



**County of Chester
Office of the Controller
Internal Audit Department**

**Agreed-Upon Procedures
For the Year Ended
December 31, 2010**

Gasoline and Auto Supply Inventory

Agreed-Upon Procedures Report

A handwritten signature in blue ink that reads "Valentino F. DiGiorgio, III".

Valentino F. DiGiorgio, III, Controller



COUNTY OF CHESTER OFFICE OF THE CONTROLLER

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VALENTINO F. DIGIORGIO, III
Controller

April 06, 2011

Steve Fromnick
Director of Facilities Management
County Of Chester

We have performed the agreed-upon procedures enumerated below which were agreed to by management to perform an annual physical inventory count as well as an inquiry as to the physical safeguards related to inventory for the year ended December 31, 2010.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed Upon Procedures Performed

1. Conduct a count of the gasoline and auto supply inventory on hand at December 31, 2010.
2. Reconcile actual physical counts to the respective general ledger account balance for the year ended December 31, 2010.
3. Obtain and review gasoline records from the Facilities Department for completeness and accuracy for each month in 2010.
4. Review gasoline transactions for compliance with purchasing guidelines set forth by the Facilities Department.

Results of Procedures

1. Our physical inventory count revealed overstatements for both the gasoline and auto supply general ledger accounts at December 31, 2010:

<u>Category</u>	<u>Physical Count</u>	<u>General Ledger</u>	<u>Variance</u>
Auto Supply	11,365.89	11,677.35	(311.46)*
Gasoline	<u>18,404.38</u>	<u>35,757.91</u>	<u>(17,353.53)</u>
Total Inventory	<u>\$ 29,770.27</u>	<u>\$ 47,435.26</u>	<u>\$ (17,664.99)</u>

2. Internal Audit reconciled the gasoline variance of \$17,353.53 and determined the following reasons for the overstatement of the general ledger inventory account:
 - a) The October 2010 report generated by the Facilities Department was run incorrectly. This report, which was submitted to the Accounting Department in 2010 for expensing, showed a total amount of \$10,008.97. However, upon running the report again in April 2011, the total was \$13,462.05, which was determined to be correct.
 - b) For November 2010, the Facilities Department erroneously submitted the total gallons used for the month (5,293.30) instead of the corresponding dollar amount (\$13,199.87) for expensing. This difference accounted for nearly half of the total gasoline variance.
 - c) In 2010, there were 416 “unprocessed transactions”. These transactions are identified in a report by the same name, and account for the remaining gasoline variance. These transactions were not included in the reports submitted to the Accounting Department throughout 2010 and therefore were not charged to the corresponding departments

* Auto Supply variance deemed immaterial by Internal Audit; no further analysis required.

3. We reviewed gasoline records for completeness and accuracy and noted the following:
 - a) In August 2010, the Facilities Department incorrectly charged the Office of the Sheriff’s ‘fuel usage’ (a total of \$4,222.18) to the Bail Agency. The Office of the Sheriff was not charged for the month. Although this entry had been corrected prior to the audit, this error reinforces the need for an independent review prior to submitting monthly charges to the Office of the Controller.

- b) Actual *GasBoy* transactions at the pump for July and August 2010 were not available for comparison because the printer at the Government Service Center garage experienced a mechanical malfunction which went uncorrected for an extended period of time (six weeks). A similar breach of activity occurred in September 2010 which went uncorrected for three days. It is necessary for the Facilities Department staff to monitor *GasBoy* on a daily basis to ensure it is functioning properly. Records maintained by *Gasboy* are critical to the proper recording and verification of transactions.
4. Our review of recorded gasoline transactions found two instances of multiple fuel intake transactions within a few minutes of each other that exceeded the total gallon capacity for the corresponding vehicle. (Each vehicle in the County fleet is assigned a designated fuel card, which is to remain with the assigned vehicle and is solely for use of that assigned vehicle). These two instances indicate the assigned vehicle fuel card was used outside of the corresponding vehicle. In addition, there were five similar instances involving different vehicles, which did not exceed fuel tank capacity.

We did not conduct an audit, the objective of which would be the expression of an opinion on the recordkeeping and internal controls related to Gasoline and Auto Supply Inventory. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Facilities Department management and is not intended to be used by anyone other than this specified party.



Valentino F. DiGiorgio, III
Controller