

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT
FUEL SERVICES SECTION

A U D I T R E P O R T

TABLE OF CONTENTS

I. INTERNAL AUDIT REPORT

A.	Background; Purpose/Objectives.....	2
B.	Scope; Methodology; Irregularities, Abuse, or Illegal Acts; Test of Compliance.....	3
C.	Statement of Internal Control Structure.....	3 - 4
D.	Management Team and Management Action Plan.....	4
E.	Management Summary.....	4 - 5
F.	Audit Report Authorization.....	5
G.	Areas of Improvement and Management’s Action Plan.....	6 - 7

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

FINANCIAL MANAGEMENT DEPARTMENT
FUEL SERVICES SECTION

A U D I T R E P O R T

The Internal Audit Department conducted an audit of the Fuel Services Section for the audit period March 1, 2001 through February 28, 2002. The audit was performed in accordance with *Generally Accepted Governmental Auditing Standards* issued by the Comptroller General of the United States; and the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

BACKGROUND:

The Fuel Services Section is under the Purchasing Division of the Financial Management Department. The Fuel Services Section is an Internal Service Fund, which provides fuel services for county departments, constitutional officers, local fire districts, local cities, and state agencies. In addition, the Section fuels county equipment and ensures the availability of fuel in the event of a disaster/emergency. This section also procures fuel by obtaining higher volume contracts and thereby receiving the lowest possible price.

The Fuel Services Section currently maintains 18 regulated fuel sites and equipment for dispensing fuel. 29 static or emergency fuel sites are purchased and maintained by the individual departments. Fuel Services Section advises the departments on technical matters and may caution departments on locations, sizing, and maintaining these locations. Neither maintenance service nor mediation of existing problems on the department owned tanks are the fiscal or operational responsibility of the Fuel Services Section.

PURPOSE/OBJECTIVE:

The audit purpose / objectives included, but were not limited to, the following:

- Determining the adequacy of the internal controls of the overall fuel management system, including fuel reconciliation.
- Determining whether fuel services reports provides adequate information to management.
- Determining the overall efficiency and effectiveness over operations of the Fuel Services Section.

SCOPE:

The scope of the audit included examining operational records, the computerized system for the disbursement of fuel and the subsequent reports to the users and to management for the period ending February 28, 2002. Controls over the purchasing of fuel, the billing to third parties, internal and external reports, and reconciliation of fuel consumption were also reviewed.

METHODOLOGY:

Internal control evaluations were accomplished by reviewing key operations of this specified area through discussions with management and staff, observations, and analytical and substantive testing of individual internal controls. Risk analysis was used to establish priorities of audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit for the period ending February 28, 2002, in the audit of the Fuel Services Section.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws and regulations, obtained an understanding of internal controls and assessed control risk. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. Except as noted in our audit report, tested items were in compliance with ordinances, resolutions, and other policies established by the Fuel Services Section.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Fuel Services Section for the period ending February 28, 2002, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. As a result, we noted in the audit report matters involving the internal control structure and its operations that are considered reportable conditions under standards established by the U.S. General Accounting Office, *Government Auditing Standards*. Reportable conditions involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

STATEMENT ON INTERNAL CONTROL STRUCTURE: Continued

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions, as defined above. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. We believe the conditions identified in our audit report constitute reportable conditions as previously defined.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan will be used for each Area Identified for Improvement reported. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Department's management team and the Internal Audit Department. The management team included the Director of Financial Management, the Purchasing Division Manager, the Purchasing Operations Manager, and the Stores Inventory Operations Manager.

MANAGEMENT SUMMARY:

The Fuel Services Section is responsible for 47 tanks located throughout Manatee County with annual purchases estimated at 1.6 million gallons per year. The Section is primarily managed by one individual who is responsible for purchasing, receiving, billing and maintaining tanks as well as the fuel services TRAK automated system. Compensating controls exist through management review and customer billing to reduce the lack of segregation of duties.

Based on the audit performed, it appears that the Fuel Services Section has been properly accounting for fuel purchases, and the fuel usage has been properly posted and billed to the end user. In addition, the Section is in compliance with state retentions guidelines, licensing and permits requirements for fueling and fuel storage. With the exception of the following areas, the Fuel Services Section is functioning effectively in servicing Manatee County departments and other state and local agencies.

- The Fuel Services Section is responsible for measuring each tank's fuel levels and adjusting the TRAK automated system to arrive at a monthly usage. Currently, the monthly quantities used, contained in the monthly reports, are not reconciled to the quantities billed to the end users. The Management Team through its Management Action Plan is in the process of working with the Internal Audit Department to develop procedures for the reconciliation of fuel usage. **(See Area for Improvement #1 on page 6.)**

MANAGEMENT SUMMARY: Continued

- The Fuel Services Manager uses TRAK Sentry modems and phone lines for taking tank readings without having to visit the site. Currently four TRAK tanks at two locations are not connected to allow transmissions of inventory information. The Management Team through its Management Action Plan has agreed to purchase and install equipment for the transmissions of information from these tanks.
(See Area for Improvement #2 on page 6.)
- The Fuel Services Section does not have a policy regarding the periodic stick dipping of fuel tanks to ensure that the reading devices are properly functioning and the water levels in the tanks are appropriate. The Management Team through its Management Action Plan will implement procedures to perform stick dipping twice a year.
(See Area for Improvement #3 on page 6 and 7.)
- The Fuel Services Manager has the ability to make corrections, deletions, and adjustments to billing and inventory information without supervisory approval. The Manager also reviews weekly reports, follows-up on those instances where deviations exist, and forwards the reports for management's review. Documentation does not exist to indicate what deviations were reviewed, how they were investigated and what was done to correct the situation. The Management Team through its management action plan will implement procedures to require documentation of supervisory approval and review including the documentation by the Fuel Services Manager of variances found and investigated.
(See Area for Improvement #4 on page 7.)

