

WENDY GREUEL
CONTROLLER

June 18, 2012

City Council
c/o City Clerk
Room 395, City Hall

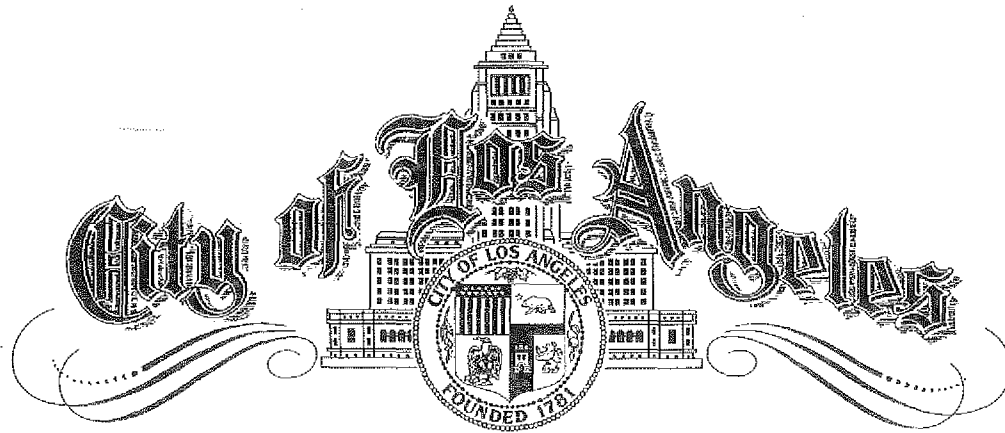
Dear Honorable Members of the City Council:

Attached, please find follow up correspondence to the Controller's report entitled "Audit of Controls Over the City's Fuel Usage," released earlier this year (C.F. 12-0473).

Sincerely,



WENDY GREUEL
City Controller



WENDY GREUEL
CONTROLLER

June 11, 2012

Jon Kirk Mukri, General Manager
Department of Recreation and Parks
221 N. Figueroa St., Suite 1550
Los Angeles, CA 90012

Dear Mr. Mukri:

**SUBJECT: EVALUATION OF ACTION PLAN RE: AUDIT OF CONTROLS OVER
THE CITY'S FUEL USE**

My Audit Division evaluated your May 25, 2012 Action Plan for the Audit of Controls Over the City's Fuel Use, issued on March 29, 2012. I am pleased that the Department is committed to making the necessary improvements to address the areas identified in the audit. Implementation of these recommendations should strengthen controls to prevent unauthorized use and theft, such as the one recently reported in the media.

There were eight recommendations specifically addressed to RAP. Based on the Department's comments, we consider one (#17) to be Implemented, three (#4, #5, and #11) to be In Progress and four Not Yet Implemented (#6, #14, #18, and #19). We will consider recommendation #14 to be implemented once the Department has provided employees with training on the implementation of its new policies on master card storage and usage. Recommendations #18 and #19 can be considered implemented once RAP develops the applicable policies.

Recommendation #6 requires clarification. The Department reports disagreement with this recommendation to establish procedures prohibiting the use of a master card, which is intended to provide an allowable override at a designated fuel site, at other sites.

Master cards assigned to specific RAP sites should only be used at those sites, and employees should not be allowed to use them at other sites. We acknowledge that, in emergency situations, RAP vehicles may need to fill-up a vehicle at a non-RAP site. In

Jon Kirk Mukri
June 11, 2012
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these instances, VIT or assigned fuel cards should be used to dispense fuel. If an override must be used, the master card assigned to that non-RAP site should be used, to provide the fuel site manager with appropriate accountability.

Our evaluation was solely based on assertions made by your Department. The results of our evaluation may have been different, if we had applied more extensive procedures, such as detailed audit tests. As part of my Office's follow-up program, we may request periodic status reports to ensure that the audit's recommendations are being properly addressed.

In conclusion, I am pleased that RAP is fully committed to use the recommendations in the report to move the Department in the right direction. If you have any questions, please contact Farid Saffar, Director of Auditing, at (213) 978-7392.

