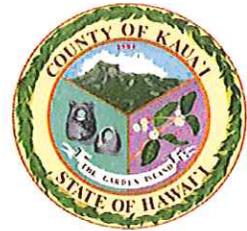


# Audit of Fuel Costs, Consumption and Management

## Interim Report

---



**Submitted by**

Office of the County Auditor  
County of Kaua'i  
State of Hawai'i

Report No. 12-01  
April 2012

## **PREFACE**

This office determined that an audit of fuel costs, consumption and management was warranted based on the cost of fuel to county operations and the inherent susceptibility of fuel to fraud, waste and abuse.

The courtesies and cooperation extended by employees of the Department of Public Works (especially the automotive division), the Transportation Agency, the Kaua‘i Police Department, the Department of Finance and the Department of Water, who assisted us during the course of this audit are sincerely appreciated.

Ernesto G. Pasion, County Auditor

## TABLE OF CONTENTS

EXECUTIVE SUMMARY _____	1
Summary of Findings _____	1
Summary of Recommendations _____	3
CHAPTER 1 _____	5
Introduction _____	5
Background _____	5
Audit Objectives _____	7
Audit Scope and Methodology _____	8
Limitations on Audit Scope and Methodology _____	8
CHAPTER 2 _____	11
Finding 1. Inaccurate Fuel Transaction Data and Inventory Tracking Procedures Result in a Significant Loss of Ability to Fully Account for Fuel Usage. _____	11
Finding 2. Accountability for Fuel Usage Is Hampered by Employees Entering Incorrect Identification Numbers to the System. _____	13
Finding 3. Accountability for Fuel Usage Is Also Hampered by Billing Inconsistencies and Billing Inefficiencies. _____	15
Finding 4. Improvements Are Needed in Controls Designed to Monitor and Detect Unauthorized Fuel Charges at KPD. _____	17
AUDITEE RESPONSE _____	18

## EXECUTIVE SUMMARY

The county uses substantial amounts of gasoline and diesel fuel in its operations, at a cost of more than \$1.4 million per year. Most of the fuel used in county operations is acquired and dispensed through four fueling locations managed by the county's Department of Public Works. The Department of Water fuels its vehicles and equipment from fuel tanks located within the water department's base yard site.

The public works department and the water department use an electronic fuel control and inventory management system called "Gasboy" to control access to fuel in county-owned fuel tanks. The Gasboy system can also be used to track vehicle mileage and fuel usage data which, in turn, can be used to help ensure proper vehicle maintenance. The Gasboy system used by the public works department was purchased and implemented by the county in 2005 at a cost of more than \$185,000.

The county's Transportation Agency, on the other hand, purchases fuel for its buses and other vehicles through commercial fueling stations owned by the Kaua'i Automated Fuels Network (KAFN). KAFN fueling stations are open 24 hours per day, seven days per week. For this reason, the Kaua'i Police Department occasionally obtains fuel from KAFN fueling stations, such as when public works department base yard fueling sites are not open or in emergencies. Fuel purchase cards are used to obtain fuel from KAFN fueling stations.

### *Summary of Findings*

- The Gasboy system used by the public works department is not fully functional and when software or mechanical malfunctions occur the malfunctions are often not timely resolved, resulting in incomplete or inaccurate fueling system data. In turn, this results in a

significant loss of ability to conclusively account for fuel usage.

- Accountability for fuel usage is also hampered by county employees who enter false or otherwise incorrect identification numbers at the fuel pump pedestal when dispensing fuel. The public works department's Gasboy system does not have software controls designed to verify the validity of employee identification numbers.
- Some county departments and agencies are charged for fuel acquired from the public works department's fueling system while other departments and agencies are not charged. This practice is inconsistent and contributes to a general lack of accountability for fuel usage.
- For county departments and agencies that *are* charged for fuel usage, the county uses a manual billing system which requires preparation of manual invoices and reimbursement checks. In some cases, this results in the county writing checks to itself. This practice could be more efficient through implementation of the Gasboy system's automated direct billing feature.
- Procedures for monitoring fuel purchase charges for fueling transactions made by KPD officers at commercial fueling stations should be enhanced to better detect any questionable fueling transactions.
- Irregularities involving county-purchased fuel came to our attention during the course of this audit. Extended audit procedures in the form of investigations into these irregularities are ongoing. A report will be issued after the investigations are complete.

