



Follow-up Review Report



District's Fuel Inventory Controls



The Department of Transportation has largely overcome its past difficulties in managing the district's fuel inventory. However, future follow-up on audit recommendations not fully implemented is needed.

December 2008

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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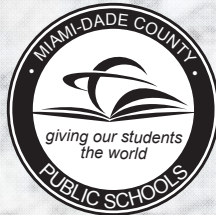


TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY AND CONCLUSIONS	1
OBJECTIVES, SCOPE AND METHODOLOGY	3
BACKGROUND	4
CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS	5



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November 21, 2008

Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

In accordance with School Board Rule 6Gx13-2C-1.14, Section IV.B.3, and the approved Audit Plan for FY2008-09, we have reviewed the actions taken by management to implement the recommendations included in our prior internal audit report, *District Fuel Inventory Controls*. That report was issued April 24, 2007. The audit objectives were to determine if:

- Internal controls over fuel inventories were adequate
- Fuel inventories were maintained at effective and efficient levels
- Internal controls over fuel receipts and purchase prices were adequate
- Fuel management practices, internal controls and pricing compared favorably with Miami-Dade County.

EXECUTIVE SUMMARY AND CONCLUSIONS

In our prior audit, we reported that the Department of Transportation adequately maintained its fuel islands and physical access controls to the storage tanks, were with only one exception, adequate. While fuel inventory levels were adequately maintained, internal controls needed to be strengthened over fuel receipts and inventory reconciliations. Fuel pricing errors and filings for tax rebates were also issues that management needed to address. Furthermore, staff needed training in cost accounting techniques and needed to do a better job of monitoring fuel usage.

We made 12 recommendations, which management generally agreed to address. Based upon our current follow-up, we concluded that 10 of our recommendations were fully implemented and two (2) were partially implemented.

DOT has strengthened its controls over fuel receipts by directing staff to observe fuel deliveries and to document tank levels before and after fuel deliveries so that they can reconcile the amount received to the vendor's invoice.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this follow-up review was to determine the progress and extent of the implementation of management's plans of action addressing the 12 recommendations in our original audit report. The review covered actions by management subsequent to the issuance of the original audit report.

We performed the following procedures to satisfy our objective:

- Interviewed District staff
- Reviewed operating policies and procedures
- Examined, on a sample basis, documentation, including reconciliations, tax rebate returns and logs
- Visited all sites to verify display of certificates and security of fuel tanks
- Performed various other procedures deemed necessary

This performance audit follow-up review is not an audit, but is intended to provide a current status on prior audit findings and recommendations. However, we believe that the evidence obtained and reviewed provides a reasonable basis for our conclusions on the status of prior audit findings and recommendations. This follow-up review did not include an assessment of internal controls.

BACKGROUND

The Department of Transportation's (DOT) primary function is to provide administrative oversight and management for the school district pupil transportation services. Among its other functions, is the oversight of the District's fuel inventory. During FY 2007-08, DOT procured 4.3 million gallons of unleaded and diesel fuel with representative values of approximately \$11.7 million for diesel fuel and \$2 million for unleaded gasoline fuel. The fuel is stored and dispensed from nine (9) Miami-Dade County Public Schools owned transportation sites located throughout the district. The fuel storage capacities at the nine (9) sites are maintained through eight (8) unleaded gasoline tanks with a combined capacity of approximately 97,000 gallons and nine (9) diesel tanks with a combined capacity of approximately 154,000 gallons.

Fuel is procured from three local fuel brokers using three District bids. The bids include the types of fuel to be procured and the proposed delivery surcharge; and are differentiated by the fuel delivery location. According to the bid, the price billed to the District is the Oil Price Information Service (OPIS) average rack price for Miami, plus a fixed service charge, which varies based on delivery locations and all applicable taxes. When the bidding process is finalized, Procurement Management issues the necessary purchase orders to the fuel vendors and monitors contract compliance. Administrative staff at DOT then takes over the responsibilities for purchasing and controlling the fuel inventories.