Sincerely,



WENDY GREUEL
City Controller

cc: Regina Adams, RAP

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PARK COMMISSIONERS

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DEPARTMENT OF
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221 NORTH FIGUEROA STREET
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JON KIRK MUKRI
GENERAL MANAGER

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May 25, 2012

Honorable Council Members
Los Angeles City Council
200 N. Spring Street
City Hall, Room 395
Los Angeles, CA 90012

Honorable Wendy Greuel
City Controller
200 N. Main Street
City Hall East, Room 300
Los Angeles, CA 90012

Attn: Adam Lid, Legislative Assistant

Attn: Farid Saffar, Auditing Director

**STATUS OF RECOMMENDATIONS REGARDING THE AUDIT OF THE
DEPARTMENT AND PARKS' CONTROLS OVER FUEL USE (Council File 12-0473)**

The Department of Recreation and Parks (RAP) is in receipt of the Office of the Controller's audit report entitled "Controls over the City's Fuel Use," dated March 29, 2012. We generally agree with the recommendations listed in the report and will utilize them to develop corrective action measures.

The objective of the audit was to assess the controls over the City's fuel usage. Attached is Recreation and Parks' response to the findings and recommendations regarding our department. We are committed to ensuring that the City's fuel usage policies and procedures are implemented.

Annually and most recently in February 2012, I held my "State of the Department" meetings with RAP employees to impart information and guidance. I always emphasize that theft of City resources is not tolerated. In light of recent developments with a RAP employee charged with fuel theft, I updated and once again sent a department-wide memo to RAP employees stating fraud and theft could lead to discharge from their job and criminal prosecution. Additionally, enhanced procedures are being developed for department-wide implementation. These could include the following:

- Additional training for fuel card usage and proper equipment filling procedures
- Review of daily allowed gas can card usage
- Expansion to biweekly review and reporting fuel usage beyond a RAP centralized unit to various designated supervisor and division heads
- Reiterate and enforce the completion of daily vehicle inspection sheets which include daily mileage logs

These are a few of the items we are addressing. There are others which will be developed as we



Honorable Council-Members

May 25, 2012

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continue to work with the Department of General Services to address capabilities with the City's fuel system.

RAP appreciates the time and effort by the Controller's Office staff that was put into this report. If you require additional information, please contact Regina Adams at (213) 202-2633 or Rob Simanovich at (213) 485-6821.

Sincerely,



JON KIRK MUKRI
General Manager

JKM:RA:ndw

Attachment

cc: Regina Adams, Executive Officer
Kevin Regan, Assistant General Manager
Vicki Israel, Assistant General Manager
Michael Shull, Superintendent
Noel Williams, Chief Management Analyst
Ramon Barajas, Acting Superintendent
Robert Simanovich, Equipment Specialist II

**OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS**

Department: Recreation and Parks (RAP)
 Title of Audit Report: Control Over the City's Fuel Use
 Date of Report: May 22, 2012

Legend: I – Implemented
 PI – Partially Implemented or In Progress
 D – Disagree

			DEPARTMENT REPORTED INFORMATION		
Finding Number	Description of Finding	Audit Recommendations	Current Status	Basis for Status	Target Date for Implementation
SECTION I: FUEL USE MONITORING					
1.	With the exception of LAPD, departments do not utilize the data available through the Fuel Automation Report Center to monitor fuel use for potential problems or abuse. Thus, inappropriate fueling transactions could occur without being detected and fuel costs may not be minimized.	1. GSD should convene regular meetings with departmental representatives of fuel/fleet managers to work towards cooperative solutions to better manage the City's fuel use (i.e., a "Fuel Task Force"). This could include developing general guidelines for controlling and monitoring fuel use, and assisting departments in using automated tools that are available, such as developing exception reports. Such guidelines and other information that could support departments in these efforts should be made available on GSD's website.	I	RAP attends Bi-weekly meetings with GSD and EJ Ward to discuss fuel automation issues	Implemented March 2012
		2. The Mayor should direct Departmental management to establish policies and procedures for controlling and monitoring their fuel use, based on GSD-developed guidelines.	PI	RAP has developed policies and procedures for controlling and monitoring the use of Vehicle fuel cards; Can cards, Voyager cards, Master cards and By-Pass operations	June 2012

**OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS**

Finding Number	Description of Finding	Recommendations	DEPARTMENT REPORTED INFORMATION		
			Current Status	Basis for Status	Target Date for Implementation
1. Continue		4. The Mayor should direct management of user departments to implement adequate monitoring procedures over fuel use. This should include monitoring the following high-risk transactions: a) Bypass b) Keypad Entry (for LAPD) c) Master Card d) Negative Odometer e) High Mileage f) After Hour and Weekend g) High Volume	PI	RAP has developed policies and procedures for "high risk transactions" These policies will be implemented with strict guidelines on the monitoring of fueling transaction. This will include Bypass, Master card logs , after-hour and weekend fueling to be reviewed monthly by region management for discrepancies. If discrepancies are found, the department will research and determine the appropriate action to be taken in compliance with department and City policies.	June 2012
		5. The Mayor should direct management of user departments with responsibility over fuel sites to ensure that each fuel site maintain logs to record fuel dispensed using the bypass mode and master cards. These logs should be reconciled, at least on a sample basis, to data from the Fuel Automation Report Center, and departmental managers should review these logs to identify any potential problems.	PI	RAP has developed policies and procedures for each of its 12 fueling sites to follow whenever the master card is used or the fueling system is set into by-pass mode. Training is to be completed at each fuel site. Logs will be monitored monthly by the department's fuel system coordinator for compliance.	June 2012

**OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS**

Finding Number	Description of Finding	Recommendations	DEPARTMENT REPORTED INFORMATION		
			Current Status	Basis for Status	Target Date for Implementation
1. Continue		6. The Mayor should direct management of user departments with responsibility over fuel sites to establish procedures prohibiting the use of master cards at sites other than their assigned sites.	D	RAP disagrees with this recommendation. This will impede the department's ability to fuel during emergency situations.	
SECTION II: FUEL CARD CONTROLS					
2.	Departments do not conduct regular and documented physical inventories of fuel cards, which increase the risk of inappropriate fuel transactions.	11. The Mayor should direct departments to conduct regular department-wide physical inventories of fuel cards and reconcile the inventories to GSD's records. Both the physical inventory and reconciliation should be documented.	PI	RAP has completed a department wide inventory of its active vehicle and can cards, April 2012. This information will be reconciled with GSD active fuel card list assigned to RAP	July 2012
3.	Master cards at RAP and LAFD should be better secured.	14. RAP and LAFD management should ensure that master cards are maintained in secure locations, with access restricted to only authorized individuals.	PI	RAP will conduct training regarding the implementation of strict policies on the use and storage of each master card assigned to a fuel coordinator at each site responsible for the logging and use of this card.	July 2012

**OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS**

Finding Number	Description of Finding	Recommendations	DEPARTMENT REPORTED INFORMATION		
			Current Status	Basis for Status	Target Date for Implementation
SECTION III: SYSTEMS RELIABILITY					
6.	Not all fueling transactions are recorded in the database.	17. The Mayor should direct departments with tankers and above ground tanks to maintain logs to record fuel dispensed. Information recorded should include the date, quantity dispensed, and the vehicle ID or equipment number. Management at departments should periodically review the logs to determine whether they are being completed properly and that the fuel is being used for appropriate City purposes.	I	RAP has developed logs for fuel tankers to record fuel depending at the equipment distribution site. This includes the date, vehicle ID or shop number, quantity and type of fuel. The logs will be reviewed weekly for approval.	March 2012
SECTION IV: VEHICLE USE MONITORING					
7.	Departments have not established adequate policies and procedures for checking-out vehicles and for maintained trip logs.	18. The Mayor should direct departments who have pool vehicles to establish formal policies and procedures related to checking-out vehicles and maintaining trip logs. These policies and procedures should address the types of vehicles covered by the policies/procedures.	PI	RAP does not maintain a pool vehicles fleet. RAP will develop policies and procedures to check out vehicles and maintain trip logs if applicable.	September 2012

**OFFICE OF THE CONTROLLER AUDITING DIVISION
LIST OF AUDIT FINDINGS AND RECOMMENDATIONS**

Finding Number	Description of Finding	Recommendations	DEPARTMENT REPORTED INFORMATION		
			Current Status	Basis for Status	Target Date for Implementation
7. Continue		19. The Mayor should direct departmental management to regularly monitor for compliance with the department's vehicle check-out and trip log maintenance procedures.	PI	RAP does not maintain a pool vehicles fleet. RAP will develop policies and procedures to check out vehicles and maintain trip logs if applicable.	September 2012