### *Summary of Recommendations*

We recommend that the Department of Finance:

- Allocate staff resources to sufficiently support the public works department's Gasboy software system to ensure that the system's features can be fully implemented and that software glitches, when they occur, can be resolved in a timely manner.
- Implement the dual key feature of the Gasboy system to eliminate accountability problems stemming from employees entering incorrect identification numbers when obtaining fuel from the public works department system.
- Implement the direct billing feature of the Gasboy system, along with automated accounting entries, to streamline the fuel usage billing and reimbursement process between the public works department and other county departments, divisions and agencies.

We recommend that the public works department:

- Assign staff resources to obtain training in the mechanical aspects of the fueling system so that mechanical malfunctions can be timely repaired.
- Implement periodic physical inventory processes to obtain readings of fuel tank levels and to reconcile fuel inflows and outflows between beginning and ending inventory readings.
- If implementation of the dual key feature of the Gasboy system is not feasible, take action to enhance enforcement of requirements regarding the proper entry of employee identification numbers. Such actions may include temporarily disabling the Gasboy

keys used by employees who repeatedly enter incorrect identification numbers.

We recommend that the public works department and the finance department, with support from the Office of the Mayor:

- Evaluate alternative fuel and fleet management system options, including whether to acquire a new system to better meet the county's fuel management needs.
- Determine expected fuel usage levels for each county department, division and agency that uses fuel in its operations and include the estimated cost of such fuel usage in the respective county department, division and agency budgets for the 2012-13 fiscal year.

We recommend that the KPD:

- Implement enhanced procedures for scrutinizing invoices for fuel purchases at commercial fueling sites to detect potentially inappropriate fueling transactions.

---

# CHAPTER 1

## *Introduction*

This audit was conducted pursuant to the authority of the Office of the County Auditor, as provided in the Kaua‘i County Charter. The audit was included in the county auditor’s annual work plan for fiscal year 2010-2011, which was provided to the mayor and the Kaua‘i County Council in June 2010.

## *Background*

The county uses substantial amounts of unleaded gasoline and diesel fuel in its operations, at a cost of more than \$1.4 million per year. The departments and agencies using the most significant amounts of fuel include the Transportation Agency, the public works department, KPD, KFD, the water department and the Department of Parks and Recreation.

During fiscal year 2009-10, the county purchased fuel for use in county vehicles and equipment by way of contract arrangements with two commercial fuel service vendors. More specifically, the Transportation Agency obtains nearly all of its fuel for buses and other vehicles from the KAFN. The KPD also purchases fuel from KAFN, but acquires most of its fuel from the public works department’s base yard sites or the Princeville/Hanalei Police & Fire Station (hereinafter referred to as Hanalei) fuel tanks. County-owned fuel tanks at the public works department and water department base yard sites as well as Hanalei were refilled by the Kaua‘i Petroleum Company during fiscal years 2009-10 and 2010-11.

Fuel from KAFN can be obtained at commercial fueling stations located in Kapa‘a, Līhu‘e, Pūhi, Port Allen and Kekaha. KAFN issues fuel purchase cards (known as K cards) to the county and, in turn, the county assigns the K cards to either vehicles or individual employees. More specifically, each K card has a unique number, like a credit card number,

and the county further distinguishes the K cards by the license plate number of the bus/vehicle to which the card is assigned or by an employee's name, such as a KPD patrol officer's name.

The KAFN billing system generates monthly invoices that identify fuel purchase transactions by the unique K card number and by the county-assigned identification term. This dual labeling system provides the county with information that can be used to ascertain the validity of fuel purchases made at KAFN fueling stations.

Generally speaking, all county departments and agencies, other than the Transportation Agency and KPD, obtain fuel exclusively at county-owned fuel tanks at base yard sites or Hanalei. The automotive division of the public works department is responsible for managing the fueling systems at the public works department base yard sites and Hanalei. This includes ensuring the fuel tanks have sufficient fuel and that the fueling system functions properly.

