

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2016 Legislative Session

Legislative Day No. 03

Resolution 19-2016

Introduced by: The President of the Council

**A RESOLUTION ACCEPTING THE AUDIT REPORT ON
WICOMICO COUNTY FUEL PRICING.**

WHEREAS, under Section 305, titled "County Internal Auditor" of the Charter of Wicomico County, Maryland, the Internal Auditor is charged with the duty to report on internal accounting controls, administrative and operating practices and procedures, and other pertinent financial and compliance matters within Wicomico County; and

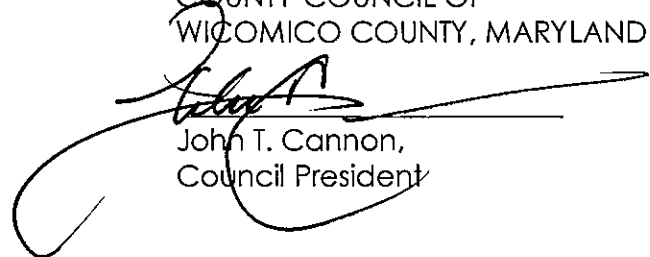
WHEREAS, the Internal Auditor has submitted an audit report on "Fuel Pricing" for the County Council's consideration, which focuses on the adequacy of procedures and controls as well as the level of compliance with those procedures and controls for the process of purchasing fuel and monitoring prices in Wicomico County.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the audit report on "Fuel Pricing" submitted by the County Internal Auditor, attached as Exhibit A, is accepted.

Done at Salisbury, Maryland, this 2nd day of February, 2016.

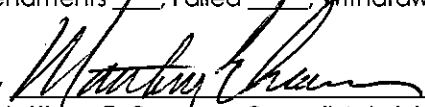
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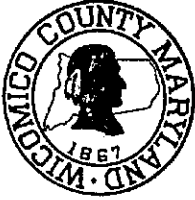

Matthew E. Creamer,
Council Administrator

COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND

John T. Cannon,
Council President

CERTIFICATION

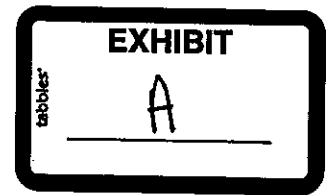
This Resolution was Adopted , Adopted with Amendments , Failed , Withdrawn by the County Council on February 2, 2016.

Certified by 
Matthew E. Creamer, Council Administrator



Wicomico County, Maryland
OFFICE OF THE INTERNAL AUDITOR

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Steve Roser CPA, CIA-CRMA, CFE
Internal Auditor

January 8, 2016

Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 120-2015, the Office of the Internal Auditor (IA) has conducted an Audit of Wicomico County fuel pricing. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for the process of purchasing fuel and monitoring prices for Wicomico County.

IA conducted the audit with due professional care, and IA planned and performed the audit to obtain reasonable assurance about whether the current fuel prices are in compliance with contracts in force and to assess the county's ability to account for pricing of various fuel products.

IA extends our appreciation to Management and Staff in numerous Departments for their timely assistance, cooperation, and candid assessment of fuel pricing.

Respectfully submitted,

DN: cn=J. Stephen Roser, CPA, o=Wicomico
County Maryland, ou=Internal Auditor,
email=srosier@wicomicocounty.org, c=US
Date: 2016.01.08 14:45:15 -05'00'

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

Wicomico County Fuel Purchasing

Wicomico County purchases the following fuel commodities on a regular basis:

- Unleaded Regular Gasoline
- Diesel Fuel
- Fuel Oil
- Natural Gas
- Propane

The largest users of propane are Public Works (Landfill and Roads Divisions), the Airport, and Recreation and Parks. The Board of Education uses large amounts of propane, and although frequently included in the bidding process, the bills are not paid from county general funds. The Government Office Building and the Detention Center use natural gas. Many county facilities have fuel oil storage as a backup fuel source. Vendors deliver all gasoline and diesel fuel to the Roads Division Complex on Owens Branch Road.

Audit Objective

The objectives of the audit were to:

1. Gain an understanding of gasoline, diesel, fuel oil, propane, and natural gas pricing for Wicomico County
2. Verify contractual pricing adherence by vendors
3. Suggest ways to monitor pricing

Scope of the Audit

The audit period examined on a test basis was FY 2015. The Scope was open ended. Observations, interviews, and Inquiries with appropriate personnel were conducted. IA performed inspections of selected documentation including supplier contracts and associated billing.

