesel	1.89	51.10	96.53	209	4.09
3141	10 WH DUMP BED TRUC	16801	58,688	000961626	8/6/2020	5:57 am	341449	0	101 X304	BioDiesel	1.90	32.90	62.51	142	4.32
3141	10 WH DUMP BED TRUC	16801	58,916	000930107	8/19/2020	1:35 pm	343402	0	101 X304	BioDiesel	1.94	49.70	96.57	230	4.63
3141	10 WH DUMP BED TRUC	16801	59,153	000966290	8/18/2020	7:21 am	347474	0	101 X305	BioDiesel	1.97	47.00	92.59	237	5.04
3231	1T PICKUP	16801	98,714	000980076	7/8/2020	10:33 am	337338	0	101 X305	BioDiesel	1.93	21.50	41.54	229	10.65
3231	1T PICKUP	16801	99,015	000980076	8/3/2020	5:44 am	340902	0	101 X305	BioDiesel	1.90	27.00	51.30	301	11.15
3231	1T PICKUP	16801	99,325	000980076	8/20/2020	6:59 am	343437	0	101 X306	BioDiesel	1.94	29.00	56.35	314	10.83
3231	1T PICKUP	16801	99,555	000980076	9/30/2020	6:26 am	349141	0	101 X305	BioDiesel	1.97	23.20	45.70	230	9.91
3296	1T PICKUP	16801	30,781	000980986	7/6/2020	2:59 pm	336908	0	101 X301	BioDiesel	1.93	27.60	53.32	179	6.49
3296	1T PICKUP	16801	30,924	000980986	7/15/2020	10:53 am	338274	0	101 X303	BioDiesel	1.89	26.60	50.25	143	5.38
3296	1T PICKUP	16801	31,094	000980986	7/28/2020	3:30 pm	340010	0	101 X305	BioDiesel	1.90	27.30	51.87	170	6.23
3296	1T PICKUP	16801	31,276	000980986	8/19/2020	7:05 am	343373	0	101 X303	BioDiesel	1.94	28.70	55.75	182	6.34
3296	1T PICKUP	16801	31,423	000980986	9/9/2020	6:16 am	346217	0	101 X303	BioDiesel	2.05	22.30	45.75	147	5.59
3296	1T PICKUP	16801	31,621	000980986	8/18/2020	8:33 am	347472	0	101 X305	BioDiesel	1.97	29.30	57.72	198	6.76
3324	3/4T PICKUP	16801	96,373	000990052	7/25/2020	9:36 am	339649	0	101 X303	BioDiesel	1.90	14.10	26.79	126	8.94

Run Date: 10/29/2020

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Monthly Secondary Prokee Fueling Report

Monthly Fueling Transactions for Prokee Fobs for Small Equipment for 10/1/2020 to 10/31/2020

Color Legend:	Transactions Before 6 AM and After 6 PM	Transactions Within 60 Min of the Previous
	Transactions > Tank Capacity	Transactions on Fri, Sat, Sun, or CLV Holiday

Run Date: 12/9/2020

Prokee #	Employee #	Date	Time	Trans #	Trans Type	Site	Pump	Fuel Type	Price/Gal	Fill Qty	Total Cost
Budget Organization: 16801											
50001	000987087	10/15/2020	9:58 am	351364	0	106	X101	RFG	2.46	6.69	16.46
50007	000981875	10/15/2020	6:45 am	351311	0	103	X111	RFG	2.46	2.70	6.64
50010	000980602	10/1/2020	5:53 am	349402	0	101	X306	BioDiesel	1.91	10.20	19.47
50010	000981626	10/1/2020	8:59 am	349403	0	101	X305	BioDiesel	1.91	3.60	6.87
50010	000981626	10/5/2020	6:38 am	349842	0	101	X305	BioDiesel	1.91	5.80	11.07
50010	000981626	10/6/2020	6:46 am	350328	0	101	X305	BioDiesel	1.91	35.80	68.34
50010	000981626	10/19/2020	6:20 am	351711	0	101	X305	BioDiesel	1.88	9.60	18.06
50010	000981626	10/20/2020	5:58 am	351812	0	101	X305	BioDiesel	1.88	3.40	6.40
50010	000981626	10/21/2020	6:08 am	352017	0	101	X306	BioDiesel	1.88	13.10	24.59
50010	000988519	10/23/2020	4:37 pm	352503	0	103	X110	RFG	2.45	8.00	19.58
50010	000984787	10/27/2020	7:55 am	352801	0	103	X113	RFG	2.45	4.70	11.50
50010	000984787	10/27/2020	8:01 am	352890	0	101	X304	BioDiesel	1.88	33.10	62.13
50010	000981626	10/27/2020	1:14 pm	352889	0	101	X305	BioDiesel	1.88	9.10	17.08
50010	000981626	10/28/2020	1:41 pm	353038	0	103	X113	RFG	2.45	2.70	6.61
50018	000984015	10/5/2020	12:30 pm	349843	0	101	X305	BioDiesel	1.91	20.00	38.18
50018	000984015	10/14/2020	2:03 pm	351084	0	103	X210	RFG	2.46	14.20	34.92
50018	000984015	10/14/2020	2:18 pm	351220	0	101	X305	BioDiesel	1.91	14.50	27.68
50018	000984831	10/19/2020	8:27 am	351712	0	101	X306	BioDiesel	1.88	34.30	64.52
50018	000984831	10/27/2020	9:11 am	352891	0	101	X305	BioDiesel	1.88	24.50	45.99
50031	000910224	10/1/2020	12:18 pm	349251	0	106	X104	RFG	2.46	3.30	8.11
50031	000920137	10/4/2020	8:35 am	349698	0	106	X102	RFG	2.46	4.00	9.84



Objectives

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued.
- To determine whether a secondary prokee use log is being maintained and reconciled to the monthly secondary prokee fueling reports.
- To determine whether management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.