In 2005, the county invested more than \$185,000 to purchase and implement the Gasboy Series 1000 FleetKey System, which is a microprocessor-based fuel control and data acquisition system. The Gasboy system controls fuel use primarily through the use of durable plastic keys, each with an embedded microchip that is encoded with vehicle, equipment or fuel can information. Each Gasboy key has a unique number and access to the system is restricted through the use of these keys.

Some salient features of the Gasboy systems used by the county include:

- Fuel dispensing can be limited by fuel type (i.e., diesel or unleaded) as well as the number of gallons.
- Users may be required to enter an odometer reading for the vehicle and odometer readings must be reasonable. That is, the Gasboy system administrator can set odometer reading parameters and if an odometer reading

entered is not reasonable (as defined by the parameters), the system will not allow fuel to be dispensed until a reasonable odometer reading is entered.

- The Gasboy system records and stores fueling transaction details in its memory. These details can be used to facilitate fuel usage analyses and generate various reports, including monthly invoices for fuel usage to county departments and agencies.
- The system also functions as a perpetual fuel inventory system that automatically adjusts fuel tank inventory levels as fuel transactions occur.

The water department manages its own fuel supply for its vehicles and equipment by way of fuel tanks located within the water department's base yard. The water department uses a version of the Gasboy system to control and monitor fuel used for water department purposes.

### *Audit Objectives*

Our audit objectives were to determine whether:

- county processes and internal controls are adequate to ensure that fuel usage is appropriately authorized and limited to valid county business purposes;
- fuel costs and consumption are monitored to detect and investigate unusual variances or questionable fueling transaction activity; and
- fuel costs are accurately charged to user departments to ensure accountability for fuel usage.

The county's administrative branch is responsible for creating and maintaining effective controls and by adopting methods, procedures and an organizational structure designed to ensure goals are met. Management controls include the processes for

planning, organizing, directing and controlling operations, as well as systems for measuring, reporting and monitoring performance.

### *Audit Scope and Methodology*

The scope of this audit encompassed all county departments and agencies that use significant amounts of fuel in their operations. We focused our audit procedures on reviewing processes involved in purchasing and dispensing fuel to users, including methods of authorizing, tracking and monitoring fuel usage. We also reviewed the county's interdepartmental fuel billing and accounting practices. Our audit evidence gathering techniques included inquiries, observation, various data analyses and detailed examination of more than 100 randomly selected fueling transactions.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

### *Limitations on Audit Scope and Methodology*

Government auditing standards require that any significant constraints imposed on the audit approach be disclosed in the audit report. This report is being issued as an interim report because instances of possible fraud, illegal acts or abuse (hereinafter referred to as irregularities) came to our attention during the course of the audit and the irregularities remain under investigation. The investigations have been delayed, in large part, due to externally imposed barriers which have significantly impaired our ability to timely conduct the audit procedures that we considered necessary in the circumstances.

When information comes to the auditors attention during the course of an audit indicating that fraud may have occurred, government auditing standards require that the auditors perform extended audit procedures to determine whether fraud has likely occurred and, if so, its effect on the audit findings.

Government auditing standards further provide that:

Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violations of laws, regulations, or provisions of a contract or grant agreement.

If during the course of an audit, auditors become aware of abuse that could be considered significant, the auditors are required to apply audit procedures specifically directed to ascertain the potential effect of the abuse on the program under audit. And, after performing additional work, the auditors may discover that the abuse represents potential fraud or illegal acts.

Some audits may necessitate the use of specialized techniques or methods that require the skills of a specialist. In light of the irregularities, we determined that the specialized skills of an independent investigator were needed to carry-out the extended audit procedures necessary to determine whether fraud or abuse has likely occurred and, if so, its effect on the audit.

Our investigative services procurement action was initially denied in November 2010, however, based on the county attorney's objections. Nonetheless, in January 2011, the county council agreed that the county auditor has the authority and responsibility to conduct audits, including investigative audit procedures, pursuant to section 3.17 of the Kaua'i County Charter, and we were allowed to proceed with an investigative services procurement action in February 2011.