The department's fuel administrative function is supervised by the Director of Vehicle Maintenance, who reports to the Administrative Director of the Department of Transportation. DOT's administrative and clerical staffs are responsible for maintaining accurate inventory records, timely scheduling purchases and accepting fuel deliveries, timely submitting fuel invoices for payment, filing fuel tax rebate applications, and reconciling inventory quantities with the accounting records. These responsibilities are accomplished, in part, by reviewing the daily fuel receipt and usage reports received from the various DOT fueling sites, taking daily measurements of fuel levels, and visually inspecting the sites.

To manage their fuel inventories, the Department of Transportation currently uses an automatic tank gauge system (Veeder-Root) and the E.J. Ward automated Vehicle Information Transmitter (VIT) and card systems. The Veeder-Root system allows the site personnel to obtain fuel tank inventory information such as fuel and water level readings, line leak monitoring and tank temperature on a continuous basis. The E.J. Ward VIT system allows for fuel to be dispensed without a card or interaction with the terminals. The E.J. Ward card system acts as a manual override to the automated VIT system. The card system also allows for the fueling of off-road equipment, such as lawn mowers, generators, heavy equipment and portable fuel storage containers. Additionally the card system allows vehicles without the VIT device installed, such as driver education vehicles to be fueled. The system also tracks fuel usage and mileage information by vehicle.

Follow-up Review of District Fuel Inventory Controls Audit Committee Meeting Presented – April 24, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
1. Strengthen controls and reconciliation over fuel inventory received	1.1 Transportation staff should observe fuel delivery, document the actual quantities received, and reconcile quantities received to the bill of lading and invoice, and pay for only the verified quantities delivered. The proper receiving and reconciling procedure should be documented in the department's standard operating procedures manual.	A directive has been issued to all site supervisors to ensure that someone monitors the fuel receiving process. This includes a printout of the tank levels before and after receiving fuel and the shutting down the fuel dispensing during fuel delivery. Management Response: As previously stated, we will be reviewing the Standard Operating Procedure of the department in the coming year and will incorporate this recommendation into the SOP manual as well as the others that relate to fuel management.	Partially implemented. Directive issued and procedure being followed. However, the standard operating procedures manual has not been updated. The department is planning to revise the entire manual this year.
2. Comply with bid requirements and improve on the completeness of fuel tax rebate filings	2.1 Transportation staff responsible for processing vendor's fuel invoices should enforce the pricing terms of the fuel bids. Staff should validate the price invoiced by comparing the invoiced price to the appropriate OPIS average rack price and bid price increment prior to approving payment of the	In order to minimize the discrepancies between the pricing and the invoicing price, DOT has subscribed to the OPIS report to avoid lag time between the fuel receipt (Bill of Lading) and invoicing.	Fully Implemented.

Follow-up Review of District Fuel Inventory Controls			
Audit Committee Meeting Presented – April 24, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
	invoice and where differences are noted; require the vendor to correct the invoice.		
	2.2 Revise fuel bids to clearly specify which OPIS price should be used for invoicing purposes and require adherence by fuel vendors.	The fuel bids specify that the weekly OPIS price is to be used. We strictly adhere to the OPIS report prices. If a vendor submits an invoice with an incorrect price they are notified immediately and they respond by issuing a credit and a new invoice.	Fully implemented.
	2.3 Ensure that all fuel purchases are reconciled to control reports and are included in the monthly fuel tax rebate application filed with the Florida Department of Revenue. The invoice listing for the month should agree to the total amount applied for on the fuel tax return.	DOT Vehicle Maintenance Division assumed this responsibility and reviewed the tax filings for the previous 3 years. The State reimbursed the district an additional \$33,332 in fuel rebates for that time period. In FY 2007-2008 the total tax rebate refunds received totaled \$590,676.	Fully implemented.
3. Adequate staff training is needed to rectify poor cost accounting practices	3.1 Discontinue the practice of increasing the fuel inventory account balances by the gross gallons of fuel ordered. The	This practice was discontinued. The Inventory is increased by the amount of fuel received.	Fully implemented.

