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Equipment Services Department

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*Internal Audit Report Authorized by the
Maricopa County Board of Supervisors*

Report Highlights	Page
Equipment Services Department (ESD) is strengthening controls over fuel billing processes.	1
ESD is improving controls over fuel tank reconciliations.	2
ESD fuel purchases were properly supported; fuel usage appears reasonable.	3
ESD is improving controls over parts inventory and usage.	4
ESD properly charged the warranty work orders selected for review.	5
ESD is strengthening controls over application user access.	5
ESD has strengthened critical application and security controls by implementing recommendations identified in a prior audit.	6

Objectives

To determine that:

- Fuel purchases are received, secured, and dispensed in accordance with established policies and procedures.
- County agencies and Intergovernmental Agreement (IGA) customers are billed accurately for fuel.
- Parts and supplies used in maintaining and repairing County vehicles are accounted for in accordance with established policies and procedures.
- User access to key computer applications is based on job responsibilities.
- ESD has implemented the Information Technology (IT) recommendations from the FY 2010 Vehicle Usage Audit.

Scope

This audit focused primarily on fuel, parts, and the associated computer system and applications. The testing period was FY 2011 to FY 2012. We interviewed 17 ESD employees and inventoried a sample of parts at all service centers.

We also reviewed the following: fuel payments, fuel tank inventories, reconciliations, invoices, fuel key reports, fuel billing and dispensing reports, warranty reports, part inventory and work order reports, part invoices, and user access to key computer applications.

Standards

This audit was approved by the Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.

Auditors

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Audit Results

Issue #1: Fuel Billings

Observation: Based on our review, most fuel transactions (96%) were accurately captured for processing. Controls need to be strengthened, however, to improve ESD's fuel tracking and billing processes.

When fuel is dispensed to a County vehicle or an Intergovernmental Agreement (IGA) customer vehicle, the transaction is immediately recorded in FuelMaster, a fuel usage and mileage application. Transaction information is then exported into FASTER, a fleet management system used for inventory tracking and billing.

To ensure customers were being properly billed for all fuel dispensed, we reviewed 2 weeks of FuelMaster transactions (7,635) and found that 96.2% of the transactions transferred to the FASTER system without exception. However, 0.2% (19) of the transactions did not transfer at all, and 3.6% (272) transferred with slightly incorrect fuel usage.

Conclusion #1A: Controls over fuel tracking and billing processes need strengthening.	
Recommendation	ESD Action Plan
1A-1 Prior to billing customers, ESD should ensure fuel transaction accuracy by reconciling FuelMaster transactions to FASTER .	Concur – in process Coordinate a fuel reconciliation report with ITC. Target Date: 10/01/2013

Issue #2: Agency Fuel Keys

Observation: County agencies have two methods to purchase fuel at County fuel stations. Some County agencies use fuel “keys” to pay at County fueling stations; we reviewed controls related to this method. Fuel keys are assigned to an agency rather than to a specific individual or vehicle. We determined that 518 active fuel keys were issued to 23 County agencies. ESD maintains a list of keys issued to each agency; however, agencies are not required to sign for keys, and no policy is in place to outline responsibilities related to the keys. ESD relies on the agency to maintain a list of individuals who have been issued a key. Fuel keys could be used to obtain fuel for personal use; strong controls are needed to prevent abuse.

To ensure that maintenance and repairs charged to agency fuel keys were properly billed, we reviewed 23 repair and maintenance charges to determine that they were properly supported by work orders. We found that ESD had work orders for all 23 charges, and all were accurately invoiced.