Fueling Transactions by Department

Department / Division	# Secondary Prokees	# Secondary Transactions in CY 19	# Secondary Gallons Used in CY19	# Primary Transactions in CY19	# Primary Gallons in CY19
P&R - Parks Maintenance	18	741	6,817	3,498	65,910
Cultural Affairs	1	3	19	158	2,613
Public Safety	1	3	10	7,782	67,809
Community Services	1	1	5	395	6,555
Economic and Urban Development	2	63	274	1,447	12,265



Findings – Secondary Prokee Forms, Logs, and Reconciliations

Department / Division	# Form Exceptions - Employee Signature	# Form Exceptions - Manager Signature	Use Log Maintained?	Use Log Reconciled?	Reconciliation Documentation Complete?
P&R - Parks Maintenance	5	18	Yes 15 of 18	Yes 12 of 15	No
Cultural Affairs	1	1	No	No	No
Public Safety	1	1	No	No	No
Community Services	0	0	No	No	No
Economic and Urban Development	0	1	No	No	No



Findings – Review of Fueling Reports for Irregular Transactions

Department / Division	Secondary Reports Reviewed for Irregularities?	Primary Reports Reviewed for Irregularities?	Review Documentation Adequate?
P&R - Parks Maintenance	No	Yes	No
Cultural Affairs	Yes	Yes	No
Public Safety	No	No	No
Community Services	Yes	Yes	No
Economic and Urban Development	No	No	No



Recommendations

- Work with Fleet Services to update any outdated secondary prokee request forms.
- Maintain secondary prokee use logs.
- Reconcile the use logs to the secondary prokee fueling reports and document the reconciliations.
- Review the primary and secondary fueling reports for irregular transactions and retain documented evidence including the identification of any irregular transactions, explanations for the transactions, and signatures of the reviewers and date of the review.



Questions

- **Economic and Urban Development**
- **Community Services**
- **Public Safety**
- **Cultural Affairs**
- **Parks and Recreation – Parks Maintenance**

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF ECONOMIC AND URBAN DEVELOPMENT FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-04

December 28, 2020

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

Submitted at Meeting
Date: 1/11/2021 Item: 9
Submitted by: Staff

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AUDIT OF OFFICE OF ECONOMIC AND URBAN DEVELOPMENT FUELING TRANSACTIONS OVERSIGHT Report CW015-2021-04

BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The Office of Economic and Urban Development (EUD) staff utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, EUD had 1,477 primary prokee transactions totaling 12,265 gallons and 63 secondary prokee transactions totaling 274 gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to EUD.

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- To determine whether EUD is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether EUD management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form is on file with Fleet Services for each of EUD's two secondary prokees. A secondary prokee request form signed by a current employee is on file with Fleet Services for both of these secondary prokees; however, one of the forms is missing the signature of a manager. No secondary prokee use log is being maintained by EUD and accordingly, no reconciliation of a use log to the secondary prokee fueling reports is being performed. (Finding #1)

The monthly and quarterly fueling reports provided to EUD are not being adequately reviewed for irregular transactions by EUD staff. Documented evidence of this review is needed. (Finding #2)

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Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Fuel Use Log Not Being Maintained

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a “Secondary Prokee Request Form”. The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

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Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to record secondary prokee usage on a use log and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

EUD has two secondary prokees that were used 63 times during 2019. A secondary prokee request form signed by a current employee is on file with Fleet Services for both of these secondary prokees; however, one of the forms is missing the signature of a manager. No secondary prokee use log is being maintained by EUD and therefore, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed.

Cause

- EUD staff were not aware of the requirement to maintain a secondary prokee use log or to perform a reconciliation of the use log to the secondary prokee fueling reports from Fleet Services.

Effect

- Fuel theft may occur without detection.

Recommendations

- 1.1 EUD management should have the manager overseeing the use of secondary prokees sign the secondary prokee request form without a manager signature and submit it to Fleet Services.
- 1.2 EUD management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the

reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Condition

The monthly and quarterly fueling reports provided to EUD are not being adequately reviewed for irregular transactions and there is no documentation retained showing evidence of a review.

While a supervisor stated that he receives the quarterly primary prokee fueling reports, he is primarily using these reports to verify that his employees are fueling the vehicles daily rather than specifically reviewing the report for irregular transactions. The secondary prokee fueling reports were not being reviewed for irregular transactions.

Cause

- Lack of established department procedures requiring the review of the fueling reports and the maintenance and retention of documented evidence of the review.

Effect

- Fuel theft may occur without detection.

