



John A. Carey
Inspector General

**OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY**



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Audit Report

2017-A-0001

**Solid Waste Authority of
Palm Beach County**

Fuel and Maintenance

March 13, 2017



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY

AUDIT REPORT: 2017-A-0001 AUDIT OF THE SOLID WASTE AUTHORITY OF PALM BEACH COUNTY

FUEL AND FLEET MAINTENANCE

DATE ISSUED: March 13, 2017



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SUMMARY RESULTS AT A GLANCE

What We Did

We conducted an audit of the fuel and fleet maintenance programs of the Solid Waste Authority of Palm Beach County (SWA). This audit was performed as part of the Office of Inspector General's (OIG) 2016 Annual Audit Plan.

Our audit focused on determining whether controls were in place and operating efficiently and effectively to ensure that SWA adequately safeguarded, and appropriately used fuel, vehicles, and parts. We conducted onsite interviews, as well as reviewed fuel and maintenance contracts, purchases of fuel and parts, maintenance reports, and fuel transaction logs.

What We Found

Physical controls for fuel and fleet maintenance appeared to be adequate. SWA has implemented various security controls to limit access to both fuel and fleet maintenance inventory. However, we identified several internal control weaknesses regarding SWA's fuel and fleet programs.

Fuel Program

We found that SWA did not verify the amount of fuel received at the time of delivery. Also, SWA's fuel provider,

Florida Power and Light (FPL), did not show fuel adjustment calculations on the fuel delivery invoices as required by the contract.

Additionally, we found that maintenance staff share the same system administrator's username and password, which grants full administrative rights and access to the fuel management system.

SWA did not sufficiently manage the use of fuel keys for its employees and vehicles. We noted keys that had been assigned to former employees were still listed as active in the system; ineffective controls over fuel keys for special fuel additives; and vehicle fuel keys were used after the vehicles were sold at auction.

The internal controls over fuel payments also need improvement. Employees did not adhere to the Purchasing Manual's requirements for signatures on invoices.

Maintenance Work Orders

SWA does not have written procedures for the maintenance work order process, and relies primarily on an informal process.

Credit Cards

SWA's credit card procedures do not include pertinent information such as procedures for the issuance and cancellation of credit cards, lost or stolen cards, cards assigned to employees who have terminated employment, or for handling of disputed charges.

Also, SWA did not require employees to sign a cardholder agreement prior to the issuance of a credit card.

What We Recommend

Our report contains 8 findings and 13 recommendations to help ensure that the fuel and fleet maintenance assets of SWA are adequately safeguarded, and to assist in improving internal controls.

The SWA concurred or accepted all 13 recommendations and has taken steps to implement 9 of the recommendations. We have included SWA's response in its entirety as Attachment 1.

BACKGROUND

The Solid Waste Authority of Palm Beach County (SWA) is a dependent special district governed by seven elected County Commissioners of Palm Beach County. The Florida Legislature under Chapter 75-473, the Palm Beach County Solid Waste Act, created SWA in 1975. In 2001, the original charter was replaced with Chapter 2001-331, Laws of Florida. SWA provides solid waste disposal and recycling collection to 1.4 million residents and businesses of Palm Beach County. SWA has approximately 400 employees and operates six regional transfer stations, a compost facility, a landfill, two waste-to-energy plants, a household hazardous waste collection facility, a recovered material processing facility, and a biosolids pelletization facility.



For fiscal year 2016, SWA had a total budget over \$300 million. SWA's primary funding source is user fees from the non-ad valorem special assessment included on Palm Beach County property owners' annual property tax bill. SWA also receives revenue from tipping fees, electricity sales to Florida Power and Light (FPL), recycling, and interest income¹.

FPL is SWA's primary fuel vendor. Regular diesel and unleaded fuel is delivered to seven fueling sites. The primary fueling site is the Equipment Maintenance main building located at 6255 North Jog Road, West Palm Beach, which provides diesel fuel, unleaded gasoline, and diesel exhaust fluid (DEF). The other six sites only provide diesel fuel. SWA's total fuel budget for fiscal year 2016 was \$4,568,750. The Equipment Maintenance department has the responsibility to manage, operate, and inventory all fueling operations, and administers the fuel program using Phoenix Petro Vend software (Petro Vend).

