



INTERNAL AUDIT

Audit of Fuel Costs

R-21-06

November 10, 2022

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Rating Matrix

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

Distribution List

Title	For Action ¹	For Information	Reviewed prior to release
Executive Director			*
Records Manager			*
Chief Operating Officer		*	
Chief Financial Officer		*	
Manager Environmental and Grant Services	*		
Facilities Utilities Project Administrator		*	
IT Director		*	
Director Innovative Mobility Solutions		*	

¹For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding

Executive Summary

Introduction

The Audit Committee directed Internal Audit (IA) to perform an audit to determine if controls over fuel costs are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The Audit Plan was approved by the Audit Committee on February 1st, 2021.

The preliminary assessment phase was concluded on October 12, 2021. The audit phase concluded November 9, 2022 and was conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute of Internal Auditors.

Background and Functional Overview

As a public transportation agency, fuel is one of the primary expenses necessary for operations, generally ranking as the fourth biggest expense after labor, contracted services, and parts. Actual diesel costs in 2021 was \$13.757 million and actual gasoline cost was \$3.180 million. The tentative budget amount in 2023 for diesel costs is \$18.705 million and \$4.536 million for gasoline¹.

Diesel fuel is the primary fuel for the bus fleet and for the FrontRunner trains. Additional service-related fuel costs include a fleet of buses that run on compressed natural gas (“CNG”) and the credit card purchases of fuel for Vanpool and UTA On Demand operations. UTA also has gasoline fuel pumps for support vehicles, such as police and maintenance vehicles.

Objectives and Scope

The period of the preliminary assessment focused on activity between November 1, 2021, to July 31, 2022. Additional periods were reviewed as necessary.

The primary areas of focus for this assessment were:

- Budgeting
- Fuel Cards
- Procurement
- Storage and Fueling

IA reviewed internal policies and procedures, legal and regulatory requirements, interviewed personnel, department leadership, evaluated control documents, and tested the effectiveness of controls to conduct this audit.

Summary

Audit testing confirmed the successful operation of the following controls:

¹ Figures provided by the Budget department on 10/26/2022.

- The Budget department prepared 2023 fuel costs with a disciplined approach.
- UTA maintains contingency funds at policy required levels.
- Vanpool has created a new position that assists with better management over fuel cards.
- Vanpool has purchased and is installing tracking devices into vehicles that will provide data and insights into driving habits that affect fuel efficiency and cost.
- Management has worked with the MicroTransit partner Via to educate drivers on what fuel grades should be used to refuel vehicles. Via has stated that they have placed stickers on the fuel cards as a reminder.
- Fuel card input controls generally work as intended. Noted variances were minor and not reportable.
- UTA received accurate pricing on liquid fuel deliveries and verifications against independent volume measurements are made by Procurement.
- Management has made significant progress on removing outdated records from fuel access control databases.
- Fuel access controls operated as intended.
- Management maintains strong physical controls at facilities with fuel pumps.
- Management responsibly mitigates spill events when they occur.

Action plans from the preliminary assessment were in various stages of completion – see Appendix B for details. Testing found that pre- and post-fueling checklists continue to not be completed at an acceptable rate and an additional recommendation was issued to address that condition. We additionally have documented that Spill Prevention Controls and Countermeasure Plans were outdated or incomplete but note that management made significant revision progress prior to the closing of this audit.

IA appreciates the assistance offered by management and staff in completing this preliminary assessment

Attachment A: Details of Recommendations

Audit Finding R-21-06-09

Risk Level: Low

Details:

During the preliminary assessment phase, IA noted that required Spill Prevention Controls and Countermeasure Plans (“SPCC”) existed for 5/6 facilities and that the required five-year review would soon be needed for the plans that were drafted.

As of October 26, 2022, the SPCC plans had not received the five-year review and the missing SPCC had not been drafted. See Table 1 for the status of each facility’s SPCC.

Table 1. SPCC Plan Status

Facility	Last Update of SPCC	Status
Central	5/17/2017	In progress
Meadowbrook	12/16/2016	Pending finalization
Mt. Ogden	5/17/2017	In progress
Riverside	9/12/2016	Completed, signed 11/2/2022
Timpanogos	No SPCC	Pending walkthrough and review
Warm Springs	9/22/2016	In progress

Status confirmed by auditor on 11/9/2022-11/10/2022

The Environmental Compliance Administrator was aware of the need to review and draft the SPCCs and has made plans to do so. The current plans still contain relevant information and procedures, the required five-year review is all that is needed.