Recommendation

- 2.1 EUD management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed by a manager for irregular transactions and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on research

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into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Appendix A

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Drive up to appropriate fuel dispenser Insert prokee into electronic reader Remove and reinsert prokee as prompted As prompted enter employee identification number As prompted enter pump number desired Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel Return pump lever and nozzle to original positions upon completion Insert prokee into electronic reader to update daily data |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with *NRS 205.0832*, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
 - No smoking is allowed in or around a fuel pump area.
 - No loitering is allowed in or around a fuel pump area.
 - A vehicle in a fuel pump area is to be turned off and attended to at all times.
 - During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
 - Utilize approved transport containers only.
 - User is responsible for tracking all fuel disbursements.**
 - Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
 - Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
 - Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
 - The user is responsible for knowing and following all other applicable safety rules and precautions
 - Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name	Employee Signature	Date
Manager Printed Name	Manager Signature	Date

MANAGEMENT RESPONSE

1. Fuel Use Log Not Being Maintained

- 1.1 EUD management should have the manager overseeing the use of secondary prokees sign the secondary prokee request form without a manager signature and submit it to Fleet Services.

Management Action Plan: The form has been signed and submitted to Fleet Services.

Estimated Date of Completion: 9/15/2020

- 1.2 EUD management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

Management Action Plan: Policy has already been developed and implemented; will write it up formally.

Estimated Date of Completion: 10/01/2020

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

- 2.1 EUD management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed by a manager for irregular transactions and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Management Action Plan: Policy has already been developed, however Parking Services needs to collaborate with Fleet on getting the quarterly reports in an excel format so reconciliations can be completed in a timely manner. Once we are able to obtain the reports in Excel, we will draft the policy and implement.

Estimated Date of Completion: 11/01/2020 (depending on ability to receive excel reports)

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF COMMUNITY SERVICES FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-05

December 28, 2020

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

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AUDIT OF OFFICE OF COMMUNITY SERVICES FUELING TRANSACTIONS OVERSIGHT Report CW015-1920-05

BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The Office of Community Services (Community Services) staff utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, Community Services had 395 primary prokee transactions totaling 6,555 gallons and one secondary prokee transaction totaling five gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to Community Services.

- To determine whether Community Services is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Community Services management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form signed by a current employee and manager is on file with Fleet Services for Community Services' one secondary prokee. No secondary prokee use log is being maintained by Community Services and accordingly, no reconciliation of a use log to the secondary prokee fueling reports is being performed. (Finding #1)

The review of the monthly and quarterly fueling reports provided to Community Services is not being adequately documented by Community Services staff. (Finding #2)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Fuel Use Log Not Being Maintained

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a “Secondary Prokee Request Form”. The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

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The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to have an employee and manager sign a request form for each secondary prokee, to record usage of these prokees on a use log, and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Community Services has one secondary prokee that was only used once in 2019. A secondary prokee request form signed by a current employee and manager is on file with Fleet Services for this prokee. No secondary prokee use log is being maintained by Community Services and therefore, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. Despite the limited use of the secondary prokee, a use log should be maintained and reconciled in accordance with policy.

Cause

- Community Services staff were not aware of the requirement to maintain a secondary prokee use log or to perform a reconciliation of the use log to the secondary prokee fueling reports from Fleet Services.

Effect

- Fuel theft may occur without detection.

Recommendation

- 1.1 Community Services management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

2. Lack of Documented Evidence of Review of Fueling Reports

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Community Services' fuel usage procedures include the following requirements:

- *Management Role and Responsibility*
 - *Review and verify the charges on a monthly basis as outlined in this policy.*
 - *Report fraud or suspected fraud immediately to the supervisor/lead.*
- *Review and Audit of Fuel Records Procedure*
 - *Sr. Neighborhood Outreach Specialist reviews fuel log and approves usage for each vehicle and forwards to Community Services Administrator for review and record retention.*
 - *If unusual fuel use is suspected, Sr. Neighborhood Outreach Specialist will immediately inform his/her direct supervisor for appropriate action.*

Condition

While a Community Services staff member stated that he reviews the monthly and quarterly fueling reports for irregular transactions and sends an email to management following his review, no other documentation showing evidence of his review is maintained such as notes on the research into irregular transactions, the reviewer's signature, and the date of the review on the fueling reports.

Cause

- Lack of department procedures requiring the maintenance and retention of documented evidence of the review of fueling reports.

Effect

- Lack of documentation showing evidence of a review of the fueling reports.

Recommendation

- 2.1 Community Services management should document and implement department procedures requiring that the review of monthly and quarterly fueling reports by a manager be documented. Documented evidence of the review should include a copy of the fueling reports along with notes on the reviewer's research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Appendix A

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Drive up to appropriate fuel dispenser • Insert prokee into electronic reader • Remove and reinsert prokee as prompted • As prompted enter employee identification number • As prompted enter pump number desired • Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel • Return pump lever and nozzle to original positions upon completion • Insert prokee into electronic reader to update daily data |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- **CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with *NRS 205.0832*, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
 - No smoking is allowed in or around a fuel pump area.
 - No loitering is allowed in or around a fuel pump area.
 - A vehicle in a fuel pump area is to be turned off and attended to at all times.
 - During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
 - Utilize approved transport containers only.
 - **User is responsible for tracking all fuel disbursements.**
 - **Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
 - Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
 - Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
 - The user is responsible for knowing and following all other applicable safety rules and precautions
 - **Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name	Employee Signature	Date
Manager Printed Name	Manager Signature	Date

MANAGEMENT RESPONSE

1. Fuel Use Log Not Being Maintained

- 1.1 Community Services management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling policy.