Additionally, SWA has an interlocal agreement with the City of West Palm Beach (WPB) that allows WPB to use SWA's Jog Road fueling facility for its utility and fire vehicles, and for SWA to charge WPB for the fuel. The agreement provides for a 15 percent surcharge to cover the cost for the SWA to provide fueling service to WPB.

¹ "About Us," Solid Waste Authority, accessed July 25, 2016, <http://www.swa.org/27/About-Us>

OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objective was to determine whether controls were in place and operating efficiently and effectively to ensure that SWA adequately safeguarded and used fuel, vehicles, and parts appropriately. The scope of the audit covered fuel purchases and usage, purchase of fleet parts and supplies, and fleet maintenance activities from April 1, 2015 to March 31, 2016.

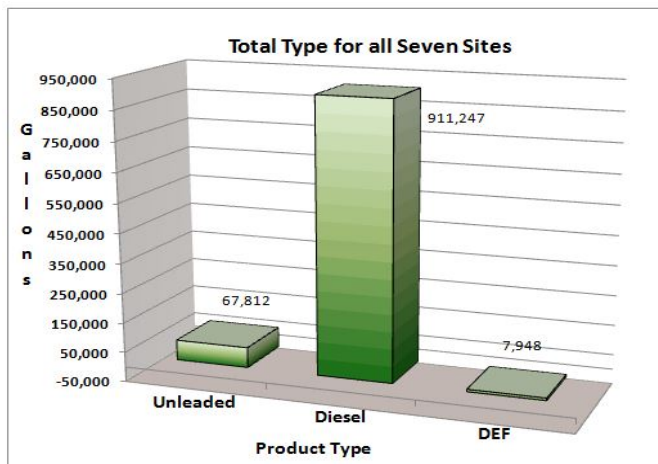
The audit methodology included:

- Reviewing internal controls for fuel use and purchases;
- Testing selected fuel transactions;
- Reviewing fuel and maintenance reports and contracts;
- Reviewing internal controls for the purchase of parts and repair operations;
- Observing the physical security of fuel and inventory products; and,
- Interviewing SWA personnel.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS). 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 AND RECOMMENDATIONS

The total of all fuel products used from April 1, 2015, to March 31, 2016, was 987,007 gallons. The fuel products were used by 364 vehicles and/or maintenance equipment. The product types used were 911,247 gallons of diesel, 67,812 gallons of unleaded gasoline, and 7,948 gallons of DEF additive. We reviewed 31,629 fuel transactions, which represents 100% of the Petro Vend transactions (947,598 gallons) from six sites².



We also reviewed controls over SWA's fueling operations. We determined that physical controls for fleet and fuel appear to be adequate. There were various security controls to limit access to both fuel and maintenance inventory. However, our audit identified some internal control weaknesses as follows:

Finding (1): INTERNAL CONTROLS OVER FUEL KEYS NEED IMPROVEMENT

SWA uses the Petro Vend two-key system to dispense fuel and record all fuel transactions. Each vehicle has an electronic fuel key that is attached to the vehicle/equipment keys. Also, each authorized employee has an employee fuel key. All fuel transactions require the vehicle key and employee key to initiate any fuel transaction. Each transaction records information that includes the vehicle/equipment number, employee ID, type of fuel, quantity pumped, and date and time of the transaction. We identified the following internal control weaknesses related to fuel keys:



- Four terminated employees' fuel keys were still active in the system;
- There were ineffective controls over fuel keys for special fuel additive; and
- Vehicle fuel keys were used to obtain fuel after the vehicles were sold at auction.

A proper key control process allows management to manage, issue, control, and account for access to keys. Key controls help prevent unauthorized access and distribution of keys and provide accountability for key holders.

² This total includes six vehicles from the City of West Palm Beach that used diesel fuel (5,670 gallons) through an inter-local agreement with SWA.

Terminated employees had active fuel keys.

During the audit period, there were 367 individuals with assigned fuel keys. After reviewing the list of assigned employee fuel keys, we identified four individuals who were no longer employed with SWA that had active fuel keys in the system. Although we found no fuel transactions had occurred after the employee termination date, there is a possibility for an employee to use an active fuel key of a terminated employee to obtain fuel. There are no policies and procedures for managing fuel keys.