Criteria:

Code of Federal Regulation Title 40, Chapter I, Subchapter D, Part 112.7 “General requirements for Spill Prevention, Control, and Countermeasure Plans” states,

If you are the owner or operator of a facility subject to this part you must prepare a Plan in accordance with good engineering practices. The Plan must have the full approval of management at a level of authority to commit the necessary resources to fully implement the Plan.

Code of Federal Regulation Title 40, Chapter I, Subchapter D, Part 112.5 “Amendment of Spill Prevention, Control, and Countermeasure Plan by owners or operators” states,

Notwithstanding compliance with paragraph (a) of this section, complete a review and evaluation of the SPCC Plan at least once every five years from the date your facility becomes subject to this part...

Underlying Cause:

Not applicable.

Potential Risks:

Current and complete SPCC plans are necessary to help reduce the following risks:

- Fines or other penalties resulting from noncompliance with federal regulation
- Environmental damage
- Loss of fuel
- Damage to UTA property
- Hazardous spills of fuel

Recommendations:

1. An SPCC should be created for the current Timpanogos facility
2. Existing SPCCs should be reviewed and updated as necessary

Management Response and Action Plan:

Riverside completed and signed (11/2/22). Meadowbrook updated, pending final review and signature. Timpanogos drafted, awaiting facility inspection, review & signature. Mt Ogden, Warm Springs and Central under review, awaiting site inspection and final review and signature.

Target Completion Date:

All remaining SPCC plans will be completed by December 31, 2022.

Attachment B: Status of Preliminary Assessment Recommendations

Preliminary Assessment Finding R-21-06-01

Risk Level: Low

Details:

Internal Audit noted that the Vanpool Operations Manual does not mandate what fuel grade drivers put in vehicles.

Criteria:

Not applicable.

Underlying Cause:

Not applicable.

Potential Risks:

The cost of fuel can vary greatly from lower grades to higher grades. Filling the vehicle with a higher grade than the vehicle requires is an unnecessary expense to UTA.

Alternatively, filling with a lower grade of fuel than the vehicle requires can downgrade the performance of the vehicle.

Recommendations:

Vanpool should catalogue the fuel grade requirements of each vehicle and require drivers to meet but not exceed that grade when fueling vehicles.

Management Response and Action Plan

At this time, it would not be feasible to catalog the fuel grades. The fuel cards are restricted to certain merchants and if we were to restrict to a low grade such as 85, they may have to spend time and fuel driving out of their way to find another fueling location for a minimal savings. Also, our customers very rarely use a premium grade fuel so there would probably not be a cost savings overall. When customers reach out to our maintenance team, they are instructed to use the cheapest grade of unleaded and that seems to be enough. If we start to see a high use of premium grade fuel, we can investigate further with the individual Vanpool.

Target Completion Date:

Not applicable

Current Status:

Closed

Management declined to implement the recommendation from the preliminary assessment. The issue is closed.

Preliminary Assessment Finding R-21-06-02

Risk Level: Medium

Details:

Vanpool receives monthly statements of fuel card purchases that they approve for payment. Prior to approving, staff performs a high-level review of the purchases, looking primarily for unapproved purchases, such as food, or maintenance related purchases that may indicate a vehicle issue. The department does not explicitly verify if charges are for UTA vehicles or for UTA services.

Criteria:

Utah Transit Authority Corporate Standard Operating Procedure No 1.2.2 Procurement Standard Operating Procedure, section 14.3 states,

"Contract invoices shall be reviewed and approved by both the Project Manager (or designated end user of the applicable Good or Service) and the Procurement Representative prior to submission for payment. The Project Manager (or designated end user of the applicable Goods or Services) shall be responsible for verifying receipt and acceptance of the applicable Goods or Services. The Procurement Representative shall also be responsible for ensuring the correct account coding is specified on the invoice. The Procurement Representative shall be responsible for verifying that the rates, charge and fees identified in such invoice correspond to the applicable Contract."

Underlying Cause:

The Vanpool team is understaffed. Technology solutions have not been fully leveraged to increase capacity.

Potential Risks:

Without an adequate review of fuel card purchases:

- Unauthorized or suboptimal purchases may be made without detection, which could include non-UTA vehicles or non-UTA services.
- Vanpool is limiting opportunities for analyzing efficiency data by not fully vetting and processing fuel purchase data.

Recommendations:

1. Analysis should be applied to fuel card transaction data to identify key red flags such as:
 - a. Unusual miles per gallon
 - b. Incorrect/unusual odometer inputs
 - c. Fueling beyond tank size
 - d. Unusual miles driven
 - e. Unexpected fuel use based on the mileage of the route
 - f. Unexpected fueling locations

2. A formal process to follow up on red flags with drivers should be established.

Management Response and Action Plan

Management agrees with the findings that a more detailed analysis should be done.

