



INTERNAL AUDIT DEPARTMENT

INTEROFFICE MEMORANDUM

Date: July 15, 2009

To: Honorable Mayor Ronald Jones
Members of the City Council
Members of the Audit Committee

cc: Brad Neighbor, City Attorney
Mitch Bates, Police Chief
Priscilla Wilson, Senior Managing Director, Human Resources
Jack May, Managing Director, Water
Terry Anglin, Director, Fleet Services

From: Craig Hametner, City Auditor

Subject: Audit Investigation of the Water Department - Follow-up

This is a follow-up of the "Audit Investigation of the Water Department" Memorandum issued on April 23, 2008.

We recommended the following to the Water Department in the original memo:

- Monitor the Vehicle Fuel Consumption report monthly which will provide information on fraudulent activities.
- Authorize employees to use only city gasoline cans, which hold no more than three gallons, in the city trucks.
- Mark "City of Garland" sign on all gasoline cans owned by the department.
- Verify that the Global Positioning System (GPS) installed on the City trucks are working properly.
- Develop a departmental inventory, gas consumption and gas mileage policy.
- Develop an open door atmosphere between management and staff so that fraud activities can be detected immediately to prevent further damages or loss.
- Perform monthly tools inventory reconciliation promptly.
- Secure all utility truck keys in a lock box, and keep a daily record of employee access to these keys.
- Keep a record of video surveillance greater than the current five days (e.g. 14 days).

We recommended the following to the Fleet Services Department in the original memo:

- Install a video surveillance system to monitor the Fleet Gas Pump Station.

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We recommended the following to the Human Resources Department in the original memo:

- When a contract is signed with a new vendor, ensure that periodic background checks are complete on all employees, and maintain these records in employee files.

The following are the recommendations with follow-up results:

A. Water Department

1. Monitor the Vehicle Fuel Consumption report monthly which will provide information on fraudulent activities.

Follow-up: The Water Department receives a copy of the Vehicle Fuel Consumption Report from the Fleet Department. According to Water and Fleet, the fuel consumption report is not accurate and therefore would be hard to identify any fraudulent activities from this report. In many cases the miles per gallon for each vehicle are off because the mileage is entered incorrectly or a vehicle fills up at another location besides the fleet station. Currently, Fleet is working on a system where mileage would automatically register in the system when someone puts the gas nozzle in the vehicle. The Fleet Services Administrator stated that the automated system will be up and running by the end of 2009 at Gasoline Alley, Landfill, and the new Forest Lane location. Due to the cost only new vehicles will be equipped with this capability. This would eliminate anyone from entering the wrong mileage number.

Recommendation was Not Implemented. However, progress is being made in providing a viable Vehicle Fuel Consumption Report.

2. Authorize employees to use only city gasoline cans, which holds no more than three gallons, in the city trucks.

Follow-up: The Water Department has authorized the use of two and five gallon gasoline cans. According to the Water Utilities Field Administrator, they could not find any three gallon plastic cans. The cost of a three gallon metal can is much higher (around \$50) than the cost of five gallon plastic can (around \$5). In some cases, two gallon cans are too small if a crew is out on an emergency call. They are rewriting the policy and limiting the size to 5 gallon cans for gasoline and diesel and 2 gallon cans for mixed gas. The mixed gas is gasoline mixed with 2 cycle engine oil and used mainly for chain saws, quick cut saws and weed eaters.

Recommendation was Fully Implemented as changed.

3. Mark "City of Garland" sign on all gasoline cans owned by the department.

Follow-up: On April 23, 2009, our review of eight Water Department trucks that were parked on the Water Department lot revealed that all two and five gallon gas cans located on these trucks were clearly labeled with "COG" or "City of Garland" signs.

Recommendation was Fully Implemented.