Conclusion #2A: Controls over agency fuel keys need strengthening.	
Recommendations	ESD Action Plan
2A-1 Develop a policy for issuing and using agency fuel keys.	Concur – in process Policy update in progress. Target Date: 09/02/2013
2A-2 Inventory all agency fuel keys and deactivate unnecessary keys.	Concur – in process Inventory complete; pending customer verification for key status. Target Date: 09/02/2013
Conclusion #2B: Agencies selected for review were accurately billed for maintenance and repairs charged to their fuel keys.	
Recommendation	ESD Action Plan
None	N/A

Issue #3: Fuel Storage Tank Reconciliations

Observation: To determine that ESD inventoried and reconciled fuel storage tank amounts accurately, we recalculated fuel purchased and dispensed, and we compared it to ending inventory balances. For diesel fuel, the storage tanks were short by 1,752 gallons. For unleaded fuel, the tanks were over by 17,770 gallons. We also found that ESD does not inventory and reconcile all fuel on a monthly basis, as required by ESD policy. Out of 516 FY 2012 inventory reconciliations (43 storage tanks x 12 months), ESD did not complete 350 reconciliations. In addition, of the 67 fuel delivery invoices reviewed, 3 (5%) were not correctly entered into FASTER.

We also noted that one ESD employee is responsible for (1) ordering all the fuel, (2) entering the invoices into FASTER, (3) reconciling fuel tanks balances, (4) and making adjustments for overages and shortages. This lack of segregation of duties allows one individual to reconcile and adjust the FASTER system with no management oversight.

Conclusion #3A: Controls over fuel inventories and reconciliations need strengthening.	
Recommendations	ESD Action Plan
3A-1 Conduct regular inventories and reconciliations for all fuel storage tanks.	Concur – in process Continue manual inventories/reconciliation and continue with upgrade to automated fuel tank monitoring system. Target Date: 06/30/2014
3A-2 Develop policies and procedures to investigate and approve FASTER adjustments before final processing.	Concur – in process Policy update in progress. Target Date: 09/02/2013
3A-3 Periodically review the accuracy of invoice data entries into FASTER.	Concur – will implement with modifications Policy update in progress to reflect FASTER for customer billing / invoice reconciliation and FuelMaster for fuel dispensing transactions. Target Date: 09/02/2013

Issue #4: Fuel Purchases

Observation: To ensure that fuel purchases were properly supported, and were entered into FuelMaster and FASTER correctly, we reviewed 100 fuel payments. All fuel payments tested had the contractually-required documentation. We also verified that purchases and deliveries were correctly entered into both systems.

Conclusion #4A: Fuel purchases and deliveries had the proper supporting documentation; transaction information was correctly entered into the FuelMaster and FASTER systems.	
Recommendation	ESD Action Plan
None	N/A

Issue #5: Fuel Usage

Observation: To determine that County fuel usage was reasonable, we compared the County's FY 2012 average miles per gallon to the U.S. Department of Energy's annual Fuel Economy Guide. We reviewed all 138,864, FY 2012, County fuel pump dispensing transactions (excluding agency fuel keys), and compared them to the annual mileage per vehicle. Fuel dispensed appeared reasonable.

Conclusion #5A: The County's fuel usage appears reasonable for the time period reviewed.	
Recommendation	ESD Action Plan
None	N/A

Issue #6: Parts Inventory

Observation: ESD does not investigate differences between parts on hand (inventory) and the FASTER system's inventory data before making adjustments to FASTER. This lack of reconciliation increases the risk of inventory errors and theft.

To determine that parts were properly accounted for, we conducted surprise inventory counts at 7 County storerooms and found that 37 of the 121 parts categories we counted (31%) did not reconcile to the inventory data in FASTER. We also noted that 9 of the 37 missing parts were listed as "non-stock" items in FASTER. Non-stock items are not inventoried by ESD.

To determine that inventories were accurate, we compared FASTER system data for 13 storerooms to the physical inventory amounts provided by ESD (FY 2011 and FY 2012). Adjustments were made for 19 parts categories that had variances between what was reported in FASTER and the year-end inventory.

Conclusion #6A: ESD is not accurately tracking parts inventory and is not investigating differences between physical inventory counts and FASTER system inventory data.	
Recommendation	ESD Action Plan
6A-1 Develop policies and procedures to document periodic inventories, approve adjustments, and to identify part count variances and their causes.	Concur – in process Policy update in progress. Target Date: 08/01/2013

Issue #7: Parts Usage

Observation: To determine that ESD correctly recorded parts usage in the FASTER system, we reviewed 546 parts transactions on 18 work orders and compared them to FASTER system reports. For 17 of the work orders (94%), we found that all parts listed were recorded correctly. For 1 of the work orders, 17 of 52 items (33%) were not recorded correctly in FASTER. We also reviewed 120 parts invoices and compared them to FASTER reports. We found that 186 of 485 parts (38%) were not recorded correctly. If parts are not properly recorded, agencies will not be billed accurately for repairs and maintenance.