Established internal controls to obtain diesel exhaust fluid (DEF) additive are not working properly.

DEF is a non-hazardous solution that is sprayed into the exhaust stream of diesel vehicles to breakdown emissions of nitrogen oxides into nitrogen and water. A special fuel key is required for employees to obtain DEF. Not all vehicles require the use of DEF. The vehicles that use DEF require two fuel keys (one for diesel and one for the DEF fluid). SWA designed the keys as non-interchangeable to avoid mishandling of the product. However, the internal controls established by SWA to use different fuel keys at the pump to obtain diesel fuel and DEF are not functioning properly. We identified 22 vehicles and 256 transactions, totaling \$1,214, in which non-DEF fuel keys were used to pump the DEF additive. We also identified 30 vehicles and 148 transactions totaling \$4,673 in which the DEF fuel key was used to pump diesel fuel.

Vehicle fuel keys were used after the vehicles were auctioned.

Of the Petro Vend transactions reviewed, we identified 3 vehicle fuel keys that were used after the vehicles were sold at auction; thus, the keys were not deactivated at the time of the reported sale. The 3 fuel keys had 16 transactions, totaling \$953.40, which occurred up to 24 days after the auction date. Management indicated that, in one instance, staff used an old fuel key pending the assignment of a key to a new vehicle. The causes for the other two instances are unknown.

The SWA Inventory/Equipment Supervisor (1) assigns a new key for each new vehicle and equipment that uses fuel, (2) retains custody of old keys from obsolete vehicles (but deactivates them when a vehicle is removed from inventory), and (3) as needed, reprograms the keys for new vehicles.

Recommendations:

We recommend SWA maintenance staff:

- (1) Develop written policies and procedures for the issuance, maintenance, activation, and deactivation of fuel keys.**
- (2) Restrict the setting used in the Petro Vend system to ensure that the system only delivers the intended fuel type through key control.**

- (3) Assign new fuel keys for vehicles upon receipt of the vehicle or equipment.
- (4) Immediately deactivate fuel keys for vehicles/equipment no longer utilized, auctioned, or sold.

Management Response:

- (1) The SWA accepts recommendation of OIG. Written procedures have been implemented to address the management and termination of fuel keys. SWA has implemented procedures that review a monthly report provided to Inventory Maintenance by HR to ensure only active employees are on the fuel key list in Petro Vend. In the past, the keys were turned in to the Inventory Department and then reissued when a new employee or vehicle key was needed. The keys that were stored in the Inventory Department were checked and there were no transactions recorded to any of those keys.
- (2) The SWA accepts recommendation by OIG to restrict the setting in the Petro Vend System to ensure that the system only delivers the intended fuel type through key control. Controls have been implemented to ensure vehicle fuel keys are now restricted to one product: Gasoline, Diesel or DEF. During the initial DEF start-up testing period one key was utilized on some vehicles for dispensing of Diesel and DEF. This practice has been terminated.
- (3) The SWA accepts recommendation of OIG. Procedures have been implemented to ensure that new fuel keys are assigned to each vehicle and equipment when purchased.
- (4) The SWA accepts recommendation of OIG. Procedures have been implemented to ensure that fuel keys are immediately deactivated and moved to the inactive file in Petro Vend for vehicles/equipment when taken out of service. These procedures were implemented after the first visit of the OIG auditors in June 2016.

Finding (2): MAINTENANCE STAFF SHARE THE SAME SYSTEM ADMINISTRATOR'S LOGIN INFORMATION TO ACCESS THE FUEL MANAGEMENT SYSTEM

According to the *Global Technology Audit Guide*, information technology (IT) controls are designed to protect an organization from threats and risks that may negatively affect the organization³. Technical controls such as identity and access management (IAM) protect unauthorized access and intrusion, and provide the reliance on the integrity of

³ David A. Richards, Alan S. Oliphant, and Charles H. Le Grand, *Global Technology Audit Guide: Information Technology* (Altamonte Springs, The Institute of Internal Auditors, 2005).

information. IAM allows the organization to identify whom, what, when, and where of system access⁴. IAM requires the creation of a unique identity to identify the user and grant the user the appropriate level of access rights to perform a specific job function, and access rights should be limited to what is necessary for a user's job function and responsibilities.