Between April and May 2011 we continued to experience procurement-related delays, mostly involving contract processing approvals, which were beyond our control. Finally, in late-June 2011 an investigative services contract was fully executed and initial work began in July 2011.

Between August 2011 and February 2012, excessive delays in scheduling interviews prevented the investigators from conducting a number of interviews in a timely manner. Consequently, the extended audit procedures are taking longer than expected, and therefore we decided to communicate the results of our audit, except for the results of the investigations, in this interim report. We will issue a subsequent report respecting the results of the extended audit procedures when the investigations are complete.

---

## CHAPTER 2

### AUDIT FINDINGS AND RECOMMENDATIONS

**Finding 1. Inaccurate Fuel Transaction Data and Inventory Tracking Procedures Result in a Significant Loss of Ability to Fully Account for Fuel Usage.**

The public works department's electronic fuel control and data acquisition system is not fully functional and when system malfunctions occur they are often not resolved in a timely manner. Consequently, fuel inventory levels and fueling transaction data may be inaccurate, which results in the loss of the ability to conclusively account for all fuel dispensed through the system.

Some ways in which fueling system malfunctions can result in the loss of the ability to account for fuel usage can be illustrated by two example situations that existed at the time of our audit. In the first situation, the county purchased 154,655 gallons of diesel fuel for its fueling sites at the Hanapēpē, Kapa‘a and Līhu‘e base yards during fiscal year 2009-10, but the fueling system data indicates that only 140,294 gallons were dispensed during the same time period. The difference (14,361 gallons) cannot be fully accounted for. The main cause for this discrepancy turned out to be fuel pump meters that were malfunctioning and in need of repair and recalibration. This problem was resolved in November 2010, but it persisted for nearly one year before it was diagnosed and repaired. In the second situation, the fueling system at Hanalei broke down in August 2009 and was not repaired until August 2010. The public works department's records show that nearly 14,000 gallons of diesel fuel and nearly 13,000 gallons of unleaded gasoline were purchased for this fueling site during the period that the system was not functioning. This fuel was dispensed primarily for KPD and KFD use, but no records exist to firmly establish to whom the fuel was dispensed.

There are two primary causes for delays in resolving fuel system malfunctions. First, the malfunctions often involve complex software glitches and/or mechanical failures, and some interviewees attributed the prolonged remediation of these malfunctions to resource limitations within the public works department and information technology division of the finance department (hereinafter referred to as the IT division). In some cases, the public works department has had to hire an independent contractor from another island to travel to Kaua‘i and diagnose and repair fuel system problems. This process, including procuring the services of the contractor, can take several months. In the meantime, the Gasboy system is down and manual workarounds have to be implemented. Second, although the IT division has an analyst with knowledge of the electronic fueling system software, the analyst is often assigned to work on other IT projects; consequently, resolving fuel system software glitches is often severely delayed.

In addition, the public works department does not take periodic physical inventory readings of fuel levels in the various base yard tanks and reconcile beginning and ending inventory balances with fuel inflows and outflows. Although the Gasboy operates as an electronic perpetual inventory system, periodic physical inventories and reconciliations provide a means of testing the accuracy of the perpetual inventory amounts. Any significant unidentified differences between the physical inventory readings and the perpetual inventory can signal the need to check the system for malfunctions, such as meters that need to be recalibrated.

### *Recommendations*

1. We recommend that the public works department, with assistance from the finance department’s IT division, evaluate alternative fuel and fleet management system options, including whether to acquire a new system to better meet the county’s fuel management needs. The decision stemming from this evaluation may affect decisions regarding implementing some features of the Gasboy system that we are recommending in this report.

2. We recommend that the finance department ensure that the Gasboy system's features can be fully implemented and that software glitches, when they occur, can be remediated in a timely manner by allocating sufficient staff resources to support the Gasboy system. This allocation of staff resources will likely include the dedication of at least one IT analyst to supporting the Gasboy system, and may also include additional training for IT division staff.
3. We recommend that the public works department assign staff resources to obtain training in the mechanical aspects of the fueling system, including fuel pedestal and pump operations, so that basic mechanical malfunctions can be timely repaired using public works department employees.
4. We recommend that the public works department implement periodic physical inventory processes to obtain readings of fuel tank levels and to reconcile fuel inflows and outflows between beginning and ending inventory readings. Any significant differences between physical inventory readings and the perpetual inventory levels on the Gasboy system should be researched and resolved.