We appreciate the efforts of the Fuel Services Section's management in timely addressing the issues raised during the audit and aggressively seeking solutions to these matters. We believe through the implementation of the Management Action Plans included in this report, controls will be strengthened, improving accountability.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:

Richard J. Orienti, CIA, CFE
Director of Internal Audit

R. B. "Chips" Shore
Clerk of the Circuit Court and Comptroller

AREA IDENTIFIED FOR IMPROVEMENT #1

Subject: Reconciliation of Fuel Usage to Quantities Billed

The Fuel Services Section measures fuel levels of all tanks on a monthly basis. The information is adjusted by activity from the TRAK automated fuel dispensing system to arrive at fuel usage, which is then documented on a monthly basis. Currently, there is no reconciliation performed on the quantities contained in the monthly report to the quantities billed to the end users.

Management Action Plan:

- Management is in the process of working with the Internal Audit Department to assist in the developing of procedures for the comparison of fuel quantities from the monthly billing reports to the monthly reports compiled by the Fuel Services Manager. Management will investigate differences and adjust inventory as needed. Implementation is expected by March 31, 2003.

AREA IDENTIFIED FOR IMPROVEMENT #2

Subject: The Use of TRAK Sentry Modems

The use of TRAK Sentry modems allow the Fuel Service Manager to take tank readings, without having to physically go to the site. Currently four TRAK tanks at two locations are not connected to allow transmission of inventory information. As a result, the Fuel Services Manager must take the time to visit these sites on a monthly basis.

Management Action Plan:

- Management is in the process of purchasing and installing the necessary equipment for the transmission of inventory information for these four tanks. Management anticipates they will be fully operational by March 31, 2003.

AREA IDENTIFIED FOR IMPROVEMENT #3

Subject: Physical Dipping of Fuel Tanks

Fuel tanks are installed with either a Veeter Root system or gauge readings to determine the quantity of fuel in a tank. A policy does not currently exists to compare fuel levels to the reading device to ensure they are accurately calibrated. Another benefit to the physical dippings, particularly for the generator tanks, is performing checks for water in the fuel. If excess water exists, water can be removed timely before generator tanks are required in an emergency.

AREA IDENTIFIED FOR IMPROVEMENT #3Continued

Management Action Plan:

- Management will implement procedures to perform stick dipping twice a year to ensure the reading devices are functioning properly and the water levels are appropriate. Management is in the process of implementing these changes and anticipates they will be fully operational by December 31, 2002.

AREA IDENTIFIED FOR IMPROVEMENT #4

Subject: Documentation of Supervisory Review

The Fuel Service Manager has the ability to make corrections, deletions, and/or adjustments to billing information and inventory quantities without supervisory approval. While this is a necessary part of the responsibilities of the Fuel Services Manager, controls could be strengthened by having if the Fuel Services Manager initial approval on these types of transactions.

The Fuel Services Manager also reviews the weekly reports to determine the TRAK system is working properly. On those occasions that the weekly report showed deviations, documentation did not exist to indicate what the Fuel Services Manager did to correct or explain the variance. Management has also stated that they review weekly and monthly reports generated by the Fuel Services Manager, however, evidence of such reviews were not documented.

Management Action Plan:

- Management will implement procedures to require the documentation of supervisory approval on corrections, deletions, and/or adjustments made by the Fuel Services Manager including documentation by the Fuel Services Manager of variances found and investigated during the review process. Implementation of the procedures will begin by September 30, 2002.



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

P.O. Box 25400 • Bradenton, Florida 34206 • (941) 749-1800 • FAX (941) 741-4082 • www.clerkofcourts.com

MEMORANDUM

TO: Jim Seuffert, Director of the Financial Management Department

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: September 4, 2002

RE: Fuel Services Section

Enclosed is the Internal Audit Report for the Fuel Services Section as of February 28, 2002. Our Internal Audit Department will perform a follow-up audit of the Areas of Improvement included in this report in approximately six months to verify implementation of Management's Action Plan.

I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Richard Orienti at extension 4170.

RBS/RJO

Enclosures

cc: Manatee County Board of County Commissioners
Ernie Padgett, County Administrator
Rob Cuthbert, Purchasing Division Manager
Jack Hamilton, Operations Manager



Manatee County

Clerk of the Circuit Court and Comptroller

R.B. "Chips" Shore

P.O. Box 25400 • Bradenton, Florida 34206 • (941) 749-1800 • FAX (941) 741-4082 • www.clerkofcourts.com

MEMORANDUM

TO: City Desk Editor, Bradenton Herald
City Desk Editor, Manatee AM
Islander Bystander
Sid Thomas, Editor
WHNZ, Newsroom
Longboat Key Observer (Attn: Shay Sullivan)

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court, County Comptroller and Auditor

DATE: September 4, 2001

RE: Announcement of the Release of an Internal Audit Report

My office is releasing today the Internal Audit Report for the Financial Management Department - Fuel Services Section, which was performed as of February 28, 2002. Copies may be obtained by contacting the Internal Audit Department at (941) 741-4017. Copies of the report can either be mailed or picked up at the County Courthouse room 158.