Although the fuel management software used by SWA has several features, which include multi-level access and security features, we found that maintenance staff currently share the system administrator's username and password to access the fuel management system. The system administrator account gives individuals full administrative rights to the fuel management system, including the ability to activate and deactivate employees' keys. Using one username and password to access the system may lead to unauthorized or inappropriate system changes, does not allow for controlling an individual's access to the system, and does not provide a unique user audit trail.

Recommendations:

We recommend that SWA:

- (5) Utilize the security features available within the fuel system software by providing each employee with a unique username/password.**
- (6) Develop and implement written procedures requiring employees to utilize their own unique password when accessing the fuel management software, and communicate the new procedures to employees.**

Management Response:

- (5) The SWA concurs with OIG recommendation. SWA has implemented written policies and procedures for granting access to the fuel management system. A unique username/password is required for each user to gain access to the fuel system. It should also be noted that each employee has a unique network login to use the computer at the SWA before they can login to the fuel system; this was always the case in the maintenance department.**
- (6) The SWA accepts recommendation of OIG. SWA will require employees to utilize their own unique password when accessing fuel management software and SWA will communicate new procedures to employees.**

⁴ Sajay Rai, Frank Bresz, Tim Renshaw, Jeffrey Rozek, and Torpey White, *Global Technology Audit Guide: Identity and Access Management* (Altamonte Springs, The Institute of Internal Auditors, 2007).

Finding (3): FUEL TRANSACTION DATA FROM THE BELLE GLADE SITE IS NOT RECORDED IN THE PETRO VEND SYSTEM

We requested all Petro Vend transactions from all seven fueling sites during the audit period. However, automated fuel data from the Belle Glade site was not available. Management explained that frequent lightning strikes to the underground lines that run from the fuel tank to the Petro Vend server resulted in the loss of data. As a result, SWA utilizes a manual fuel tracking system for the Belle Glade site, and provided us a separate spreadsheet for those fuel transactions.

The Belle Glade site represents 4% (39,409 of 987,007 gallons) of the total fuel usage. Without the Belle Glade data in the Petro Vend database, we were only able to perform our comprehensive analysis on 96% of the fuel transactions. Having the Belle Glade transactions recorded in the Petro Vend system would provide a single consistent source for all raw fuel data transactions, which would make fuel monitoring, reporting, and auditing more efficient and effective.

Recommendation:

- (7) If cost feasible, we recommend SWA find a technological solution that would maintain communications between the fuel pumps at the Belle Glade site and the Petro Vend system server to allow for automated recording and accounting of fuel usage.**

Management Response:

- (7) The SWA accepts recommendation of OIG to resolve communication problem between fuel pumps at Belle Glade Transfer Station and the Petro Vend System. SWA is currently in the process of getting Belle Glade back on line to the automated system Petro Vend by March 1, 2017. Please note that the Belle Glade fuel system has been plagued by routine lightning hits causing downtime on numerous occasions at a considerable expense to repair. A manual system of recording transactions was implemented while the Authority evaluates cost-effective options available that will return Petro Vend fuel system back to an automated mode. It should be noted that all fuel transactions in the manual mode are recorded and reconciled daily by Inventory Department.**

Finding (4): THE AMOUNT OF FUEL RECEIVED IS NOT VERIFIED AT THE TIME OF DELIVERY



Florida Power and Light delivers fuel to each SWA transfer station and dispenses it directly into gas and diesel tanks. During our audit period, SWA locations purchased approximately 1.1 million gallons of fuel.

SWA's Equipment and Maintenance Department manages and operates all of SWA's fueling operations.

We found that at the time of fuel delivery, SWA staff do not verify the amount of gallons received. According to Section 2.8(D)(5) of the Purchasing Manual, it is the responsibility of each blanket purchase order user to verify quantities. Also, it is generally a good business practice to verify the receipt of goods purchased against information listed on the delivery reports. Without verifying the amount of fuel received, there is increased risk that SWA could be charged for fuel that was not delivered.

