
**CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR**

**BUILDING AND EQUIPMENT SERVICES DEPARTMENT
AUDIT OF FUELING FACILITIES
PROJECT NO. AU24-004
AUGUST 12, 2024**

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CITY AUDITOR**



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Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of Building and Equipment Services Department (BESD), specifically the fueling facilities. The audit objective, conclusions, and recommendations follow:

Determine if adequate controls are in place in the fleet fuel inventory facilities.

Overall, BESD has adequate controls in place over the fleet fuel inventory facilities. Vehicles were properly set up in the EJ Ward system and authorization forms were properly approved. CANceiver fueling controls were working as intended and fob fuel transactions were properly supported and billed to the correct department. Preventive maintenance performed for the fuel stations was adequate and charged in accordance with contractual rates. In addition, fuel inventory for FY 2023 was accurately reported. Finally, BESD was in compliance with Texas Commission on Environmental Quality (TCEQ) requirements.

However, controls could be improved over certain areas of fuel operations. We identified fuel deliveries that were received by non-certified staff and fuel delivery checklists that were not complete. Additionally, while BESD does have policies and procedures in place, they are not comprehensive.

We provided recommendations to management to strengthen controls and resolve identified issues. BESD management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 10.

Background

Fueling Overview

The Building and Equipment Services Department (BESD) manages 11 fuel facilities and provides fuel for approximately 5,400 City of San Antonio (COSA) active fuel users. BESD also provides fuel to two other local agencies which include Opportunity Home San Antonio and Lackland Independent School District.

To provide support, BESD purchases unleaded gasoline, compressed natural gas (CNG), diesel, and propane fuel for 11 fueling sites throughout San Antonio. BESD purchases diesel and gasoline fuel for the City from TACenergy. They charge the City of San Antonio fuel prices based on the average price of all fuel suppliers from an Oil Price Information Service (OPIS) Report each week. Fuel purchases totaled approximately \$16.6 million for FY 2023. In addition, BESD charges a 15-cent upcharge on fuel used by each City department to cover operational expenses.

Regulatory Agencies

Both the Environmental Protection Agency (EPA) at the federal level, and Texas Commission on Environmental Quality (TCEQ) at the state level, establish rules and regulations related to above-ground and underground fuel storage tanks. Both agencies issue criteria for managing, maintaining, and inventorying fuel. TCEQ, under Texas Administrative Code Chapter 334, establishes mandates for pressurized fuel tank leak detectors and requires fuel tanks to be tested for performance and operational reliability.

Systems Utilized

BESD utilizes four systems to manage fuel operations and all underground tanks located across the 11 fueling sites: Veeder-Root, EJ Ward, FASTER, and SAP. A brief explanation of each system follows:

The Veeder-Root system has a full range of fuel gauges and reporting mechanisms that continuously measure fuel, water, and temperature levels in storage tanks and fuel lines. This system also provides real-time fuel leak notifications. Additionally, on a daily and monthly basis, the system collects all fuel transactions (sales and deliveries), providing a perpetual inventory system for each fuel tank to aid in identifying potential fuel leaks.

BESD also utilizes the EJ Ward automated fuel management system. The E.J. Ward system captures daily fuel sales transactions at the fuel dispenser (gas pump). The user must enter their SAP number and insert the gas nozzle into the car's gas tank to activate the fuel dispenser. Fuel cannot be dispensed without either a CANceiver-equipped vehicle or a fob. A CANceiver is a device that connects to a vehicle's on-board diagnostics port which interacts with the EJ Ward system. It captures vehicle information including fuel dispensed and mileage readings. Fobs are tools recognized by the EJ Ward fueling system used to dispense fuel when a vehicle or machinery does not have a CANceiver installed. For example, fuel trucks that need to fill up equipment/machinery in the field may also use fobs.

