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Audits and Governmental Efficiency Committee
Honorable Dennis P. Zine
Chair
c/o City Clerk Office
Room 395, City Hall
Los Angeles, CA 90012


Attention: Adam Lid, Legislative Assistant

RESPONSE TO AUDIT OF CONTROLS OVER THE CITY'S FUEL USE

On March 29, 2012, the Controller's Office released their audit report on Controls Over Fuel Usage. Subsequently, on April 3, 2012, a motion (C.F. 10-2380) was passed in Council requesting the General Services Department (GSD) to report back to the Audits and Government Efficiency Committee.

I am transmitting a copy of GSD's response to the Controller's audit report which is attached. GSD substantially agrees with the findings as presented since the audit recommends better documentation and monitoring by the user departments which will ultimately strengthen and improve oversight of fuel use. GSD has been proactive in implementing the Audit recommendations, with some of the recommendations having already been implemented. While GSD has no authority over other user departments' fleet operations and fuel usage, GSD remains committed to providing the resources to the user departments in their efforts to control and monitor their fuel usage.

If you have questions, please contact Angela Sherick-Bright, Assistant General Manager, at (213) 978-3795.


Tony M. Royster
General Manager

Attachment

Attachment

Response to Auditor's Recommendations

➤ **Recommendation 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 controlling and monitoring fuel use, and assisting departments in using automated tools that are available, such guidelines and other information that could support departments in these efforts should be made available on GSD's website.

Agree

GSD already convenes biweekly meetings with departmental representatives and the Fuel Automation contractor to discuss these fuel issues. Auditors were aware of these meetings and have acknowledged that these meetings met the intent of the recommendation. Since the meetings have already been established, the recommendation should have been to encourage or require better participation by the user departments.

General guidelines for controlling and monitoring fuel have already been developed and are disseminated periodically through a memorandum to the Departments. The most recent memorandum dated March 6, 2012 highlighted the guidelines and included the announcement of the biweekly meetings. In order to provide better accessibility to these guidelines, GSD will post all memorandums associated with controlling and monitoring fuel in its website.

➤ **Recommendation 3**

LAPD and GSD should work with the fuel system vendor to restrict the use of the keypad function to emergency vehicles and by requiring employee/badge numbers to be entered when fueling these vehicles.

Agree

The fuel system vendor has already provided a price quotation to modify the system to accommodate this restriction on the keypad function. LAPD just needs to provide the approval and the funding to initiate the work.

➤ **Recommendation 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

Agree

Although this recommendation is not directed toward GSD, GSD agrees with the intent of this recommendation, which will ultimately strengthen and improve oversight of fuel use Citywide. GSD remains committed to providing the resources to the Departments in their efforts to control and monitor their fuel usage. GSD has been proactive and has developed automated Bypass, Keypad Entry, and Master card reports which are sent automatically via email to the user departments to facilitate their monitoring. In addition to the reports provided to the user departments by GSD, the user departments also have access to the Fuel Automation Report Center. With the Fuel Automation Report Center, user departments can check fuel usage information for their vehicles at any time.

In addition, GSD wants to emphasize with the table below that with the exception of the bypass method, the vehicle numbers are recorded and inputted into the system with the keypad entry and master card methods.

Transaction Type	Number of Transactions	Gallons Dispensed	Cost of Fuel
Keypad Entry	242,110	1,866,303	\$3.9 million
Master card	56,018	1,100,112	\$2 million
<i>Bypass</i> ¹	132,213 ²	877,015 ³	\$1.2 million
Total	430,341	3,843,430	\$7 million

1. Reviewed under audit, 11,699 bypass transactions did not include vehicle numbers out of 2.1 million total transactions, which translates to 99.5% of the fuel transactions reviewed by the audit were accounted where vehicle numbers were inputted into the system.
2. 83,513 out of the 132,213 Bypass transactions were 0 gallons dispensed.
3. 79% (694,263 gals) of the total gallons (877,015 gallons) under bypass was from Sanitation. Out of the total gallons Sanitation dispensed under bypass (694,263), 70% was LNG fuel.

As a result, \$5.9 million out \$7 million cost of fuel included vehicle numbers, indicating where the fuel was dispensed. Even with the bypass method, 79% (694,263 gals) of the total gallons (877,015 gals) dispensed under bypass was from Sanitation. Out of the total gallons Sanitation dispensed under bypass, 70% (482,621 gals) was Liquefied Natural Gas (LNG) fuel.