**Finding 2. Accountability for Fuel Usage Is Hampered by Employees Entering Incorrect Identification Numbers to the System.**

Some county employees do not correctly enter their employee number when fueling county-owned vehicles, equipment or 5-gallon gas cans, yet they are able to obtain fuel from the Gasboy system because the software does not have controls designed to prevent fuel from being dispensed when invalid employee numbers are entered. Consequently, when invalid employee numbers are entered, it is nearly impossible to identify which employee obtained fuel from the system or

whether the fuel dispensed was for valid county business purposes.

We examined a random sample of 100 fueling transactions and found nine instances in which the employee identification number was incorrect. In some of these instances, it appears that the employee simply erred when entering his or her identification number, but in several other instances, the identification number entered was clearly false, such as “0000.” We further analyzed fueling transaction data for fiscal year 2009-10 and found that the number 0000 was used 256 times and that more than 2,500 gallons of fuel was dispensed using this bogus employee number. Often, these fueling transactions were for fuel dispensed into 5-gallon cans, which county employees use to obtain fuel for equipment such as jet skis used by the Ocean Safety Bureau of the KFD.

The Gasboy system has additional control features that can be used to eliminate problems with employees entering incorrect employee numbers. More specifically, the system can be configured to require employees to use a second Gasboy key, which would be encoded with the employee’s identification number. This feature is commonly referred to as the dual key requirement. The public works department and IT division staff are aware of this control feature, but it has not yet been implemented.

Another option for reducing the frequency in which employees enter bogus numbers to the system is for automotive division management to exercise its ability to temporarily disable selected Gasboy keys in which the users are not complying with policies for proper use of the Gasboy system.

### ***Recommendation***

1. We recommend that the dual key feature of the Gasboy system be implemented so that fuel usage can be identified by employee numbers. However, if this option is not feasible, then the public works department should enforce compliance with its policies regarding proper

entry of employee numbers by using the Gasboy system's ability to temporarily disable fueling keys.

**Finding 3. Accountability for Fuel Usage Is Also Hampered by Billing Inconsistencies and Billing Inefficiencies.**

Some county departments, divisions, and agencies are charged for fuel usage while others are not charged. This inconsistency in fuel charging practices is apparently based on previously established policy decisions. In some situations, funding sources also influence whether or not a department or agency is charged for fuel usage. For instance, departments or agencies that are partially supported by federal or state funding sources are more likely to be charged for fuel usage than departments and agencies that do not receive funding from these sources.

We found that one major department and one large division of the public works department is not charged for fuel usage even though each is a fairly heavy user of fuel. In particular, during fiscal year 2009-10, the county's parks department used more than 27,000 gallons of fuel at an estimated cost of nearly \$68,000, and the solid waste division of the public works department used more than 26,000 gallons of fuel at an estimated cost of \$64,000. Neither the solid waste division nor the parks department is charged for fuel usage. Other county departments, agencies and offices that are not charged for fuel usage include: the Office of the Prosecuting Attorney; the finance department; the Planning Department; the Civil Defense Agency; County Council; the Office of the County Attorney and the Office of Economic Development.

Because these departments, agencies and offices are not charged for fuel usage, the true cost of their operations is not reflected in their accounting records or budgets. Rather, these costs are absorbed by the public works department's automotive division budget. In addition to this poor accounting for fuel usage costs, we believe that the lack of accountability for the cost of fuel used by these departments, agencies and offices increases the risk that some employees may be less inclined to feel a need to conserve fuel if they know that the

cost of fuel used is not charged to their department, office, or agency budgets.

We also found that costs of fuel charged to county departments and agencies are manually invoiced and paid by way of checks in which the payee is the county and the payer is also the county, even though a more efficient automated system is available. More specifically, the current process involves manual compilation of charges and preparation of invoices by the public works department's automotive division, which are sent to the respective departments and agencies. The departments and agencies, in turn, process the invoices and prepare checks, which are sent back to the public works department's fiscal division for deposit to the county's bank account. In effect, the county bills itself for fuel usage and then cuts checks back to itself to pay for the charges.

