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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 required follow-up of the Wicomico County Fuel System Inventory Audit (report dated June 14, 2011) Internal Auditor (IA) has conducted an Audit of the Wicomico Landfill Fuel usage for calendar years 2010 and 2011. A report is submitted herewith. The purpose of the audit was to analyze the trends and variances, within defined parameters, for the audit period.

IA conducted the audit with due professional care, and IA planned and performed the audit to create a report on trends and variances for the landfill fuel use and develop questions for management concerning those trends and variances.

Respectfully submitted,

J. Stephen Roser, CPA
Internal Auditor

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Audit Report

Background

Landfill Fuel Usage

Wicomico County Landfill purchases regular unleaded gasoline and diesel fuel from DPW Roads Division to use its operations including the Brick Kiln Road Landfill, numerous substations, and a dredge site for the Wicomico River dredging project. Roads division terminal is equipped with Fuelmaster pumps¹. All gasoline is pumped at the Roads Division terminal. Diesel fuel is pumped at the Roads Division terminal and a fuel truck equipped with a similar Fuelmaster pump is used by the landfill. The landfill uses the fuel truck primarily to service field equipment.

Data

The data used for this project was gathered from the Fuelmaster database. It should be noted that due to personnel and time constraints, a complete review and recomputation of the extensive data used for this project did not take place. IA feels that, although the data may be subject to some minor adjustments due to timing or transfer from Fuelmaster to Excel, the data is sufficiently accurate for this analysis.

Audit Objective

The objectives of the audit are to:

1. To compare landfill fuel usage for calendar year 2010 with calendar year 2011
2. To explain anomalies in year over year consumption
3. To evaluate and explain seasonal spikes in fuel usage
4. To verify that fuel usage has substantially decreased upon completion of the Wicomico River dredge site

Scope of the Audit

The Scope of the Audit is open-ended. The audit period examined, on a test basis, was from January 1, 2010 to December 31, 2011. All Fuelmaster transactions for vehicles designated to Solid Waste (WCSW) for the period were reviewed. Methodology included:

- Gather fuel usage data from Fuelmaster for the test periods and compare
- Develop a set of questions for management to explain seasonal spikes and anomalies
- Analyze fuel usage for vehicles and equipment by source

¹ Please refer to the Fuel System Audit report dated June 14, 2011 for a complete report on the Fuelmaster System

Overview

For the purposes of this exercise, we divided the data into four categories:

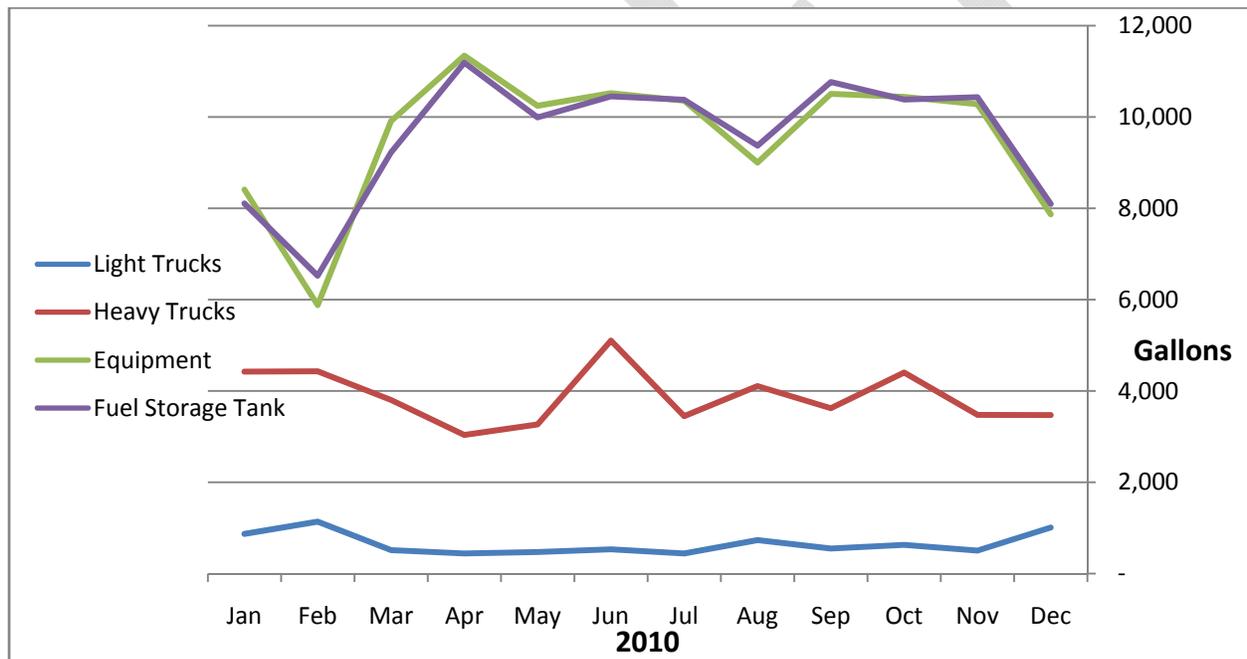
1. Light trucks
2. Heavy trucks
3. Equipment
4. Fuel storage tank

The fuel storage tank is mounted on a truck to service field equipment. It has a Fuelmaster pump that reads the AIM2 unit on the equipment and adds it to the database. The fuel pumped into the storage tank is not billed to the landfill until it is used.