LNG is exclusively used by Sanitation for its refuse collection fleet. LNG is cryogenic fuel (-270°F) that must be dispensed using specially trained fueling staff and is for a specific type of vehicle. Similarly, 96,768 gallons dispensed under bypass was Compressed Natural Gas (CNG) fuel. Combining LNG and CNG dispensed under bypass account for 66% (579,389 gals) of the total gallons dispensed under bypass (877,015 gals). Due to the specialized nature of these fuels, it can be deduced that the fuel is dispensed to City vehicles and its use cannot be assumed to be unauthorized.

In addition, when GSD assigns and issues Master card and Bypass keys, user departments must sign acknowledging receipt of the items and proper usage. At this point, user departments are responsible for their proper use. This recommendation would provide additional accountability and assurance of appropriate management oversight through user department monitoring and usage documentation.

➤ **Recommendation 7**

GSD should explore the feasibility of programming the EJ Ward System so that master cards can only be used at sites they are assigned to.

Agree

GSD has already explored this with EJ WARD and was determined to be unfeasible due to system constraints. GSD will revisit this again with EJ Ward.

➤ **Recommendation 8**

GSD, in coordination with user department, should determine why a high number of negative odometer and high mileage transactions are occurring.

Agree

While GSD is in agreement of this recommendation, it should be acknowledged that majority of the transactions occurred as result of user inputs caused by users overriding the System through keypad entry or other means, which were not standard to the original programming. GSD has already determined why a high number of negative and high mileage transactions are occurring and all instances took the necessary steps to address them. To facilitate this recommendation, GSD will develop and provide a negative odometer and high mileage transaction report to each user department for appropriate action.

➤ **Recommendation 9**

GSD should provide City departments with Voyager statements or electronic files of Voyager Card transactions for their review, along with the directive and suggested guidelines for departmental management to monitor purchase transactions to ensure appropriate use.

Agree

GSD already provides automated Voyager Card transaction reports to Departments on a monthly basis. Each report contains an automated message that includes guidelines on appropriate use and a link to the GSD intranet site where fuel site locations, hours of operations and maps can be accessed.

➤ **Recommendation 10**

GSD should remind City departments that utilize Voyager cards of the City's policy regarding refueling at City sites, and how to locate maps and hours of operation of the City fuel sites. Suggestions for how best to strengthen internal departmental procedures regarding this issue is an example of item to be discussed at regular Fuel Task Force meetings, referred to in Recommendation #1.

Agree

GSD provides automated Voyager Card transaction reports to Departments on a monthly basis. These reports provide automatic monthly reminders to the City departments that utilize Voyager cards since each report contains an automated message that includes guidelines on appropriate use and a link to the GSD intranet site where fuel site locations, hours of operations and maps can be accessed.

➤ **Recommendation 12**

LACC management should request GSD to transfer all cards used by security staff physically located at LACC to GSD's fuel card inventory.

Agree

GSD will work with LACC management to transfer the fuel cards.

➤ **Recommendation 13**

In future fuel card reports, GSD management should annotate the reports to indicate that LAFD and LAPD administer their own Voyager programs and that the reported figures on GSD's report only include cards used for helicopters.

Agree

GSD has already annotated the reports.

➤ **Recommendation 15**

GSD management should develop solutions to resolve continuing system problems which could include penalizing the vendor for inaccurate data that was accepted and processed by the System, exploring the feasibility of replacing the current system, and ensuring that proper tests conducted prior to purchasing/implementing a system.

Agree

Corrective actions have been taken when errors occurred. System issues are discussed with the vendor and the vendor provides updates at the bimonthly Fuel Automation meetings on all systems problems through a progress report. However, even taking into account all the errors reported in the audit, these errors account for 0.1 percent of all yearly transactions, taking into consideration that the City's average yearly transactions are nearly 1 million. GSD has explored the feasibility of replacing the current system with EJ Ward or its competitors. The cost to replace the current system is upwards in the cost of \$7 million.

➤ **Recommendation 16**

GSD management should regularly monitor fuel transactions to identify instances where pre-established transaction limits do not appear to be functioning correctly.

Agree

GSD regularly monitors fuel transactions and will continue to do so.