The Gasboy system can be used to generate automated billings by way of a direct billing feature, but this feature has not yet been activated and implemented by the county. Implementation of the direct billing feature will eliminate the need for preparation of manual invoices. In addition, the county's accounting system appears to be capable of generating automated journal entries that will eliminate the need for departments and agencies to cut checks to the public works department for fuel usage charges.

In addition to improving efficiency, we believe that charging county departments, agencies and offices for fuel usage can be used by managers and other supervisors to monitor fuel usage to detect unusual or inappropriate fueling transactions.

### ***Recommendations***

1. We recommend implementation of the direct billing feature of the Gasboy software system, along with implementation of automated accounting entries to eliminate the need for manual invoices and manually prepared checks.

2. We recommend that all departments, offices and agencies be charged for fuel usage when feasible. At a minimum, county departments and divisions that should be charged for fuel usage include the parks department and the solid waste division.

**Finding 4. Improvements Are Needed in Controls Designed to Monitor and Detect Unauthorized Fuel Charges at KPD.**

The KPD obtains fuel through two sources. Primarily, KPD personnel are authorized to obtain fuel for KPD vehicles utilizing the Gasboy system at the county's base yard locations or Hanalei and each KPD vehicle has a corresponding Gasboy key assigned to it. KPD personnel are also authorized to refuel at KAFN fueling stations, but only when the base yards are not open (e.g., nights and weekends) or on an emergency basis.

To obtain fuel at KAFN fueling stations, KPD officers are assigned K cards, similar to those used by the county's Transportation Agency. At KPD, however, the K cards are assigned to individual officers. This allows KPD to identify KAFN fuel purchases by officer names on the monthly invoices submitted to KPD by KAFN.

When KAFN invoices are received by KPD's fiscal section, the invoices are reviewed but only on a limited basis. That is, the invoices are reviewed for overall reasonableness but individual fuel charges are not scrutinized for propriety. Consequently, it is possible that inappropriate fuel charges might not be detected. We believe this constitutes a weakness in internal controls that should be corrected.

***Recommendation***

1. We recommend that KPD implement procedures for enhancing the level of scrutiny applied to fuel invoices received from KAFN as well as the public works department to detect any potentially inappropriate fueling transactions.

## **AUDITEE RESPONSE**

**Bernard P. Carvalho, Jr.**  
Mayor



**Larry Dill, P.E.**  
County Engineer

**Gary K. Heu**  
Managing Director

**Lyle Tabata**  
Deputy County Engineer

**DEPARTMENT OF PUBLIC WORKS**  
**County of Kaua'i, State of Hawai'i**  
4444 Rice Street, Suite 275, Lihu'e, Hawai'i 96766  
TEL (808) 241-4992 FAX (808) 241-6604

March 27, 2012

Mr. Ernesto G. Pasion, County Auditor  
Hale Pumehana Building  
3083 Akahi Street, Room 203  
Lihu'e, Hawai'i 96766-1102

**Subject:** Draft Audit Report  
Audit of Fuel Costs, Consumption and Management (Interim Report)

Dear Mr. Pasion,

Thank you for the opportunity to submit a written response to the subject draft report. Following are our responses to the recommendations made therein.

*Finding 1: Inaccurate Fuel Transaction Data and Inventory Tracking Procedures Result in a Significant Loss of Ability to Fully Account for Fuel Usage*

*Recommendation 1: We recommend that the Public Works Department, with assistance from the Finance Department's IT division, evaluate alternative fuel and fleet management system options, including whether to acquire a new system to better meet the County's fuel management needs. The decision stemming from this evaluation may affect decisions regarding implementing some features of the Gasboy system that we are recommending in this report.*

**Response:** Agree. The Public Works Department has been evaluating different options for either upgrading or replacing the County's existing Gasboy system in order to improve fuel and fleet management, as well as provide increased reliability and gain access to a greater level of support in the event that troubleshooting assistance is required. Funds to acquire and implement a new system have been requested in the County's FY 2013 Capital Improvement Program budget.