The FASTER system is used by BESD to track mileage, fuel consumption, and sales by vehicle. The system generates daily fuel reports for management. After daily fuel transactions are uploaded from EJ Ward into FASTER, fuel pricing and service charges are established based on current OPIS pricing. This system is used to generate summarized monthly billing flat files, by department, which are then manually entered into SAP.

COSA Oversight

BESD is responsible for daily operations and monitoring of the fuel facilities. They order fuel, receive deliveries, and bill departments for fuel usage. In addition, they monitor each fuel station to ensure they maintain compliance with TCEQ regulations. BESD has proactively completed the removal and replacement of aged underground storage tanks (USTs) and related infrastructure at three of its facilities, with upgrades scheduled for all remaining facilities in need of replacement by the end of FY25.

Audit Scope and Methodology

The audit scope covered October 2022 through May 2024. It included compliance with TCEQ standards, analysis of fuel transactions, fueling controls, fuel ordering and delivery procedures, departmental billings, and fueling facilities' physical security controls.

We interviewed BESD management and staff to obtain an understanding of the fueling processes which included vehicle set up, ordering, delivery, and billing to departments. We also obtained an understanding of the TCEQ compliance regulations in place for fueling stations. The primary criteria for this audit included BESD policies and procedures, TCEQ regulations, and the fueling facilities maintenance contract.

We assessed internal controls relevant to the audit objective. This included a review of written policies and procedures, system-generated reports, and supporting documentation. In addition, as part of our testing procedures we reviewed:

- Fuel processing controls including vehicle setup, authorized fuel users, CANceiver controls, and fob usage to determine if they were appropriate and adequate,
- Fuel deliveries, department monthly fuel billings, and year-end inventory to verify they were accurate,
- Preventive maintenance performed at fueling stations to verify they followed contract requirements,
- Fueling transactions to identify potential anomalies,
- Fueling station documentation for compliance with TCEQ regulations, and
- Physical safeguards in place at the 11 fueling stations to determine if they were adequate.

We relied on computer-processed data in the SAP, FASTER and EJ Ward systems. SAP was used to validate monthly fuel billings, FASTER was used to validate relevant vehicle information, and EJ Ward was used to validate controls for fueling vehicles. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

Overall, BESD has adequate controls in place over the 11 fueling stations. We reviewed BESD's fueling operations and concluded the following:

BESD has adequate controls over the vehicle/driver setup process. Specifically, we reviewed a sample of 25 vehicles set up in the EJ Ward system and verified all 25 were approved to have a CANceiver installed and had accurate vehicle information including fuel type and intake thresholds. We also tested 25 drivers and verified BESD had an approved department fuel authorization form for each one.

We also verified CANceiver controls were working as intended when fueling unleaded and diesel vehicles. Examples include verifying gallon fuel limits were in place and fuel was cut off when using the wrong fuel type or the driver was too far away from the fuel pump. In addition, we verified fuel pumps would not activate for an unauthorized user.

We reviewed preventive maintenance performed by JF Petro Inc. at all fuel stations and verified it was adequate and correctly charged to the City at the contracted rate for the months of November 2023 and January 2024. We also determined fuel inventory for FY 2023 was accurately reported.

In addition, we performed data analysis over the FASTER fuel transactions from October 2022 through December 2023 to identify potential anomalies such as excessive fuel fill-ups, multiple fueling in a single day, weekend transactions, duplicate transactions, excessive mobile truck fill-ups, and inactive vehicle fill-ups. We determined there were no significant anomalies within the approximately 460,000 fuel transactions.

Finally, BESD was in compliance with TCEQ requirements. We reviewed underground storage tank testing results for interstitial monitoring, pressurized line testing, sump, spill and overflow prevention testing and determined BESD passed testing as required by TCEQ. We also reviewed the four most recent TCEQ inspection results (at four different service centers) and verified they were passed without exception.

While BESD operations were in compliance with TCEQ regulations, we noted a few instances where they did not follow their internal policies as noted below.