FPL's Fuel Shipping Paper that accompanies each delivery contains a "Received By" signature block, as well as other information such as the date, and "Start #" and "End #" fuel meter readings. We noted that the SWA employees responsible for receiving the fuel deliveries do not consistently sign the fuel shipping paper, or document the "Start #" and "End #" fuel meter readings.

Recommendation:

- (8) We recommend that the staff responsible for receiving fuel deliveries verify the amount of fuel delivered either by measuring the fuel tanks before and after the delivery, or observing and recording the fuel meter readings for the starting and ending amounts on the shipping paper. Employees responsible for receiving fuel deliveries should also sign the shipping paper to promote accountability.**

Management Response:

- (8) The SWA concurs with OIG recommendation. Starting January 2017, with the collaboration of FPL, current fuel provider, SWA is manually measuring the fuel tanks before and after the delivery.**

The SWA is going to continue to evaluate alternatives both manual and automated tank reading systems that would allow this information to be collected as the tanker drops its fuel into SWA tanks. SWA will evaluate options available and perform necessary cost benefit analysis. Although SWA was not measuring the tanks before and after the delivery, please be informed that all fuel transactions and deliveries are reconciled on a daily basis and discrepancies would be apparent immediately.

Finding (5): FUEL DELIVERY INVOICES DID NOT SHOW THE FUEL ADJUSTMENT CALCULATIONS AS REQUIRED BY THE CONTRACT

Fuel volume expands and contracts depending upon temperatures. This temperature-influenced expansion and contraction causes challenges for companies delivering fuel. The amount delivered and the amount of fuel received can be different. This difference

is referred to as net versus gross. With a formula that accounts for the expansions and contraction of fuel, the net gallons of fuel that was delivered can be determined⁵.

The section titled "Measurements of Quantities Delivered" of the fuel contract with FPL states, "The quantity of fuel delivered shall be invoiced on the basis of quantities adjusted to 60 degrees Fahrenheit. Invoices shall show the adjustment calculations." However, we noted that the invoices SWA received from FPL did not contain fuel adjustment calculations.

In the absence of the adjusted fuel calculations, it is difficult for SWA staff to confirm if FPL fuel deliveries are correctly invoiced in accordance with the contract. This increases the risk of incorrect billings going undetected.

During this audit, SWA requested that FPL start providing documentation detailing the formulas and calculations used to compute the invoiced fuel amounts.

Recommendation:

- (9) We recommend SWA require FPL to include the fuel adjustment calculation "to 60 degrees" on each fuel delivery invoice as required by the fuel contract.**

Management Response:

- (9) The SWA concurs with OIG recommendation. SWA will request that our current vendor adds the fuel calculation to ensure that the correct multiplier is used. Both the gross and temperature adjusted number gallons are shown on invoice but the calculation is not provided. SWA is expecting to have the calculation added to the invoice by no later than June 1, 2017.**

Finding (6): INTERNAL CONTROLS OVER FUEL PAYMENT NEED IMPROVEMENT

The fuel vendor submits invoices to SWA Equipment Maintenance staff for payment. When an invoice is received, staff rubber stamp the invoice with an "Invoice Price Verified" section, and write in the purchase order number and the account number to charge the payment. The stamp also has lines for the names and dates "received by", "verified by", and the "signature" of the person authorized to sign for that dollar amount. After the invoice is completed and reviewed, maintenance staff submit it to the Purchasing Department to begin the payment process.

We noted that several of the names written on the "received by" and "verified by" lines had similar handwriting, even though the names were different. Maintenance staff

⁵ "Net vs. Gross in the Fuel Industry," Kendrick Oil, accessed July 19, 2016.
<http://kendrickoil.com/net-vs-gross-in-the-fuel-industry>

indicated that the employee who verified the fuel would sometimes write in the name of the employee who received the fuel. We found that the actual employee who received the fuel did not always sign their name as required by the purchasing manual.