Management Response: The Office of Community Services has (1) secondary prokee assigned to the staff member that oversees OCS's fleet and all heavy equipment requiring fuel. OCS will include in its existing Fuel Policy, the procedures for the use of the secondary prokee and reconciliation procedures.

Estimated Date of Completion: Completed

2. Lack of Documented Evidence of Review of Fueling Reports

- 2.1 Community Services management should document and implement department procedures requiring that the review of monthly and quarterly fueling reports by a manager be documented. Documented evidence of the review should include a copy of the fueling reports along with notes on the reviewer's research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Management Response: The Office of Community Services receives fueling reports from fleet on a quarterly basis and has an existing procedure for the review of these quarterly fueling reports. In the existing procedure, the staff member who oversees OCS fleet reviews the logs and notifies the Director and Deputy Director of any irregular transactions identified via email. As a result of this audit, OCS has been asked to modify the existing process to improve documentation of the steps taken during the review. OCS has updated its fuel policy to include a process to document the review and reconciliation procedure.

Estimated Date of Completion: Completed

CITY AUDITOR'S OFFICE



AUDIT OF PUBLIC SAFETY DEPARTMENT FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-06

December 28, 2020

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

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AUDIT OF PUBLIC SAFETY DEPARTMENT FUELING TRANSACTIONS OVERSIGHT Report CW015-2021-06

BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The Department of Public Safety (Public Safety) staff utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, Public Safety had 7,782 primary prokee transactions totaling 67,809 gallons and three secondary prokee transactions totaling 10 gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to Public Safety.

- To determine whether Public Safety is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Public Safety management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form is on file with Fleet Services for Public Safety's one secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Public Safety and accordingly, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. (Finding #1)

The monthly and quarterly fueling reports provided to Public Safety are not being adequately reviewed for irregular transactions by Public Safety management. Documented evidence of this review is needed. (Finding #2)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Fuel Use Log Not Being Maintained

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a "Secondary Prokee Request Form". The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to have an employee and manager sign a request form for each secondary prokee, to record usage of these prokees on a use log, and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Public Safety has one secondary prokee that was used only 3 times during 2019. A secondary prokee request form is on file with Fleet Services for this secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Public Safety and therefore, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. Despite the limited use of this secondary prokee, a use log should be maintained and reconciled in accordance with policy.

Cause

- Public Safety staff were not aware of the requirement to maintain a secondary prokee use log or to perform a reconciliation of the use log to the secondary prokee fueling reports from Fleet Services.

Effect

- Fuel theft may occur without detection.

Recommendations

- 1.1 Public Safety management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.
- 1.2 Public Safety management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved

the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling procedures.

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Condition

The monthly and quarterly fueling reports provided to Public Safety are not being reviewed for irregular transactions and therefore, there is no documentation showing evidence of a review.

Cause

- Lack of established department procedures requiring the review of the fueling reports and the maintenance and retention of documented evidence of the review.

Effect

- Fuel theft may occur without detection.

Recommendation

- 2.1 Public Safety management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed by a manager for irregular transactions and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Appendix A

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- Drive up to appropriate fuel dispenser
 - Insert prokee into electronic reader
 - Remove and reinsert prokee as prompted
 - As prompted enter employee identification number
 - As prompted enter pump number desired
 - Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel
 - Return pump lever and nozzle to original positions upon completion
 - Insert prokee into electronic reader to update daily data
- **CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with NRS 205.0832, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
 - No smoking is allowed in or around a fuel pump area.
 - No loitering is allowed in or around a fuel pump area.
 - A vehicle in a fuel pump area is to be turned off and attended to at all times.
 - During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
 - Utilize approved transport containers only.
 - **User is responsible for tracking all fuel disbursements.**
 - **Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
 - Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
 - Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
 - The user is responsible for knowing and following all other applicable safety rules and precautions
 - **Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name

Employee Signature

Date

Manager Printed Name

Manager Signature

Date

MANAGEMENT RESPONSE

1. Fuel Use Log Not Being Maintained

- 1.1 Public Safety management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.

Management Action Plan:

A policy was developed to include a procedure to obtain a secondary prokee. In order to obtain a secondary prokee, the requesting employee must complete the “Secondary Prokee Request Form” which will be signed by both the employee and the manager. Authorized users of the secondary prokee will be reviewed/renewed on an annual basis. The secondary prokee will be stored in the key watcher system. The department will update its existing Secondary Prokee Request form to reflect the employee and manager responsible for the prokee.

Estimated Date of Completion: October 1, 2020

- 1.2 Public Safety management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling procedures.

Management Action Plan:

A policy was completed in order to meet the audit requirements. The Detention division manager will review the monthly fuel report to ensure it matches the logs on file. Any variances will be researched and reported. The reconciled report will be sent back to the department designee and retained for a year. The final audit results will be reported to the Deputy Chiefs.

Estimated Date of Completion: October 1, 2020

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

- 2.1 Public Safety management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed by a manager for irregular transactions and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer’s notes on research into irregular transactions, the reviewer’s signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

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Management Action Plan:

A policy was established in order to meet the audit requirement. The department designee will send out the fuel report to the division Lieutenants in a format that will allow the Lieutenants to respond to all irregular transactions. The department designee will collect and review all responses and report the final audit findings to the Deputy Chiefs. The reports will be retained for a minimum of a year.