Follow-up Review of District Fuel Inventory Controls			
Audit Committee Meeting Presented – April 24, 2007			
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	inventories should be increased by the actual quantities delivered.		
	3.2 Transportation's administration should ensure that fuel staff members are trained on proper reconciliation of the fuel inventory accounts. The reconciliation of fuel inventory accounts should be properly documented and procedures should be established to compare reconciled fuel information to the general ledger. Any differences in the reporting of fuel receipts, purchases, usages or ending inventory on hand should be addressed, in a timely manner.	<p>Daily, weekly and monthly balancing of fuel sites are completed. The Senior Fuel Procurement Clerk maintains a log of all fuel deliveries. The log compares the amount received listed on the bill of lading with the amount of increase recorded by the Veeder-Root. Discrepancies are addressed in a timely manner.</p> <p>As invoices are received they are matched to the bill of lading, checked for accuracy and processed for payment. If a discrepancy occurs the Inventory Accounting Specialist notifies the vendor that a credit and a re-bill is required. The invoices are sent to Accounts Payable for processing. The Inventory Accounting Specialist checks MSAF to determine when the invoices have been paid and that they were paid correctly. The Coordinator II completes the</p>	Fully implemented.

**Follow-up Review of District Fuel Inventory Controls
Audit Committee Meeting Presented – April 24, 2007**

Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
		reconciliation for fuel on a weekly and monthly basis.	
4. Improve recordkeeping over fuel management	4.1 Maintain a transaction log to record the amount of fuel and pertinent information when dispensing fuel using an override fuel card and incorporate this information in the reconciliation process.	A log is maintained at each site that details the use of fuel master cards at those locations. These are compared on a monthly basis with the EJ Ward system for accuracy.	Fully implemented
	4.2 Inventory the E.J. Ward fuel cards and ensure that all cards are accounted for and the inventory record accurately reflects the card inventory.	A listing that details an accurate inventory of all fuel cards is maintained within the E.J. Ward system.	Fully implemented.
	4.3 Ensure that the required certificates and postings are present and current.	Required certificates and postings are present and current at all fueling locations.	Fully implemented.

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	4.4 Daily monitor the fuel tank locks and pumps for suspected acts of vandalism and introduce measures of deterrence as deemed necessary.	<p>All sites are monitored by personnel to ensure that fuel tanks have locks and are secure.</p> <p><u>Management Response:</u> With regards to the broken cap at Redland, the leadperson responsible for the site has been transferred for his failure to report that the caps had been broken. Nevertheless, new caps have been installed and staff has been advised of the importance to ensure the caps and locks are in place.</p>	<p>Partially implemented. Fuel tank caps are broken for both unleaded and diesel tanks at Redlands satellite. Fuel may be dispensed without authorization.</p>
5. Better monitoring of fuel usage and system data is needed	5.1 Diligently review fuel usage reports to ensure that unusual transactions are identified and timely investigated.	The Fuel Procurement Office reports any unusual transactions to the appropriate department or division. It is then up to the individual department supervisor to take action.	Fully implemented.

**Follow-up Review of District Fuel Inventory Controls
Audit Committee Meeting Presented – April 24, 2007**

Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
	5.2 Ensure that each department is charged for fuel usage both in gallons and dollars.	The Cost Distribution Summary Report (Report 35) accurately lists the number of gallons used and the cost by fuel type for each department. The funding structures are listed on this report as well. Staff compares this report to the information in EJ Ward.	Fully implemented.

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Title VII of the Civil Rights Act of 1964, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

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INTERNAL AUDIT REPORT



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