



John A. Carey
Inspector General

**OFFICE OF INSPECTOR GENERAL
PALM BEACH COUNTY**



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2017-A-0002

Village of Tequesta

**Fuel and Vehicle
Maintenance**

March 20, 2017

Insight – Oversight – Foresight



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AUDIT REPORT: 2017-A-0002 AUDIT OF THE VILLAGE OF TEQUESTA FUEL AND VEHICLE MAINTENANCE



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DATE ISSUED: MARCH 20, 2017

"Enhancing Public Trust in Government"

SUMMARY

What We Did

The Office of Inspector General (OIG) Division of Audit conducted an audit of the Village of Tequesta's (Village) fuel and vehicle maintenance programs. This audit was performed as part of the OIG 2017 Annual Audit Plan and in response to issues raised in a citizen complaint.

The OIG audit focused on determining whether controls (1) exist and (2) are operating efficiently and effectively to ensure fuel and vehicles are adequately safeguarded and are appropriately used. We reviewed physical security, fuel purchases and payments, and fuel and vehicle maintenance operations.

What We Found

We found that the physical security of fuel and vehicles was sufficient, and that fuel payment processing controls were operating effectively. However, we found minor control weaknesses related to the Village's fuel and vehicle maintenance programs.

Physical Security

At the beginning of our audit, we could discern that the Village had previously taken proactive measures to implement various security controls to mitigate risk and limit access to fuel and vehicles.

Fuel Purchases and Payments

The Village's payment processing controls were adequate. However, we found the solicitation process did not provide uniform and consistent information for evaluation and selection of a maintenance and repair service vendor.

Fuel and Vehicle Maintenance Operations

The Village did not have written policies and procedures for fuel and vehicle operations. We found the Department communicated policies and procedures through verbal direction. Additionally, fuel tank dipstick reading records lacked consistent and pertinent information. We were unable to reconcile fuel usage with fuel purchases as a result of inconsistent records which lacked pertinent information.

What We Recommend

Our report contains one finding and four recommendations to assist the Village in improving controls for fuel and vehicle operations.

The Village of Tequesta has proposed corrective action to address all four of the recommendations. We have included the Village's management response in its entirety as Attachment 1.

BACKGROUND

The Village was incorporated on June 4, 1957 pursuant to Special Act 57-1915, Laws of Florida. The Village adopted a Council-Manager form of government and has five council members that serve two-year terms. The Village Council appoints the Village Manager, who is responsible for hiring all Village employees. The Village provides police and fire services, building inspections, construction and maintenance of streets, water services, storm water operations, and residential garbage and recycling services.



The Village has approximately 5,803 residents. For fiscal year (FY) 2015-2016, the Village had 93 full-time employees and a budget of approximately \$18,770,000.¹ During FY 2015-2016, the Village spent \$20,798 for 11,422 gallons of fuel. The Village purchases fuel approximately five times a year for a split fuel tank located at the Public Works Department, which contains unleaded and diesel fuel.

The OIG's FY 2017 Annual Audit Plan included an audit entitled "Multiple Entities – Fleet/Fuel Management." Also, in July 2016, the OIG received a citizen complaint regarding the Village's use of a vendor for vehicle maintenance and repair services. In September 2016, the OIG included the Village as one of the multiple entities selected for audit. Issues raised in the complaint were included in the scope of this audit.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary audit objective was to determine whether controls (1) exist and (2) are operating efficiently and effectively to ensure that the Village adequately safeguarded and appropriately used fuel and vehicles. The scope of the audit covered a review of the physical security of fueling and vehicle areas, fuel purchases and payments, fuel usage, and fuel and vehicle maintenance operations (excluding the police and fire departments²), for the time period October 1, 2015 through September 30, 2016.

The audit methodology included:

- Evaluating internal controls for the purchase of fuel;
- Reviewing fuel purchases and payments;
- Reviewing measurements and readings of fuel levels in the fuel storage tank (i.e. dipstick readings);
- Observing the physical security for fuel and vehicle operations;
- Evaluating internal controls for fuel and vehicle maintenance operations; and
- Interviewing Village management and staff.