Estimated Date of Completion: October 1, 2020

CITY AUDITOR'S OFFICE



AUDIT OF OFFICE OF CULTURAL AFFAIRS FUELING TRANSACTIONS OVERSIGHT

Report CW015-2021-07

December 28, 2020

**RADFORD K. SNELDING, CPA, CIA, CFE
CITY AUDITOR**

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AUDIT OF OFFICE OF CULTURAL AFFAIRS FUELING TRANSACTIONS OVERSIGHT Report CW015-2021-07

BACKGROUND

The city's Fleet Services Division (Fleet Services) of the Operations & Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The Office of Cultural Affairs (Cultural Affairs) staff utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, Cultural Affairs had 158 primary prokee transactions totaling 2,613 gallons and three secondary prokee transactions totaling 19 gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to Cultural Affairs.
- To determine whether Cultural Affairs is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.

- To determine whether Cultural Affairs management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling procedures.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form is on file with Fleet Services for Cultural Affairs' one secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Cultural Affairs and accordingly, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. (Finding #1)

The review of monthly and quarterly fueling reports for irregular transactions is not being adequately documented by Cultural Affairs management. (Finding #2)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Fuel Use Log Not Being Maintained

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a “Secondary Prokee Request Form”. The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

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The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to have an employee and manager sign a request form for each secondary prokee, to record usage of these prokees on a use log, and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Cultural Affairs has one secondary prokee which was only used three times in 2019. A secondary prokee request form is on file with Fleet Services for this secondary prokee; however, the form is signed by an employee and manager who are no longer employed with the city. No secondary prokee use log is being maintained by Cultural Affairs and therefore, no reconciliation of a use log to the monthly secondary prokee fueling reports is being performed. Despite the limited use of the secondary prokee, a use log should be maintained and reconciled in accordance with policy.

Cause

- Cultural Affairs staff were not aware of the requirement to maintain a secondary prokee use log or to perform a reconciliation of the secondary prokee fueling reports from Fleet Services to the use log.

Effect

- Fuel theft may occur without detection.

Recommendations

- 1.1 Cultural Affairs management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.
- 1.2 Cultural Affairs management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling procedures.

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Condition

While Cultural Affairs management represented that they are reviewing their monthly and quarterly fueling reports, there is no documented evidence of their review for irregular transactions (such as notes on the research into irregular transactions, the reviewer's signature, and the date of the review) or documented procedures on how to complete and document this review.

Cause

- Lack of established department procedures on the review of the fueling reports and the maintenance and retention of documented evidence of the review.

Effect

- Fuel theft may occur without detection.

Recommendation

- 2.1 Cultural Affairs management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed for irregular transactions by management and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on research into irregular transactions, the reviewer's signature, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Appendix A

SECONDARY PROKEE REQUEST FORM

I, _____, hereby request secondary prokee(s) to access to the CLV fuel system and agree to follow the process steps, and abide by the rules listed below. The process for dispensing fuel is as follows:

Prokee Transaction

- Drive up to appropriate fuel dispenser
 - Insert prokee into electronic reader
 - Remove and reinsert prokee as prompted
 - As prompted enter employee identification number
 - As prompted enter pump number desired
 - Remove respective nozzle and turn pump lever to initiate operation and squeeze nozzle handle to dispense fuel
 - Return pump lever and nozzle to original positions upon completion
 - Insert prokee into electronic reader to update daily data
- **CLV fueling locations and products are for official approved use only. Misuse may constitute theft in accordance with *NRS 205.0832*, and in accordance with the City Fraud Policy FSD will report any reasonable suspicion of theft or fraud to the Department of Detention and Enforcement City Marshals.**
 - No smoking is allowed in or around a fuel pump area.
 - No loitering is allowed in or around a fuel pump area.
 - A vehicle in a fuel pump area is to be turned off and attended to at all times.
 - During fueling activities the vehicle operator is to be in control of the fuel pump nozzle until it is returned to the dispenser cabinet.
 - Utilize approved transport containers only.
 - **User is responsible for tracking all fuel disbursements.**
 - **Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.**
 - Follow the process steps as provided above, and as prompted by the electronic reader. Failure to do so may result in automated lockout of fueling privileges. Restoration of lockout applications will be at the discretion of FSD.
 - Report the loss of any prokee immediately. Cost assessments will apply to prokee replacements.
 - The user is responsible for knowing and following all other applicable safety rules and precautions
 - **Use of the City fuel sites is a privilege and not a right of employment. Continued or blatant misuse of the system will result in temporary or permanent suspension of fueling privileges.**

Prokee Request No.	Unit No.	Max Gallons Gasoline	Max Gallons Diesel	Max Gallons Bio-Diesel
1				
2				
3				
4				
5				

Employee Printed Name

Employee Signature

Date

Manager Printed Name

Manager Signature

Date

MANAGEMENT RESPONSE

1. Fuel Use Log Not Being Maintained

- 1.1 Cultural Affairs management working with Fleet Services should update its secondary prokee request form with signatures of the employee responsible for the secondary prokee and the manager responsible for oversight of this employee.

Management Action Plan: The one (1) Secondary Prokee assigned to the department will be returned to Fleet Services, as it is not needed for departmental fleet operations.