Conclusion #7A: Parts are not always accurately entered into the FASTER system.	
Recommendation	ESD Action Plan
7A-1 Perform periodic comparisons of parts on invoices and work orders, to FASTER system reports.	Concur – in process Reconciliations performed by Parts Supervisor and policy update in progress. Target Date: 08/01/2013

Issue #8: Warranty Work

Observation: We reviewed 58 warranty work orders and found that all were properly charged. ESD provides a warranty for repair work on County vehicles. Agencies should not be charged for work done under the warranty.

Conclusion #8A: We reviewed 58 warranty work orders and found that all were properly charged.	
Recommendation	ESD Action Plan
None	N/A

Issue #9: User Access

Observation: We reviewed user access for a sample of 10 FASTER accounts, 12 FuelMaster accounts, and 6 terminated employee accounts. We found that FASTER and FuelMaster users appeared to have appropriate access levels for their job responsibilities, and all six terminated employee accounts were properly disabled. However, 8 of the 10 FASTER users tested were granted more system access than was formally approved. The FASTER access permission forms had not been updated to

reflect additional system access. We also noted FASTER access permission forms were incomplete, preventing ESD from formally documenting all authorization levels.

Conclusion #9A: ESD has established procedures to set up user access to key computer systems based on job responsibilities.	
Recommendation	ESD Action Plan
None	N/A
Conclusion #9B: ESD has established procedures to disable terminated employee account access to FASTER and FuelMaster.	
Recommendation	ESD Action Plan
None	N/A
Conclusion #9C: User access controls over key computer applications need strengthening.	
Recommendations	ESD Action Plan
9C-1 Review all user access accounts for both FASTER and FuelMaster applications to ensure that access is: (1) restricted to appropriate users, (2) formally authorized, and (3) appropriate for users' job responsibilities.	Concur – in process Policy and forms updated, pending verification by supervisors. Target Date: 08/01/2013
9C-2 Update the FASTER access permission form to include all available functions/activities within FASTER.	Concur – completed ESD revised access permission form. Completion Date: 06/21/2013

Issue 10: Prior Audit Recommendations

Observation: We reviewed six audit recommendations previously identified in our FY 2010 Vehicle Usage Audit. At the time of our review, ESD had not implemented four of the six recommendations related to: (1) application security, (2) user access reviews, (3) multiple log-on accounts, and (4) FuelMaster access policies. All four were completed during this review.

Conclusion #10A: ESD has strengthened critical application and security controls by implementing recommendations identified in the FY 2010 Vehicle Usage Audit.	
Recommendations	ESD Action Plan
10A-1 Establish application security plans including the regular monitoring of security compliance and testing of security controls.	Concur – completed ESD’s revised <i>Network and Application Access</i> policy states that it intends to follow MCDOT security policies. Completion Date: 4/16/2013
10A-2 Develop a formal user access review policy; develop procedures to periodically verify appropriate application access.	Concur – completed ESD’s updated <i>Network and Application Access</i> policy includes an annual review of FASTER and FuelMaster application permissions. Completion Date: 4/16/2013
10A-3 Develop and communicate formal policies and procedures for addressing security over multiple log-on accounts in FASTER.	Concur – completed ESD’s revised <i>Network and Application Access</i> policy includes requirements for users to lock or log off workstations when away from their designated work areas. Completion Date: 4/16/2013
10A-4 Implement a permission form for the FuelMaster application; update the user access policy.	Concur – completed ESD had developed a FuelMaster permission form and has updated Network and Application Access policy requires formal authorization procedures for all ESD applications. Completion Date: 4/16/2013

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a matter of public record and its distribution is not limited.

We have reviewed this information with Equipment Services Department management. The Action Plan was approved by John Cantu, Director, on June 26, 2013.

If you have any questions about this report, please contact Eve Murillo, Deputy County Auditor, at 602-506-7245.