We are working on posting and filling a new position to oversee our on-board technology that will provide better insight into these data. This technology is yet to be acquired. That is also being worked on as well. This new position will be tasked with creating/finding most of the metrics listed above and also create formal processes surrounding the data gathering and analysis. Some of the metrics may be monitored by our fuel card system by our accountant that manages the fuel cards.

Target Completion Date:

December 30, 2022

Current Status:

Pending.

Management has taken the following actions:

- a) A new position was created and filled, Vanpool Data and Security Admin. This position will play a role in managing fuel card data and conducting red flag analysis.
- b) Management has purchased and is installing GPS tracking devices into vehicles that will provide data and insights into driving habits that affect fuel efficiency and cost. Management will monitor data from the trackers for six months to ensure accuracy and then use it to incorporate data-driven analysis of fuel card purchases.

Management has taken strong and proactive actions to address the need for detailed red flag analysis of fuel purchases. Final implementation is pending, and new processes will need to be developed, so the action plan will remain open as partially remediated.

Preliminary Assessment Finding R-21-06-03

Risk Level: Medium

Details:

Internal Audit noted that the contract UTA has with Via does not require drivers to fuel vehicles with the gas grade specified by the vehicle manufacturer.

Criteria:

Not applicable.

Underlying Cause:

The UTA On Demand service is still relatively new and Innovative Mobility Solutions is still refining best practices.

Potential Risks:

Not following the manufacturer recommendation on fuel grade can reduce vehicle performance or add an unnecessary expense to UTA.

Recommendations:

Innovation Mobility Solutions should catalogue the fuel grade requirements of each vehicle and require Via to meet but not exceed that grade when fueling vehicles.

Management Response and Action Plan

IMS will work with Via to improve driver education and on vehicle materials, so drivers know what type of fuel grade to use in the vehicles. IMS will work with Via to conduct monthly reviews of fuel statements to track progress and usage of fuel grades. In order to establish baselines for existing services and the launch of the Salt Lake City West Side service, IMS would like 12 months to evaluate data and trends to continue to identify improvements and driver training opportunities.

Target Completion Date:

October 31, 2022

Current Status:

Closed

The status of this action plan was discussed with Jaron Robertson, Acting Planning Director, and Shaina Quinn, Program Manager Innovative Mobility Solutions. This goal has remained a high priority and they have been monitoring improvements, though they have been struggling with

poor fuel card data. They have communicated the desire to Via who is taking steps to educate drivers on fuel grades and have placed stickers on cards as a reminder.

The action plan is partially remediated but further follow up by Internal Audit is not needed given the low risk and clear progress made.

Preliminary Assessment Finding R-21-06-04

Risk Level: Medium

Details:

UTA receives natural gas from a vendor called Summit Energy. The volumes charged on the invoice are not verified by Procurement staff for accuracy before payment.

Criteria:

Utah Transit Authority Corporate Standard Operating Procedure No 1.2.2 Procurement Standard Operating Procedure, section 14.3 state,

"Contract invoices shall be reviewed and approved by both the Project Manager (or designated end user of the applicable Good or Service) and the Procurement Representative prior to submission for payment. The Project Manager (or designated end user of the applicable Goods or Services) shall be responsible for verifying receipt and acceptance of the applicable Goods or Services."

Underlying Cause:

A process to verify the volume or price of purchased natural gas has not been developed.

Potential Risks:

UTA may pay for natural gas not received.

Recommendations:

UTA staff should verify the volume of natural gas charged on Summit invoices against a third-party source or a meter measurement.

Management Response and Action Plan

Currently [the Facilities Utilities Project Administrator] monitors/tracks the actual amounts of CNG being distributed to UTA on a monthly spreadsheet. Although there is not a precise measurement mechanism in place, [the Facilities Utilities Project Administrator] along with the Procurement Representative reviews the monthly distribution statements to compare previous amounts ensuring no large discrepancies. In an effort to see what's available, UTA Procurement will reach out to [the Facilities Utilities Project Administrator] to and ask him to coordinate with Trillium to see if there is a tool/meter that can be used to easily verify the amount of CNG being distributed to UTA each month. Pursuant to Corporate SOP 1.2.2, it is the responsibility of the

Project Manager to verify receipt of the goods or services purchased, and it is the responsibility of Procurement to verify the invoiced price matches the agreed upon price.