A. Fuel Delivery Process

We identified fuel deliveries that were received by non-certified staff and fuel delivery checklists that were not complete. Specifically, we tested a sample of 25 fuel deliveries valued at approximately \$576,000 and identified two that were received by staff, that while previously certified, were not properly certified at the time they received fuel. In addition, we identified 9 of 25 fuel deliveries where the receiver did not complete the Fuel Delivery Procedures and Checklist Form. The checklist provides the fuel receiver with a list of tasks that need to be complete to ensure the fuel received is measured, correctly delivered into the underground tanks, and visual inspections are performed to keep the fuel sites free of hazards.

Per BESD Fuel Facilities General Overview and Guidelines, only certified A, B or C operators may receive fuel. In addition, operators who receive fuel should report any items not in compliance with the Fuel Delivery Procedures and Checklist form.

BESD did not have monitoring controls in place to ensure their internal procedures were followed. Without proper monitoring controls, there is an increased risk of safety hazards at the various fuel locations.

Recommendation

BESD Director should implement monitoring controls over the fuel delivery process to ensure compliance with internal policies and procedures related to certified fuel receivers and fuel checklists. Furthermore, staff should be trained on the internal fuel delivery procedures.

B. Policies and Procedures

While BESD has a Fuel Facilities General Overview and Guidelines in place, the policy is not comprehensive and did not reference the following:

- Compliance with all TCEQ testing requirements,
- Fob downtime sheet usage,
- Monitoring procedures to confirm fuel receiver Class C certifications are active,
- Retention period for Driver Authorization Forms, and
- EJ Ward system (which has since replaced the currently referenced Insite360 system).

BESD has not updated their Fuel Facilities General Overview and Guidelines since August 2022. Outdated fuel operations policies and procedures could result in tasks not being completed and inconsistencies in fuel operations process.

Recommendation

BESD Director update the current Fuel Facilities General Overview and Guidelines to reflect current fuel operation processes. Furthermore, train staff on the updated policy.

Appendix A – Staff Acknowledgement

Abigail Estevez, CPA, CIA, CISA, Audit Manager

Danny Zuniga, CPA, CIA, Auditor in Charge

Ty Myers, Auditor

Sabrina Saldana, Auditor

Appendix B – Management Responses



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

August 6, 2024

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Building and Equipment Services
Department Fueling Facilities

The Building and Equipment Services Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
A	A. Fuel Delivery Process BESD Director should implement monitoring controls over the fuel delivery process to ensure compliance with internal policies and procedures related to certified fuel receivers and fuel checklists. Furthermore, staff should be trained on the internal fuel delivery procedures.	7	Accept	Ruben A. Flores, Assistant Director	07/26/2024
Action plan: BESD is committed to fuel management efficiency, regulatory compliance, and environmental stewardship. In response to these findings, BESD has implemented several administrative enhancements. A process has been implemented to track Class C Operator certifications to ensure timely renewals. Additionally, the fuel delivery checklist has been updated, and internal policies have been revised to strengthen compliance. All fuel staff have received training on the revised processes and procedures. To maintain ongoing compliance, internal policies and procedures will be reviewed annually and updated as necessary.					

Building and Equipment Services Department
Audit of Fueling Facilities


Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	B. Policies and Procedures BESD Director update the current Fuel Facilities General Overview and Guidelines to reflect current fuel operation processes. Furthermore, train staff on the updated policy.	7	Accept	Ruben A. Flores, Assistant Director	07/26/2024
Action plan: BESD has completed an update of our internal policies and procedures to address the identified gaps. The revised document incorporates all necessary elements, including compliance with TCEQ testing requirements, fob usage sheets, certification monitoring, fuel authorization form retention, and automatic tank gauge dashboard. Fuel staff training on the updated policy has been completed. Furthermore, internal policies and procedures will be reviewed annually and updated as necessary.					

We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,


 Jorge A. Pérez
 Director
 Building and Equipment Services Department


 Date


 John Peterek, MPAff
 Interim Assistant City Manager
 City Manager's Office


 Date