Estimated Date of Completion: September 2, 2020

- 1.2 Cultural Affairs management should document and implement department procedures requiring the use of a secondary prokee use log and the reconciliation of the use log to the monthly secondary prokee fueling reports. These procedures should require that any identified differences be researched and their resolution documented. The reconciliations should be signed and dated by the preparer and a manager who has reviewed and approved the reconciliations. The procedures should also require that use logs, fueling reports, and reconciliations be retained for a minimum of a year to comply with fueling procedures.

Management Action Plan:

An operational review of the past four years of use of the Secondary Prokee assigned to the Office of Cultural Affairs has shown that in four years, the department has had no need for its use. Therefore, the Secondary Prokee will no longer be used by the department, and department work rules will be updated to reflect that the department does not allow the use Secondary Prokees. The citywide policy regarding the documentation of use logs and fueling reports shall be referenced in the department work rules, in the event that the rule about Secondary Prokees is changed in the future.

Estimated Date of Completion: December 31, 2020

2. Fueling Reports Not Being Adequately Reviewed for Irregularities

- 2.1 Cultural Affairs management should document and implement department procedures requiring that the monthly and quarterly fueling reports be reviewed for irregular transactions by management and that this review be documented. Documented evidence of the review should include a copy of the fueling reports along with the reviewer's notes on research into irregular transactions, the reviewer's initials, and the date of the review. Review documentation should be retained for a minimum of a year to comply with fueling policy.

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Management Action Plan:

The monthly and quarterly fueling reports received via email from fleet services shall be reviewed by the department manager upon receipt, and the department manager shall respond via email within ten (10) working days, affirming that the reports were reviewed and indicating either that no irregularities were found, or that irregularities were found and detailing what the irregularities were, and the steps taken to correct and prevent future irregularities. This email shall be date and time stamped, include the department manager's email signature block and will be retained electronically for at least one year.

Estimated Date of Completion: December 31, 2020 (or within 10 working days of receipt of the next quarterly fuel report)

CITY AUDITOR'S OFFICE



**AUDIT OF
PARKS AND RECREATION DEPARTMENT
PARKS AND GROUND MAINTENANCE DIVISION
FUELING TRANSACTIONS OVERSIGHT**

Report CW015-2021-08

December 28, 2020

RADFORD K. SNELDING, CPA, CIA, CFE

CITY AUDITOR

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**AUDIT OF PARKS AND RECREATION DEPARTMENT
PARKS AND GROUND MAINTENANCE DIVISION
FUELING TRANSACTIONS OVERSIGHT
Report CW015-2021-08**

BACKGROUND

The city's Fleet and Fuel Services Division (Fleet Services) of the Operations and Maintenance Department administers the city's fueling operations. Fleet Services oversees the operation of 19 city fuel sites. City employees utilize the fuel pumps at these fuel sites for fueling city vehicles and equipment.

The staff of the Parks and Ground Maintenance Division (Parks Maintenance) of the Department of Parks and Recreation utilize city fuel sites for fueling department vehicles and equipment. To access a city fuel pump, a plastic electronic fob known as a prokee must be placed into a slot at the pump.

All city vehicles have an assigned prokee that is programmed with that vehicle's information. These prokees are referred to as primary prokees. In order to access a fuel pump for fueling equipment without a designated prokee or for filling a gas can, city employees must utilize what is referred to as a secondary prokee. Considering secondary prokees are not assigned to any specific vehicle or piece of equipment, there is greater risk of fuel theft occurring with these prokees.

In order to obtain a secondary prokee, a city employee and their manager must complete and sign a secondary prokee request form (see Appendix A). This form requires the employee and manager to agree to comply with a list of rules documented on the form including "tracking all fuel disbursements" and the "reconciliation of disbursement logs." The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* further explains that the departments are responsible for "recording all disbursements on a log sheet (see Appendix B) and for reconciling the log sheet against an automated monthly disbursement report provided by the Fleet Services Division."

Fleet Services currently generates 1) quarterly primary prokee fueling transaction reports and 2) monthly secondary prokee fueling transaction reports from the city's fueling system and emails these reports to city departments. According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for "reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel."

During 2019, Parks Maintenance had 3,498 primary prokee transactions totaling 65,910 gallons and 741 secondary prokee transactions totaling 6,817 gallons.

OBJECTIVES

Our audit objectives were as follows:

- To determine whether a secondary prokee request form signed by a current employee and manager exists for every secondary prokee issued to Parks Maintenance.
- To determine whether Parks Maintenance is maintaining a secondary prokee use log and reconciling the log to the monthly secondary prokee fueling reports.
- To determine whether Parks Maintenance management is reviewing the primary and secondary prokee fueling reports from Fleet Services for irregular transactions and researching any identified irregularities.
- To determine whether use logs, reconciliations, and fueling report review documentation are being retained in accordance with the fueling policy.

SCOPE AND METHODOLOGY

The scope of our work was limited to the management controls within the context of the audit objectives and scope of the audit. The scope of the audit was limited to the review of fueling logs, reconciliations, and fueling reports in calendar year 2019. The last date of fieldwork was March 11, 2020.