Target Completion Date:

11/15/2021

Current Status:

Closed

Management declined to implement the recommendation that Summit billed amounts be verified against a meter measurement or third-party source. Management mitigates the risks through the following actions:

First, management closely monitors CNG usage for NTD (National Transit Database) reporting purposes. This provides a constant “reasonableness” check of billed volumes. Unusual spikes would be noted and followed up.

Second, management compares monthly bills of Trillium and Dominion to ensure the volumes match.

Third, management believes the regulatory pressures on Dominion are such that the risk of misstated volumes is low.

Management has accepted the risk and steps are in place to mitigate the risk to an acceptable level. This issue will be closed.

Preliminary Assessment Finding R-21-06-05

Risk Level: Low

Details:

UTA receives natural gas from a vendor called Summit Energy. The contract with Summit Energy calls for the per unit price to be based on pricing information published in an index called Inside FERC, specifically pricing for the Northwest Rockies.

Procurement staff would periodically "spot check" invoice prices against an index called Henry Hub, which is based in Louisiana. This is not an acceptable substitute to Inside FERC as natural gas prices can vary greatly from one index to another and from region to region.

Criteria:

Utah Transit Authority Corporate Standard Operating Procedure No 1.2.2 Procurement Standard Operating Procedure, section 14.3 state,

"Contract invoices shall be reviewed and approved by both the Project Manager (or designated end user of the applicable Good or Service) and the Procurement Representative prior to

submission for payment.... The Procurement Representative shall be responsible for verifying that the rates, charge and fees identified in such invoice correspond to the applicable Contract."

Underlying Cause:

Staff was unaware of natural gas pricing indexes and the need to use the index called for in the contract.

Potential Risks:

UTA may pay the incorrect price for natural gas.

Recommendations:

Natural gas pricing charged on invoices should be compared to pricing information published on the Inside FERC Northwest Rockies index.

Management Response and Action Plan

Although there is not a precise price comparison mechanism in place, Dan Locke, along with the Procurement Representative, reviews the monthly invoice to compare previous months/years prices to ensure the pricing is within the normal range. We have explored the recommendation above and found the annual subscription to FERC is \$15,000. Based on the amount of CNG UTA purchases each month (~\$15,000) a small pricing error would result in ~\$100-200 variance, while large pricing errors would be identified in the invoice review process. Therefore, we feel in this case that the amount discovered from price discrepancies would be far less than the amount of the subscription and we cannot justifying spending \$15,000 for an annual FERC subscription. Furthermore, after reaching out to Summit they explained to us that the invoicing process is highly regulated and audited. They would be subjected to substantial Federal fines should there be any discrepancies discovered. While we do agree the contract states the price will be based upon the published FERC Northwest Rockies index, we cannot justify spending \$15,000 for an annual subscription to confirm exact pricing. UTA Procurement will continue to research other options to explore any discounts offered or if there are any other entities/transit agencies that may want to share a FERC subscription making it a more feasible solution.

Target Completion Date:

December 15, 2021

Current Status:

Pending

Approving CNG invoices is now the responsibility of the Facilities Utilities Project Administrator ("FUPA"). Management reiterated the action plan justification for not getting an Inside FERC subscription. For now, this is an accepted risk, however, the contract is expected to be renegotiated in 2023. Management intends to address this risk either by changing the price

point referenced in the contract to one available at a lower price than Inside FERC or by requiring the vendor to provide Inside FERC price index for comparison. This issue will remain open pending this mitigation plan.

Criteria:

The policy cited in the preliminary report has been updated.

UTA Procurement Desk Reference, Section 14.3 “Review of Invoices” states,

Contract invoices shall be reviewed and approved by both the Project Manager (or designated end user of the applicable Good or Service) and the Procurement Representative prior to submission for payment. The Project Manager (or designated end user of the applicable Goods or Services) shall be responsible for verifying receipt and acceptance of the applicable Goods or Services. The Procurement Representative shall also be responsible for ensuring the correct account coding is specified on the invoice. The Procurement Representative shall be responsible for verifying that the rates, charge and fees identified in such invoice correspond to the applicable Contract.

Preliminary Assessment Finding R-21-06-06

Risk Level: Medium

Details:

UTA employees are required to complete a pre-fueling and post-fueling checklist when receiving fuel deliveries. These checklists document verification of protocols and controls put in place to comply with Federal regulations regulating spill preventions.

Internal Audit reviewed a sample of 25 fuel delivery invoices to verify that the pre- and post-checklists were completed. Checklists were not on file for 13 of the 25 invoices tested.