Bidding and Pricing

The county uses standard bidding procedures for fuel contracts. The prices for most of the fuel consumed by the county fluctuate so that most bidders cannot bid a fixed price for the term of a contract. Some of the county's suppliers use information provided by the Oil Price Information Service (OPIS). OPIS is a private information service that began in 1977 and currently provides spot and rack (wholesale) pricing for all refined products in specific locations. For example, OPIS has rack pricing specifically for Salisbury. Some of the county contracts provide pricing that tie to the rack price. OPIS charges a large fee to provide pricing. IA was unable to secure pricing from OPIS. A breakout summary of pricing and bidding for the test period follows:

Fuel Pricing FY 2015

Fuel Type	Supplier	Bid Price	Billing Range
Gasoline	Ocean Petroleum/PMG	Rack price + \$.0045 per gallon	\$1.436 - \$3.156
Diesel	Ocean Petroleum/PMG	Rack price + \$.0045 per gallon	\$1.7538 - \$3.1398
Propane	MROHS	\$.99 subject to change without notice ¹	\$1.07 - \$1.70
Natural Gas	UGI Energy Services	\$4.28 Aug - Oct	\$4.28
Natural Gas	UGI Energy Services	\$5.40 Nov - Jul	\$5.40
Fuel Oil	James River	Rack price + \$.0058 per gallon	\$1.7940 - \$2.9604

Without access to OPIS wholesale information, it is not possible to determine adherence to contract pricing by the vendors with the exception of natural gas. IA found no variance between contract pricing and billing from the county's natural gas supplier.

Conclusion

Based on the available information, IA is of the opinion that the supplier of natural gas satisfactorily² met the terms of the contract in force during the test period. At this time, we cannot offer a conclusion on the other fuel types.

Recommendations

We offer the following recommendations to complement to the audit process:

1. Management may want to consider a subscription to the wholesale information provided by OPIS. As with any decision to purchase additional services, a cost-benefit analysis is in order.
2. Alternatively, management could occasionally request certified copies of the rack pricing from the supplier ancillary to billing.
3. Regular bidding, as a practice, would serve to provide additional control over pricing through the competitive process.

Management Response

[U]nder a new bidding process / contractual arrangement with a vendor that the County could require the OPIS reports included in their bids / prices to compare if there is any pricing disparity.

(Continued)

¹ Per contract: pricing change is tied to the wholesale price incurred by the supplier

² For the purposes of this audit, IA uses a three-tier grading system recommended by the International Professional Practices Framework (IPPF) as expressed by the IPPF Practice Guide issued March 2009. The three tiers are Inadequate System of Internal Control, Adequate System of Internal Control, and Satisfactory System of Internal Control. Satisfactory findings indicate that overall controls are satisfactory, although some enhancements may be recommended. It is the highest rating on the scale.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the Department of Purchasing for their timely cooperation and assistance during the audit. Additionally, we would like to thank all Departments for supplying requested billing information.

RACHEL HARRIS
Assistant County Attorney

PUBLIC NOTICE

NOTICE OF
LEGISLATIVE HEARINGS
BEFORE
COUNTY COUNCIL OF
WICOMICO COUNTY

NOTICE IS HEREBY GIVEN THAT A PUBLIC HEARING WILL BE HELD ON:

Tuesday, February 2, 2016
Commencing at 6:30 p.m.

in the Council Chambers of the Government Office Building, Salisbury, Maryland, in conformity with Section 311(d) of the Charter of Wicomico County, on the following Bills which were introduced for consideration at a Legislative Session of said County for the year 2016. The following Bills may be called for final reading and consideration commencing immediately after the aforesaid public hearing.

2016-01 – AN ACT to amend the Wicomico County Personnel Manual Chapter 15 entitled “Leave Benefits and Holidays,” Section 1506 entitled “Mandatory Leave,” to authorize the County Executive to declare Mandatory Leave.

2016-02- AN ACT to amend the Wicomico County Code, Chapter 203, Titled “Taxation,” Article I, titled “Tax of Recorded Instruments,” to add a new Section 203-1.1 titled “Tax Collected” to authorize the Director of Finance to collect recordation tax in Wicomico County.

If the foregoing Bill No. 2016-01 and Bill No. 2016-02 are enacted they will take effect sixty (60) days from the date they become law, subject to the referendum provisions of the Charter of Wicomico County, Maryland.

COUNTY COUNCIL OF WICOMICO COUNTY

BY: Matthew E. Creamer, Secretary

Daily Times: January 18th and 25th, 2016