Our audit methodology included:

- Review of fueling policies and procedures
- Review of secondary prokee request forms
- Review of fueling reports issued by Fleet Services
- Interviews with city employees
- Testing of reconciliations of fueling use logs to fueling reports

We conducted this performance 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 reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

The following findings and conclusions to the audit objectives were noted:

A secondary prokee request form is on file with Fleet Services for Park Maintenance's 18 secondary prokees; however, 5 of the 18 secondary prokee request forms are signed by employees who are no longer employed in Parks Maintenance and none of the forms are signed by the current manager. Differences were also noted between the names on the request forms and the names within the fueling system records. (Finding #1)

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Secondary prokee use logs are being maintained and reconciliations of the use logs to the monthly fueling reports are being completed by Parks Maintenance; however, the reconciliations are incomplete as they do not include all secondary prokee fueling transactions. In addition, the results of research into unrecorded or irregular transactions are not being adequately documented on the fueling reports and the use log reconciliations are not being reviewed by a manager. (Finding #1)

The quarterly primary prokee fueling reports are being reviewed for irregular transactions by a Parks Maintenance staff member; however, improved documented evidence of this review is needed (i.e., identification of irregular transactions, notes and conclusions on the research into the irregular transactions, reviewer and manager's signature and date of their review). (Finding #2)

Further information on these issues is contained in the following sections. While other issues were identified and discussed with management, they were deemed less significant for reporting purposes.

Contributors to this report included:

Radford K. Snelding, CPA, CIA, CFE
City Auditor

Bryan L. Smith, CPA, CFE
Internal Audit Section Manager

Gary L. Phillips, CFE
Senior Internal Auditor

1. Incomplete Secondary Prokee Use Log Reconciliations

Criteria

The *Small Equipment Fueling Operations Procedure (O&M-FS-Fuel02)* states the following:

In order to obtain assignment of a secondary unit prokee for general utilization (e.g., small equipment, rental unit, gas can), a user organization must complete and submit a "Secondary Prokee Request Form". The form allows the user to select all 3 fuel types for approval, plus define the daily limit of each type.

A secondary prokee will be assigned to a specific individual only, and that individual is responsible for the appropriate use of all gasoline dispensed using the prokee, for recording all disbursements on a log sheet, and for reconciling the log sheet against an automated monthly disbursement report provided by Fleet Services Division. Fleet Services Division recommends that individuals responsible for the secondary prokees be at a supervisory level or higher.

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FUELING TRANSACTIONS OVERSIGHT
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Managers are responsible for assignment of prokee responsibility to a specific individual and for ensuring that tracking logs are kept appropriately and are reconciled with monthly reports received from Fleet Services Division. Employees who are designated for assignment of a prokee are responsible for ensuring proper use of fuel disbursement, following operational processes and rules, maintaining adequate logs, and reconciling disbursements on a monthly basis.

Fueling operations of this type provide a potential for misuse and must be monitored and controlled. The reconciliation records are subject to review by Fleet Services Division or the Office of the City Auditor.

Tracking logs and reconciliation documents are under the control of the user organizations, and it is recommended they be kept for a minimum of one year.

The secondary prokee request form signed by an employee and their manager includes the following rules agreed to by each employee requesting a secondary prokee:

- *User is responsible for tracking all fuel disbursements.*
- *Respective management staff members are responsible for the oversight of fuel operations and reconciliation of disbursement logs.*

Condition

Considering secondary prokees are not assigned to a specific vehicle or piece of equipment, there is greater risk of fuel theft. Accordingly, Fleet Services requires departments to have an employee and manager sign a request form for each secondary prokee, to record usage of these prokees on a use log, and to reconcile the use log to the monthly secondary prokee fueling system reports. See the suggested use log at Appendix B.

Parks Maintenance has 18 active secondary prokees that were used 741 times during 2019. A secondary prokee request form is on file with Fleet Services for all of these secondary prokees. However, the following discrepancies were noted:

- 5 of the 18 secondary prokee request forms are signed by employees who are no longer employed by the city.
- The manager who signed all the secondary prokee request forms is no longer with Parks Maintenance.
- Fleet has made secondary prokee assignment changes in the fueling system records without obtaining new secondary prokee request forms. 5 of the 18 secondary prokees are assigned to employees different than the ones who signed the forms.
- The fueling system records have not been updated to reflect all staffing changes. 4 of the 18 secondary prokees are assigned to individuals no longer employed by the city.
- Three active secondary prokees have not been used in several years or not at all.

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Parks Maintenance staff are maintaining a secondary prokee use log for 15 of the 18 active secondary prokees. Three of the active secondary prokees are no longer being used and therefore, a use log is not being maintained for these prokees. The monthly reconciliation of the use logs to the fueling reports is incomplete as it does not include all secondary prokee fueling transactions. The supervisor performing this reconciliation has not been including the transactions of three secondary prokees being used by staff of the other two supervisors.

In our testing of two months of secondary prokee reconciliations, we noted that the supervisor had identified transactions not recorded on a use log. However, there were no comments on whether the employee was notified of the deficiency and the employee's explanation for the deficiency. In addition, we did not see any documented evidence of identification and follow-up on irregular transactions.

Cause

- Fleet Services has not requested new secondary prokee request forms when employees and/or managers transfer to another department or leave employment with the city.
- Fueling system records are not always updated to reflect secondary prokee assignment changes.
- Lack of documented procedures on how to appropriately complete and document a secondary prokee use log reconciliation.
- A manager is not reviewing the completeness of the secondary prokee use log reconciliations.

Effect

- Lack of accountability of staff and management without properly signed secondary prokee request forms.
- Inaccurate fueling system records.
- Fuel theft may occur without detection.

