

OIG IN BRIEF

Why the OIG Did This Report

In 2013 the OIG issued a report on the City's fuel receiving controls. The OIG found that the City did not have a system in place to verify upon delivery how much fuel was received at its primary fueling locations. In addition, it did not manually verify receipt of approximately 48,000 gallons of fuel delivered to non-automated facilities between January and October 2012. Due to billing errors, the City also paid approximately \$36,000 for taxes it did not owe. Finally, the City did not require documentation of how much fuel was loaded onto delivery vehicles, and did not independently verify the fuel prices charged.

The OIG recommended that:

- 1) The City should establish official fuel receiving procedures for facilities with electronic monitoring devices.
- 2) The City should install electronic monitoring devices at all fuel facilities.
- 3) The City should review all invoices prior to issuing payment.
- 4) The City should require all fuel vendors to submit bills of lading with invoices.
- 5) The City should independently verify fuel prices before issuing payments to vendors.

The City spent approximately \$3.2 million on gasoline and diesel fuel in 2015. Effective controls are necessary to safeguard that investment. The objective of this follow-up report was to determine the extent to which the City implemented OIG recommendations.

A report to the City of New Orleans, September 14, 2016.

View OIG report IE 15-0013. For more information contact Nadiene Van Dyke at (504) 681-3200 or nvandyke@nolaig.gov.

Fuel Receiving Controls: Follow-up Report

What the OIG Found

Evaluators found that the City made significant improvements to its fuel receiving controls at automated sites and improved its invoice review process. However, the City continued to lack effective oversight of fuel delivered to non-automated sites.

In the original report, "Inspection of City of New Orleans Fuel Receiving Controls," the OIG recommended that the City perform timely and independent verification of fuel deliveries to ensure that the number of gallons purchased matched the number of gallons delivered. The OIG also recommended that the City implement processes to ensure that it paid vendors the correct per-gallon amount for fuel.

Evaluators who conducted the follow-up found that the Fuel Services Administrator improved the invoice review process to identify billing errors and independently verify pricing information for fuel delivered to all facilities.

Automated Facilities

Evaluators found that the City developed an effective process to monitor and verify deliveries made to the City's four automated facilities before issuing payments to vendors. The City also began regularly reconciling expected fuel inventory to actual fuel levels, which improved the ability to identify unusual variances in a timely manner.

The City should formally adopt these improved processes in departmental policy or standard operating procedure to ensure continued implementation.

Non-Automated Facilities

In the original report, evaluators recommended that the City automate all fuel facilities by purchasing electronic monitoring devices for facilities that did not already have them. The recommendation was intended to improve the accuracy of the fuel inventory process at non-automated facilities. The City rejected the recommendation, stating that its implementation would be cost-prohibitive and that it would follow existing manual fuel verification procedures.

Evaluators who performed the follow-up found that the City continued to lack effective fuel receiving processes at non-automated facilities. City employees did not measure fuel levels at the time of delivery and did not perform reconciliations. These longstanding deficiencies indicated that the City should reconsider its decision not to purchase electronic monitoring devices.

Evaluators researched the cost of electronic monitoring devices and found lower cost alternatives than the estimates the City noted in its response to the 2013 report. The City stated that to automate eleven fuel tanks "[...] it would cost between \$80,000 and \$100,000 to install tank monitoring equipment at these locations." The OIG's alternatives ranged from \$14,000 to \$16,500 to automate the 13 tanks that were not automated at the time of follow-up. If the City does not purchase and install electronic monitoring devices, it should establish an official manual fuel receiving policy and communicate those requirements to all employees and fuel vendors.