Section 2.8 (D)(4) of the Purchasing Manual requires the rubber stamp section to contain the receiving person's signature, the date of receipt, and a signature of a person authorized to sign that dollar value transaction. If the actual employee does not sign their name, it circumvents established controls and the intended segregation of duties, decreases employee accountability, and increases the risk for fraud. It also makes it difficult for SWA management to validate if the employee actually performed the action.

Recommendation:

- (10) We recommend that staff adhere to Section 2.8 D.4 of the Purchasing Manual and require that the appropriate employees sign on the designated lines for receiving, verifying, and authorizing purchases.**

Management Response:

- (10) The SWA concurs with findings of OIG and is working on procedures to ensure fuel receipt and payment procedures are consistent with SWA Purchasing Manual. SWA has sufficient controls in place to ensure that fuel is received and billed to ensure proper receipt and payment. While the purchasing stamp is not signed by the individual receiving the fuel, the shipping document is signed and used as backup for the payment. The invoice is not provided by the vendor at the time of delivery. The delivery ticket and the invoice are both provided to Accounts Payable as proof of receipt.**

Finding (7): SWA DOES NOT HAVE WRITTEN PROCEDURES FOR THE WORK ORDER MAINTENANCE PROCESS

When maintenance and repair work is needed for vehicles and equipment, SWA's mechanic completes a work order form that is submitted to the inventory clerk. The inventory clerk enters the work order information into the system and distributes the necessary parts to the mechanic. The mechanic closes out the work order once the job is completed. An inventory technician reconciles inventory parts to the work orders each day. A report is generated at the end of each month detailing monthly labor and parts. SWA has relied primarily on informal procedures and does not have written procedures outlining the work order maintenance process.

Written procedures serve as an important component of the internal control process. Procedures detail what is to be done and the responsibilities for achieving managements' goals. Procedures also provide the means to ensure efficient operations, effective use of resources, and that key controls are established to

safeguard assets. A lack of written procedures can lead to inconsistencies, errors, and confusion; especially if new staff assume responsibility for a portion of, or all of the process.

Recommendation:

- (11) We recommend written procedures for the work order maintenance process be developed to document key controls, establish expectations, and provide overall guidance to staff. In addition, developed procedures should be communicated to employees.**

Management Response:

- (11) The SWA agrees with recommendation of OIG. We are currently in the process of writing and evaluating procedures to improve the flow of creating and managing work orders to suit our operational needs. Written procedures will provide guidance to staff and help establish controls to safeguard assets. Completion of written procedures for work order process is targeted for June 1, 2017. Work order procedures are currently well understood by staff but formal written procedures would enhance operation.**

Credit Card Program



SWA uses Bank of America Visa credit cards when other procurement and payment methods are not viable, and during emergencies. There are four employees in possession of credit cards. One card is permanently assigned to the Maintenance Management Director for the purchase of miscellaneous parts as necessary.

There are four additional active credit cards in reserve for emergencies. The reserve credit cards are in the possession of the Director of Purchasing who serves as the Credit Card Administrator. The reserve credit cards may be issued to an authorized employee during an emergency. The Credit Card Administrator has the authority to add or cancel credit cards, as well as change the spending limit on all cards.

Finding (8): CREDIT CARD PROCEDURES NEED IMPROVEMENT

In order to ensure the success of a card purchasing program, organizations need to maintain proper controls. The Government Finance Officers Association lists the following among its best practices for a purchasing card program⁶:

⁶ *GFOA Best Practice: Purchasing Card Programs* (Chicago: Government Finance Officers Association, 2011), 2.

Written policies and procedures for internal staff, including:

- Procedures for handling disputes and unauthorized purchases;
- Procedures for card issuance, cancellation, lost or stolen cards, and employee termination; and,
- Instructions on employee responsibility and written acknowledgments signed by the employee.

SWA's Credit Card Procedures, last revised on June 23, 2016, contained information regarding active credit cards, reserve credit cards, card limits, delegation authority, payments, and audit of the monthly statements. However, we found these procedures lack the following information:

- Procedures addressing issuance, cancellation, and lost or stolen credit cards;
- Procedures addressing cancelling cards of terminated employees;
- Procedures for handling disputed charges; and
- Requirement for employees to sign a cardholder agreement that provides an understanding of the appropriate use of the credit card, including penalties for misuse.