Management is aware of the issue. Buffie Chournos, Environmental Compliance Admin, has been working with Supply Chain management on a corrective action plan to improve compliance with completing checklists.

Criteria:

Business Unit Standard Operating Procedure No. MP 3.04 Fuel, Oil, and Fluid Unloading list the tasks required to complete when unloading/loading petroleum liquids. The pre- and post-checklists document that required tasks were completed.

Underlying Cause:

Management provided the following root cause analysis in the corrective action plan:

“Several factors led to the non-compliance.

First, a lack of emphasis on this procedure by management led to an impression among Parts Clerks that this step was not important.

Second, a reported lack of functionality of the electronic tablets used to document fuel deliveries.

Third, a lack of wifi connectivity at the fuel tanks doesn't allow the data to be uploaded real-time.

Fourth, lack of available parts clerk staff

In conversation with parts clerk supervisors, Internal Audit noted that electronic tablet malfunctions were the primary reason given for not completing checklists.”

Potential Risks:

Failure to complete the tasks of the checklist could lead to fuel spillage and loss. Besides the monetary impact of the lost fuel, UTA could face penalties from the Federal government for failure to abide by environmental regulations, specifically 40 CFR 112.

Recommendations:

Management should complete the drafted corrective action plan.

Management Response and Action Plan

Procurement management set goals and actions in response to the corrective action plan. I will be visiting all facilities again the first week of November to spot check the fueling procedures and the corrective actions taken. [Management is] working with every facility to come up with a standard procedure each will use to standardize the fuel deliveries from Rhinehart Oil. This is in hopes to better get control of how Rhinehart schedules deliveries. They had a target date of November to have it implemented. This may be difficult but a good goal.

Target Completion Date:

November 12, 2021

Current Status:

Completing pre- and post-fueling checklists remains an issue. In a sample of 25 fuel deliveries tested, 10 did not have completed checklists. The Environmental Compliance Administrator ran a verification test of 51 fuel deliveries and found checklists missing on 19 of the deliveries.

This process could benefit from having more defined authority and accountability centralized with the Environmental group in Capital Development. This would enable the Environmental group to design the process and set expectations to ensure compliance with this requirement.

Additional Recommendations:

1. The Environmental group should work with Operations and Maintenance management to update existing policies and standard operating procedures to formalize an oversight role over this process.

Management Response and Action Plan

Environmental Management agrees that Environmental should have authority to enforce these procedures to maintain a safe and healthy workplace and to be in compliance with federal

regulations. Environmental proposes to work with the affected business units to train staff on the correct procedures for fuel unloading, completing the required checklist, and maintaining a comprehensive log of the completed checklists. A comprehensive log could potentially be maintained in ProCore. Environmental will work with the program management services consultant to create a module in ProCore for this process. In addition, Environmental plans to create appropriate training for the process to properly train all affected staff.

Target Completion Date

Date Business unit discussions, draft procedure updates, and draft training by April 30, 2023.
Draft ProCore concept for fuel unloading by June 30, 2023. Soft implementation of procedures by September 30, 2023. Complete implementation by December 31, 2024.

Preliminary Assessment Finding R-21-06-07 Risk Level: High

Details:

Access UTA fuel pumps is managed using a system called Fuelmaster. [Redacted]

Criteria:

[Redacted]

Underlying Cause:

Ownership of the Fuelmaster database is not clearly defined or understood.

Potential Risks:

[Redacted] Additionally, inaccurate employee records, particularly the listed department, will cause inaccurate cost allocations of fuel used.

Recommendations:

1. The Operations department should take overall responsibility for [Redacted] using fuel pumps.

2. [REDACTED]
3. [REDACTED]
4. [REDACTED]

Management Response and Action Plan

[REDACTED]

Target Completion Date:
August 31, 2022

Current Status:
Pending.

Management has begun developing a new [REDACTED] and with it a standard operating procedure and approval form. The new process is not yet finalized. The issue will remain open.

Preliminary Assessment Finding R-21-06-08 Risk Level: High

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

Criteria:

[REDACTED]

Underlying Cause:

[REDACTED]

Potential Risks:

[REDACTED]

Recommendations:

[REDACTED]

Management Response and Action Plan

[REDACTED]

Target Completion Date:

December 31, 2021

Current Status:

Pending

Management has made significant cleanups of the FuelMaster records, but issues remain,

[REDACTED]

The issue can be considered partially remediated.

Operations Management has not completed a new [REDACTED] process and so IT management has not been able to fully complete this action plan. The issue will remain open pending final disposition.