4. Verify that the Global Positioning System (GPS) installed on the City trucks are working properly.

Follow-up: The Water Department provided Internal Audit with a list of 54 City trucks in their department. Internal Audit took a random sample of 26 trucks, and by using the GIS (Geographic Information Systems) Intranet Mapping System we were able to locate all vehicles except for one. Internal Audit contacted the Water Department to see why vehicle number 400-151 was not showing up on the map. The Water Department looked into it and found the GPS box was broken on the truck so it was sent to the shop to be repaired.

Recommendation was Fully Implemented.

5. Develop a departmental inventory, gas consumption and gas mileage policy.

Follow-up: The Water Department has developed a departmental policy on the authorized usage of fuel, fuel audit and fuel containers. The policy provides direction and procedures for maintaining small containers of combustible fuel for limited use of gasoline, diesel, and gas/oil mixture for the department. It states that "The Water Department Managing Director or his designate will review monthly fuel data reports issued by the Fleet Department. Excessively high consumption can be reviewed to determine any basis for unauthorized fuel usage." Currently, the Water Department does not have a departmental inventory policy in writing. According to the Water Utilities Field Administrator, they are in the process of incorporating departmental tool inventory reconciliation into the Work Management System (WMS). Once this is accomplished, they will develop a policy on responsibilities and procedures.

Recommendation was Partially Implemented.

6. Develop an open door atmosphere between management and staff so that fraud activities can be detected immediately to prevent further damages or loss.

Follow-up: According to the Water Department, employees are fully aware of the open door policy. If fraud activity is evident, employees know they can discuss any issue with the Water Utilities Field Administrator and Wastewater Operations Manager.

Recommendation was Fully Implemented.

7. Perform monthly tools inventory reconciliation promptly.

Follow-up: The Water Department has a list of all big ticket items such as cameras, compressors, cordless drills, and saws that are stored on each City truck. They do not include small items such as screwdrivers, wrenches, etc... on the list. According to the Water Utilities Field Administrator, each Supervisor reviews the tool list monthly to make sure every tool is accounted for in the truck. If anything is missing an investigation occurs. The Water Utilities Field Administrator makes the determination based on the cost or frequency of the lost item whether the incident is written up in a memo or reported to the police. Currently, the department is in the process of incorporating tool inventory reconciliation into the Work Management System (WMS).

Recommendation was Partially Implemented.

8. Secure all utility truck keys in a lock box, and keep a daily record of employee access to these keys.

Follow-up: With rare exceptions, the same two or three man crews use the same vehicles on a daily basis, the keys are kept in each Supervisor's office in the same location every day, either hung up on a board in the office or in a special container on the desk. The Supervisors can tell immediately if any keys are missing and it would be redundant to have the same person signing out the same keys every day. Internal Audit was not able to obtain a daily record of employee access to the keys but in our observation on April 23rd the keys were locked up in the lock box.

Recommendation was Fully Implemented as changed.

9. Keep a record of video surveillance greater than the current five days (e.g. 14 days).

Follow-up: According to the Water Department to extend video surveillance past 5 days will require a computer system upgrade. The upgrade will be very costly and it is not in the budget at this time.

Recommendation was Not Implemented.

B. Fleet Services Department

10. Install a video surveillance system to monitor the Fleet Gas Pump Station.

Follow-up: Fleet has secured \$20,000 to install security equipment at the Fleet Gas Pump Station (Gasoline Alley). Facilities Management has been notified and requested to move forward on the project. There is not a timeline or completion date but it is in the planning stage.

Recommendation was Partially Implemented.

C. Human Resources Department

11. When a contract is signed with a new vendor, ensure that periodic background checks are complete on all employees, and maintain these records in employee files.

Follow-up: Human Resources signed a new contract with EBI, Employment Background Investigations, in December 2008. Human Resources is currently working on a format to determine what type of background checks need to be run on existing employees. As part of this process, HR will be developing parameters for dealing with adverse information that may be revealed through the background checks. The Attorney's office wants the parameters to be set so that they are applied equitably and consistently to all employees regardless of position or prestige within the organization. HR has formed an adhoc committee and they are currently working on this issue.

Recommendation was Partially Implemented.