The absence of a signed cardholder agreement may make it difficult for SWA to recoup payment from an employee if improper credit card purchases were made.

Recommendations:

We recommend the Director of Purchasing:

- (12) Update the credit card procedures to provide clear guidance on: (a) issuance and cancellation of credit cards, replacement of lost or stolen cards, cancellation of cards after employee termination, (b) handling of disputed charges, and (c) the requirement of a signed employee cardholder agreement attesting to an understanding of the use of the credit card including penalties for misuse.**
- (13) Communicate updated procedures to employees.**

Management Response:

- (12) The SWA concurs with OIG recommendation. SWA will update credit card procedures to ensure clear guidance on: a) issuance and cancellation of credit cards, replacement/stolen cards, cancellation of credit cards after employee termination; b) handling of disputed charges; and c) include a signed cardholder agreement attesting to an understanding of Authority credit card procedures.**
- (13) The SWA concurs with OIG recommendation and will communicate updated procedures to employees by requiring employees to acknowledge receipt and understanding of SWA credit card procedures.**

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Solid Waste Authority's management and staff for their assistance with the completion of this audit.

This report is available on the OIG website at: <http://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Director of Audit, by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT 1 – MANAGEMENT RESPONSE



Sent via email
rbliss@pbccgov.org
and USPS

March 7, 2017

Mr. Bob Bliss, Director of Audit
Office of Inspector General
PO Box 16566
West Palm Beach, FL 33416-6568

Subject: Response to Palm Beach County Inspector General Audit Solid Waste Authority regarding Fuel and Maintenance

Dear Mr. Bliss,

The Solid Waste Authority (SWA) would like to thank the Office of Inspector General (OIG) for their comprehensive audit of SWA fuel usage between the periods April 1, 2015 to March 31, 2016. The OIG audit evaluated the use of nearly 1 million gallons of fuel and over 31,000 transactions.

In general, the OIG reviewed controls over SWA's fuel operation and found them to be adequate overall but made thirteen (13) recommendations based on their observation that could enhance and result in higher accountability of SWA's fuel management system and procedures. Your recommendations are much appreciated.

Please find attached detailed SWA responses to each recommendation or finding as noted by the OIG. If you have any questions or need additional information please contact this office at your convenience.

Sincerely,

Dan Pellowitz
Managing Director

Attachment

cc: Mark Hammond, Executive Director

ATTACHMENT 1 – MANAGEMENT RESPONSE CONTINUED



March 7, 2017

MEMORANDUM

TO: Mark Hammond
Executive Director

FROM: Mark Eyeington *me*
Chief Operating Officer

SUBJECT: Response to Inspector General Fuel and Maintenance Audit
March 2017

Finding 1: Internal controls over fuel keys need improvement.

In response to *Recommendation #1*, the SWA accepts recommendation of OIG. Written procedures have been implemented to address the management and termination of fuel keys. SWA has implemented procedures that review a monthly report provided to Inventory Maintenance by HR to ensure only active employees are on the fuel key list in Petro Vend. In the past, the keys were turned in to the Inventory Department and then reissued when a new employee or vehicle key was needed. The keys that were stored in the Inventory Department were checked and there were no transactions recorded to any of those keys.

In response to *Recommendation #2*, the SWA accepts recommendation by OIG to restrict the setting in the Petro Vend System to ensure that the system only delivers the intended fuel type through key control. Controls have been implemented to ensure vehicle fuel keys are now restricted to one product: Gasoline, Diesel or DEF. During the initial DEF start-up testing period one key was utilized on some vehicles for dispensing of Diesel and DEF. This practice has been terminated.

In response to *Recommendation #3*, the SWA accepts recommendation of OIG. Procedures have been implemented to ensure that new fuel keys are assigned to each vehicle and equipment when purchased.

In response to *Recommendation #4*, the SWA accepts recommendation of OIG. Procedures have been implemented to ensure that fuel keys are immediately deactivated and moved to the inactive file in Petro Vend for vehicles/equipment when taken out of service. These procedures were implemented after the first visit of the OIG auditors in June 2016.

ATTACHMENT 1 – MANAGEMENT RESPONSE CONTINUED

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Response to OIG Fuel and Maintenance Audit
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Finding 2: Maintenance staff share the same system administrator's login information to access the fuel management system.