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

¹ *Village of Tequesta Proposed Fiscal Year 2016 Budget Summary, Resolution 76-15, Adopted September 17, 2015.*

² The OIG excluded the police and fire departments because they do not use the Village's onsite fuel dispenser system.

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

Finding (1): The Village lacks consistent application of policies, procedures, and guidelines for fuel and vehicle operations.



The Village uses a Verizon Network Fleet GPS System to track and provide alerts for oil changes and vehicle recalls. The system is working properly, and vehicle maintenance is scheduled as repairs or routine maintenance is needed. The system is sufficient for ensuring vehicles are being properly maintained.

Overall, the Village relies on informal verbally communicated policies and procedures to perform fuel and vehicle operations. Although we found no major instances of control weaknesses, the Village lacked consistent application of policies, procedures, and guidelines for fuel and vehicle operations.

The audit revealed the following areas that lacked consistency:

1. Reviewing consistency of vendor proposals,
2. Recording fuel dipstick readings, and
3. Maintaining fuel transactions logs.

Proposals contained inconsistent information.

We reviewed documentation related to the Village's solicitation and selection of a vendor to complete maintenance and repair services for FY 2015-2016. We noted that proposals provided by the vendors contained inconsistent information, and vendors did not provide unit pricing for all of the same items. Based on the inconsistent information, we could not verify what selection criteria was utilized to select the vendor. Inconsistent information makes it difficult to compare and evaluate competitive quotes; which could lead to the appearance of favoritism and/or unfair selection and award practices.

Fuel tank readings were inconsistent and lacked pertinent information.

At the end of each month, the Water Distribution Supervisor places a dipstick in the fuel tank to obtain the amount of fuel contained in the tank. When reorders are needed, the supervisor uses a dipstick reading to determine the amount of fuel to order. The supervisor documents the dipstick readings, and calculates the amount of fuel in the tank and amount of fuel used. Information is documented on a paper notepad.

We found the Village's fuel dipstick readings were inconsistent and lacked some pertinent information. For example, dipstick reading records (i.e. paper notepad) did not consistently specify the date of the actual dipstick readings, or the name of the employee performing the reading. Also, dipstick readings were not consistently documented to identify the amount of fuel in the tank prior to ordering fuel, or the amount of fuel in the tank after fuel deliveries. We attempted to reconcile fuel usage with fuel purchases; however, the supporting records were inconsistent and lacked pertinent information to allow for reconciliation.

Fuel transaction logs were not consistently maintained.

Employees are required to reset the fuel pump to "zero" before obtaining fuel. Employees have a receipt book to record their fuel transactions. After obtaining fuel, employees complete a receipt to show the amount of fuel pumped, and place the completed original receipt in a bin located in the office. In addition, employees are required to record the transaction on a manually completed fuel transaction log; however, we found that the logs were not consistently maintained. For example, we noted instances where the employee name, type of vehicle, vehicle mileage, department name, and/or the ticket number were illegible or left blank.

Use of standard written policies, procedures, and forms may reduce the risk of misunderstandings, noncompliance and inconsistencies in operations, as well as promote accountability. Further, written policies and procedures provide guidance for an organization and help ensure uniformity and consistency in day-to-day decision-making and operations; as well as promote efficiency, and help ensure employees meet organizational goals and standards.

Recommendations:

We recommend the Village:

- (1) Ensure selection criteria is clear and uniform, and consistent information is obtained, when seeking and evaluating vendor proposals. This will facilitate fair and efficient evaluation and selection of competing vendors.**
- (2) Establish written policies, procedures, and forms for the Public Works Department operations to include, but not limited to: fuel and vehicle operations, dipstick readings, and fuel transaction logs.**
- (3) Create a standard form to document fuel dipstick readings to include, but not be limited to: date of the reading, employee performing the reading, current amount of fuel in the tank, and amount of fuel ordered and delivered.**
- (4) Communicate and train Village staff regarding the above implemented written policies, procedures, and forms.**

Management Response:

- (1) When requesting quotes for the provision of goods and services, the Village will provide uniform, written information to each potential vendor so that all submitted quotes are based on the same information. Additionally, the Village will standardize its basic selection criteria, understanding that any particular selection process may require unique selection considerations. Within any given selection process; however, the Village will evaluate all competing quotes based on the same criteria.**
- (2) The Village will reduce its current verbal policies and procedures for Public Works Department operations (which, as noted above, are working properly and are sufficient for ensuring that the Village's fleet is being properly maintained), to written policies, procedures and guidelines as recommended.**
- (3) In lieu of the currently utilized documentation system, which does not include a standard form for recordkeeping, the Village will create and utilize a standard form as recommended.**
- (4) The Village will incorporate into its existing, comprehensive and successful staff training program, additional training on the use of the above standardized forms as recommended.**

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Village of Tequesta'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



KEITH W. DAVIS
ATTORNEY AT LAW

Board Certified in City, County and Local Government Law

March 3, 2017

Robert Bliss, Director of Audit
Palm Beach County Office of Inspector General
P.O. Box 16568
West Palm Beach, Florida 33416

Re: Village of Tequesta Draft Audit Report – Audit of Fuel and Vehicle Maintenance

Dear Mr. Bliss:

On behalf of Village Manager Michael Couzzo and the Village of Tequesta Public Works Department, please accept this response to the above referenced draft audit report. As requested, the following will respond to the finding and recommendations contained in said report, and will offer Village management's proposed corrective action.

There is one (1) finding in the report, that being that "The Village lacks consistent application of policies, procedures, and guidelines for fuel and vehicle operations." The report identifies three (3) specific areas where policies, procedures and guidelines lack consistent application (those being evaluation of quotes, recording of fuel dipstick readings, and maintenance of fuel transaction logs).

Despite this finding, however, it is equally important to stress that the audit report acknowledges and recognizes that the Village of Tequesta's current system of verbal training, and verbal communication of policies and procedures is working properly and is sufficient for ensuring that the Village's fleet is being properly maintained. Moreover, the audit report specifically acknowledges that no major instances of control weakness was found in the Village's current system.

Nevertheless, the report offers four (4) specific recommendations for improvements to the Village's current system. Please see each recommendation identified below, along with Village management's proposed corrective action thereto:

1. Create a standard quote request form, including selection criteria, when seeking vendor quotes.

RESPONSE: When requesting quotes for the provision of goods and services, the Village will provide uniform, written information to each potential vendor so that all submitted quotes are based on the same information. Additionally, the Village will standardize its basic selection criteria, understanding that any particular selection process may require

ATTACHMENT 1 – MANAGEMENT RESPONSE CONTINUED

unique selection considerations. Within any given selection process; however, the Village will evaluate all competing quotes based on the same criteria.

2. Establish written policies, procedures, and forms for the Public Works Department operations to include, but not limited to: fuel and vehicle operations, dipstick readings, and fuel transaction logs.

RESPONSE: The Village will reduce its current verbal policies and procedures for Public Works Department operations (which, as noted above, are working properly and are sufficient for ensuring that the Village's fleet is being properly maintained), to written policies, procedures and guidelines as recommended.

3. Create a standard form to document fuel dipstick readings to include, but not be limited to: date of the reading, employee performing the reading, current amount of fuel in the tank, and amount of fuel ordered and delivered.

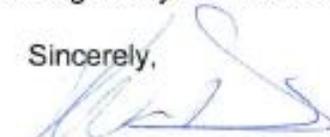
RESPONSE: In lieu of the currently utilized documentation system, which does not include a standard form for recordkeeping, the Village will create and utilize a standard form as recommended.

4. Communicate and train Village staff regarding the above implemented written policies, procedures, and forms.

RESPONSE: The Village will incorporate into its existing, comprehensive and successful staff training program, additional training on the use of the above standardized forms as recommended.

On behalf of the Village Manager and the staff of the Public Works Department, I want to thank you and your team for your observations and suggestions for adding efficiency and standardization to the Village's existing Public Works Department operations. Even though the Village's current system is working properly and is sufficient for ensuring that the Village's fleet is being properly maintained, and that the audit found no major instances of control weakness, implementation of the above recommendations will only serve to make a good system even better.

Sincerely,



Keith W. Davis, Esq.
General Counsel, Village of Tequesta

cc: Michael Couzzo, Jr., Village Manager