Recommendations

- 1.1 Parks Maintenance management working with Fleet Services should complete an inventory of their secondary prokees and update all of their secondary prokee request forms so that they are signed by those employees responsible for the secondary prokees and the manager responsible for oversight of these employees. Secondary Prokees no longer being used should be returned to Fleet Services and deactivated.
- 1.2 Parks Maintenance management should document and implement procedures for reconciling the use logs to the secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries in the use logs and that unrecorded transactions be identified and

the reason for the omission be documented on the fueling reports. The procedures should also require that secondary prokee fueling reports be reviewed for irregular transactions, irregular transactions be researched, and the results of the research be documented on the fueling reports.

- 1.3 Parks Maintenance management should document and implement procedures requiring that the secondary prokee reconciliation documentation (including the use logs and fueling reports used in the reconciliation) be reviewed by a manager and retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by the preparer and manager.

2. Primary Prokee Report Review Not Adequately Documented

Criteria

According to the *Fuel Transaction Monitoring Procedure (O&M-FS-Fuel06)*, departments are responsible for reviewing the fueling reports for any irregular transactions:

The Fleet Services Division Manager is responsible for generating and sending the various reports to all departments. The respective managers for the various budget organizational numbers are responsible for reviewing reports for assigned units, identifying and investigating concerns, and for taking appropriate action for misuse of the fuel system by subordinate personnel.

Records generated by user divisions should be maintained for a minimum of 1 year.

Condition

While the quarterly primary prokee fueling reports are being reviewed and retained by Parks Maintenance staff, improved documented evidence of the review is needed as evidenced by the following deficiencies:

- Irregular transactions are not identified on the fueling reports.
- Notes and conclusions on the research into irregular transactions are not documented on the fueling reports.
- The reviewer's signature and date of the review are not always identified on the fueling reports.
- The manager is not reviewing the reports as required by policy.

Cause

- Lack of documented procedures on how to properly complete and document the review of the primary prokee fueling reports and the required retention of this documentation.

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Effect

- Lack of documented evidence of review of primary prokee fueling reports.
- Lack of accountability for review of fueling reports without documented evidence of the review.
- Fuel theft may occur without detection.

Recommendation

- 2.1 Parks Maintenance management should document and implement procedures for reviewing the quarterly primary prokee fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with identification of irregular transactions, the reviewer's notes on research into these transactions, the reviewer's signature, and the date of the review. If the initial reviewer is not a manager, the review documentation should subsequently be reviewed, approved, and signed by a manager. Review documentation should be retained for a minimum of a year to comply with fueling policy.

MANAGEMENT RESPONSE

1. Incomplete Secondary Prokee Use Log Reconciliations

- 1.1 Parks Maintenance management working with Fleet Services should complete an inventory of their secondary prokees and update all of their secondary prokee request forms so that they are signed by those employees responsible for the secondary prokees and the manager responsible for oversight of these employees. Secondary Prokees no longer being used should be returned to Fleet Services and deactivated.

Management Action Plan: Parks Maintenance will update all *Secondary Prokee Request Forms*, have them signed by the current manager, and return them to Fleet Services.

Estimated Date of Completion: February 1, 2021

- 1.2 Parks Maintenance management should document and implement procedures for reconciling the use logs to the secondary prokee fueling reports. These procedures should require that all transactions on the monthly secondary prokee fueling reports be traced to the corresponding entries in the use logs and that unrecorded transactions be identified and the reason for the omission be documented on the fueling reports. The procedures should also require that secondary prokee fueling reports be reviewed for irregular transactions, irregular transactions be researched, and the results of the research be documented on the fueling reports.

Management Action Plan: Parks and Recreation will implement procedures for reconciling use logs to the secondary prokee fueling reports that will follow the specific recommendations of the Auditor's Office.

Estimated Date of Completion: July 1, 2021

- 1.3 Parks Maintenance management should document and implement procedures requiring that the secondary prokee reconciliation documentation (including the use logs and fueling reports used in the reconciliation) be reviewed by a manager and retained for a minimum of a year in accordance with policy. The reconciliations should be signed and dated by the preparer and the manager.

Management Action Plan: Parks and Recreation's updated procedures will include a requirement that a manager review the reconciliation, the reconciliation be signed and dated by the preparer and manager, and reconciliation documentation be retained for a minimum of one year.

Estimated Date of Completion: July 1, 2021

2. Primary Prokee Report Review Not Adequately Documented

- 2.1 Parks Maintenance management should document and implement procedures for reviewing the quarterly primary prokee fueling reports for irregular transactions. Documented evidence of the review should include a copy of the fueling reports along with identification of irregular transactions, the reviewer's notes on research into these transactions, the reviewer's signature, and the date of the review. If the initial reviewer is not a manager, the review documentation should subsequently be reviewed, approved, and signed by a manager. Review documentation should be retained for a minimum of a year to comply with fueling policy.

Management Action Plan: Parks and Recreation will implement procedures for reviewing quarterly primary prokee fueling reports that will follow the specific recommendations of the Auditor's Office.

Estimated Date of Completion: July 1, 2021



Current Audits

- IT – Change Control
- Finance – Treasury Reimbursement Funds
- Fueling Transactions Oversight:
 - Public Works
 - Operations and Maintenance – Facilities
 - Operations and Maintenance – Fleet
 - Operations and Maintenance - Streets
 - Fire and Rescue