Note that our research indicates that downtime should be reduced dramatically with implementation of a new system, which will significantly reduce errors introduced by manual data entry which is required when the current system is not operational.

*Recommendation 2: We recommend that the Finance Department ensure that the Gasboy system's features can be fully implemented and that software glitches, when they occur, can be remediated in a timely manner by allocating sufficient staff*

*An Equal Opportunity Employer*

*resources to support the Gasboy system. This allocation of staff resources will likely include the dedication of at least one IT analyst to supporting the Gasboy system, and may also include additional training for IT division staff.*

Response: The aforementioned system will be implemented as appropriate for management of the County's fuel and fleet. Our investigation of the system under consideration indicates that down time should be significantly decreased. We will need to make sure that our selected contractor has the requisite maintenance support services to timely respond to system malfunctions. Some training will also be provided to DPW and IT staff, however, we understand that the systems on the market today are specialized and will likely require manufacturer trained and authorized technicians to provide the support and trouble-shooting service levels we desire.

*Recommendation 3: We recommend that the Public Works Department assign staff resources to obtain training in the mechanical aspects of the fueling system, including fuel pedestal and pump operations, so that basic mechanical malfunctions can be timely repaired using Public Works Department employees.*

Response: Agree. With the implementation of the new system, training will be provided to Public Works staff to address minor troubleshooting issues. However, note that Public Works staff will likely spend little time on the new system, and therefore will not truly have the opportunity to become familiarized with it.

*Recommendation 4: We recommend that the Public Works Department implement periodic physical inventory processes to obtain readings of fuel tank levels and to reconcile fuel inflows and outflows between beginning and ending inventory readings. Any significant differences between physical inventory readings and the perpetual inventory levels on the Gasboy system should be searched and resolved.*

Response: Agree. A system has been established to conduct a regular physical inventory of fuel supplies as a check against the fuel usages reported by Gasboy.

*Finding 2: Accountability for Fuel usage is Hampered by Employees Entering Incorrect Identification Numbers to the System*

*Recommendation 1: We recommend that the dual key feature of the Gasboy system be implemented so that fuel usage can be identified by employee numbers. However, if this option is not feasible, then the Public Works Department should enforce compliance with its policies regarding proper entry of employee numbers by using the Gasboy system's ability to temporarily disable fueling keys.*

Response: Agree. If Public Works continues to use the Gasboy system, we plan to implement the dual key system. If a new system is implemented, we will explore options which may be available to achieve the same purpose.

*Finding 3: Accountability for Fuels Usage is also Hampered by Billing Inconsistencies and Billing Inefficiencies*

*Recommendation 1: We recommend implementation of the direct billing feature of the Gasboy software system, along with implementation of automated accounting entries to eliminate the need for manual invoices and manually prepared checks.*

Response: We anticipate soliciting bids to accommodate the direct billing and other features as deemed feasible.

*Recommendation 2: We recommend that all departments, offices and agencies be charged for fuel usage when feasible. At a minimum, County departments and divisions that should be charged for fuel usage include the Parks Department and the solid Waste Division.*

Response: We agree and will be looking to charge respective departments for fuel usage where feasible.

*Finding 4: Improvements are Needed in Controls Designed to Monitor and Detect Unauthorized Fuel Charges at KPD*

*Recommendation 1: We recommend that KPD implement procedures for enhancing the level of scrutiny applied to fuel invoices received from KAFN as well as the Public Works Department to detect any potentially inappropriate fueling transactions.*

Response: KPD agrees with the recommendation of creating and implementing a procedure to better scrutinize the fuel invoices received from KAFN as well as from the Department of Public Works. The procedure, currently in place, shall be reevaluated for applicable changes in monitoring fuel invoices. KPD will look at possibly placing more accountability with the KAFN card user.

As always, we appreciate your efforts to help improve the operations of our Department.

Yours truly,



Larry D.H., P.E.  
County Engineer

cc: Gary Heu, Managing Director  
Wallace Rezentes, Director of Finance  
Darryl Perry, Police Chief