



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 12, 2014
SUBJECT/REPORT NO:	Audit Report 2014-01 – Public Works – Fuel Usage (AUD14015) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469
SUBMITTED BY:	Ann Pekaruk Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That the Management Action Plans as detailed in Appendix “A” of Report AUD14015 be approved; and
- (b) That the General Manager of Public Works be directed to instruct the appropriate staff to have the Management Action Plans (attached as Appendix “A” to Report AUD14015) implemented.

EXECUTIVE SUMMARY

The 2014 Internal Audit work plan approved by Council included an audit of fuel usage from the City’s fuel sites. The audit scope included the management of fuel inventory and usage of unleaded gasoline and diesel for the period from July to December 2013. Fuel usage for corporate vehicles was also reviewed with Transit, EMS, Fire and Police vehicles excluded from the review. Recommendations were made to strengthen controls, ensure fuel inventories are adequately safeguarded and identify opportunities for administrative efficiencies and improved management oversight.

The results of the audit are presented in a formal Audit Report (2014-01) containing observations, recommendations and management responses. Audit Report 2014-01 is attached as Appendix “A” to Report AUD14015.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: With appropriate monitoring of fuel inventory, there may be a decrease in fuel costs due to a reduction in inappropriate fuel usage that previously went undetected.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

The audit was scheduled as part of the 2014 Internal Audit work plan approved by Council. The audit fieldwork was completed in January and February 2014. The results of this audit are attached as Appendix “A” of Report AUD14015.

The Audit, Finance and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

Appendix “A” to Report AUD14015 includes action plans which reflect the responses of management responsible for the administration and monitoring of fuel – the Corporate Assets and Strategic Planning Division of the Public Works Department.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

The City of Hamilton has twenty-four fuel site locations throughout the City. Individual sites may have a combination of diesel fuel, unleaded gasoline, dyed diesel fuel (only used for off road equipment such as mowers) and natural gasoline (used for some City buses). At twenty-two sites, all fuel usage transactions are recorded electronically and are recorded in a “WinFuel” terminal daily. Two smaller sites utilize transaction tickets which are manually added by staff to the “WinFuel” system on a monthly basis. Most pumps with diesel and unleaded fuel have specific hardware requiring operators to enter user information on the control panel before fuel can be accessed.

Fuel tank volume levels are monitored electronically at fifteen locations using the “Veeder-Root” fuel tank monitoring system. Six locations require manual fuel readings that are taken and entered into a database tracking system. Three locations have manual fuel readings that are not entered into the tracking system because these locations store only dyed diesel. The City of Hamilton has fuel supply agreements with two companies to fuel all these sites.

For the 2013 year, fuel usage consisted of:

- 14.61 million litres of diesel
- 2.27 million litres of unleaded gasoline
- 0.17 million litres of dyed diesel
- 0.67 million litres of natural gasoline.

Total usage was approximately 17.7 million litres for all fuel types during the above-noted period. The total includes Transit, EMS, Fire and Police, along with usage that is billed to outside users (e.g. DARTS and GO Transit) using WinFuel transactions which have been transferred to the Avantis system (vehicle asset system which totals fuel usage by vehicle for cost allocation purposes). Transit, EMS, Fire and Police vehicles were excluded from the scope of this audit.

The audit focused on controls relating to inventory usage and management, reconciliation of inventories to usage, the allocation of quantities used to departments and outside users and management oversight.

A formal Audit Report (2014-01) containing observations, recommendations and resulting management action plans was issued. Nineteen recommendations were included in Audit Report 2014-01 and the Addendum (attached as Appendix “A” of Report AUD14015). Among the recommendations are:

- Develop and approve formal fuel inventory management procedures;
- Set thresholds for acceptable variances;
- Track frequency of manual fuel volume readings;
- Evaluate feasibility of eliminating manual fuel sites;
- Compare actual fuel usage to recorded usage with a reconciliation process;
- Remove inactive and duplicate operator numbers from the WinFuel system;
- Review the Avantis user listing annually; and
- Communicate to user departments guidelines for monitoring fuel usage.

Management and staff agreed with all the recommendations with most implementations expected to be completed before 2014 year end.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. These standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not applicable

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.4 Enhance opportunities for administrative and operational efficiencies.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report AUD14015

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