In response to *Recommendation #5* regarding Login Information, the SWA concurs with OIG recommendation. SWA has implemented written policies and procedures for granting access to the fuel management system. A unique username/password is required for each user to gain access to the fuel system. It should also be noted that each employee has a unique network login to use the computer at the SWA before they can login to the fuel system; this was always the case in the maintenance department.

In response to *Recommendation #6*, the SWA accepts recommendation of OIG. SWA will require employees to utilize their own unique password when accessing fuel management software and SWA will communicate new procedures to employees.

Finding 3: Fuel transaction data from the Belle Glade site are not recorded in the Petro Vend system.

In response to *Recommendation #7* regarding Belle Glade Transfer Station fuel system, the SWA accepts recommendation of OIG to resolve communication problem between fuel pumps at Belle Glade Transfer Station and the Petro Vend System. SWA is currently in the process of getting Belle Glade back on line to the automated system Petro Vend by March 1, 2017. Please note that the Belle Glade fuel system has been plagued by routine lightning hits causing downtime on numerous occasions at a considerable expense to repair. A manual system of recording transactions was implemented while the Authority evaluates cost-effective options available that will return Petro Vend fuel system back to an automated mode. It should be noted that all fuel transactions in the manual mode are recorded and reconciled daily by Inventory Department.

Finding 4: The amount of fuel is not verified at the time of delivery.

In response to *Recommendation #8*, the SWA concurs with OIG recommendation. Starting January 2017, with the collaboration of FPL, current fuel provider, SWA is manually measuring the fuel tanks before and after the delivery.

The SWA is going to continue to evaluate alternatives both manual and automated tank reading systems that would allow this information to be collected as the tanker drops its fuel into SWA tanks. SWA will evaluate options available and perform necessary cost benefit analysis. Although SWA was not measuring the tanks before and after the delivery, please be informed that all fuel transactions and deliveries are reconciled on a daily basis and discrepancies would be apparent immediately.

ATTACHMENT 1 – MANAGEMENT RESPONSE CONTINUED

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Page 3

Finding 5: Fuel delivery invoices did not show fuel adjustment calculations as required by the fuel contract.

In response to *Recommendation #9*, the SWA concurs with OIG recommendation. SWA will request that our current vendor adds the fuel calculation to ensure that the correct multiplier is used. Both the gross and temperature adjusted number gallons are shown on invoice but the calculation is not provided. SWA is expecting to have the calculation added to the invoice by no later than June 1, 2017.

Finding 6: Internal controls over fuel payment need improvement.

In response to *Recommendation #10*, the SWA concurs with findings of OIG and is working on procedures to ensure fuel receipt and payment procedures are consistent with SWA Purchasing Manual. SWA has sufficient controls in place to ensure that fuel is received and billed to ensure proper receipt and payment. While the purchasing stamp is not signed by the individual receiving the fuel, the shipping document is signed and used as backup for the payment. The invoice is not provided by the vendor at the time of delivery. The delivery ticket and the invoice are both provided to Accounts Payable as proof of receipt.

Finding 7: SWA does not have written procedures for the maintenance work order process.

In response to *Recommendation #11*, the SWA agrees with recommendation of OIG. We are currently in the process of writing and evaluating procedures to improve the flow of creating and managing work orders to suit our operational needs. Written procedures will provide guidance to staff and help establish controls to safeguard assets. Completion of written procedures for work order process is targeted for June 1, 2017. Work order procedures are currently well understood by staff but formal written procedures would enhance operation.

Finding 8: Credit Card procedures need improvement.

In response to *Recommendation #12*, the SWA concurs with OIG recommendation. SWA will update credit card procedures to ensure clear guidance on: a) issuance and cancellation of credit cards, replacement/stolen cards, cancellation of credit cards after employee termination; b) handling of disputed charges; and c) include a signed cardholder agreement attesting to an understand of Authority credit card procedures.

In response to *Recommendation #13*, the SWA concurs with OIG recommendation and will communicate updated procedures to employees by requiring employees to acknowledge receipt and understanding of SWA credit card procedures.