Calendar Year 2010

Graphical Representation

Graphical representation of Landfill usage for calendar year 2010 is as follows:



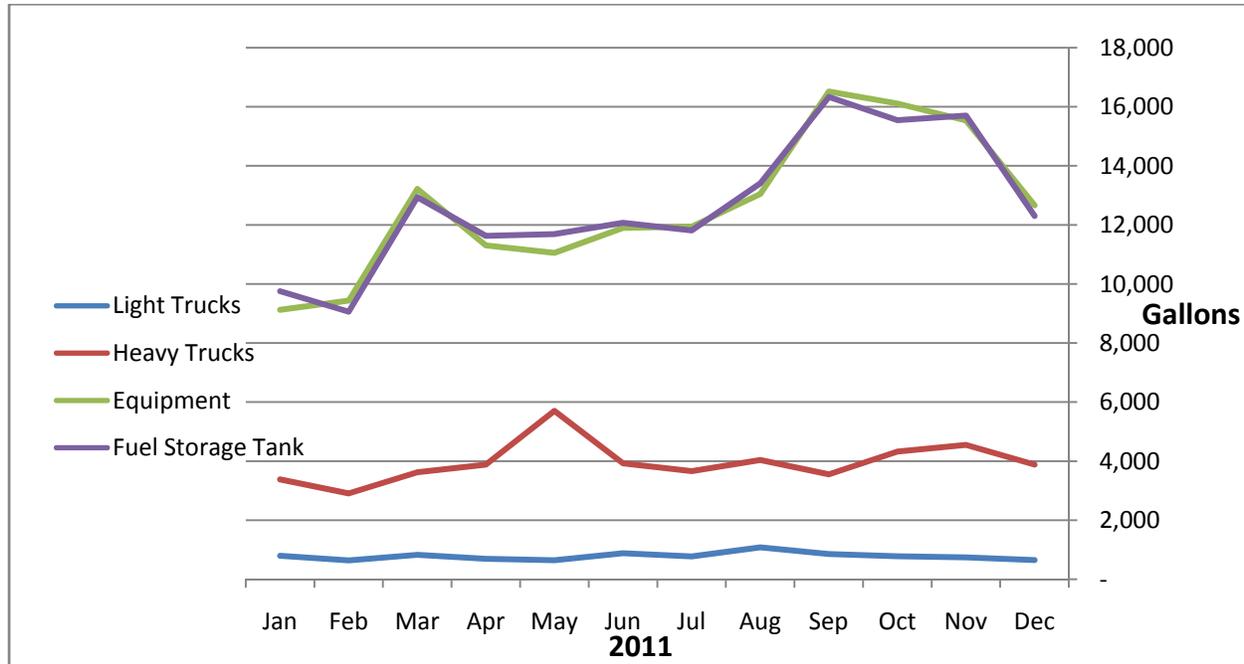
Observations

- Fuel storage tank roughly mirrors equipment usage. Slight differences appear because the fuel truck occasionally provides fuel for the Airport, the Civic Center, and some others
- Non landfill use for storage tank in 2010 was approximately 2,664 gallons
- There is a spike in equipment usage in March with a significant dip in February
- Heavy trucks spike in May

Calendar Year 2011

Graphical Representation

Graphical representation of Landfill usage for calendar year 2011 is as follows:

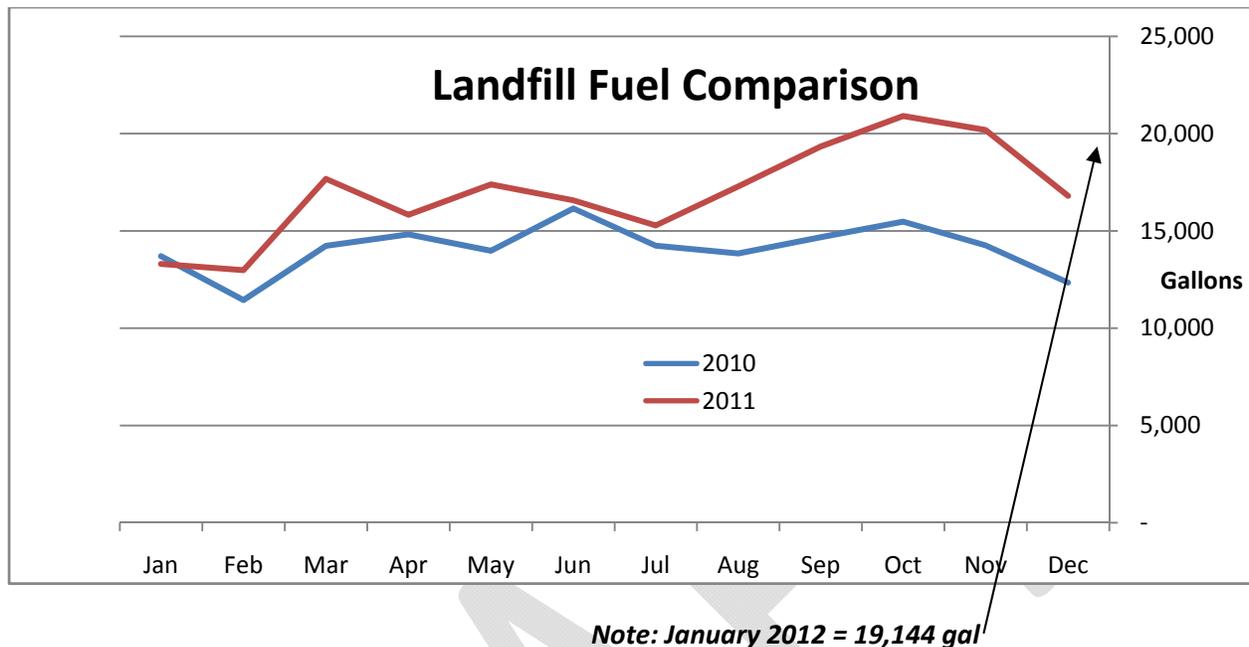


Observations

- Fuel storage tank roughly mirrors equipment usage. Slight differences appear because the fuel truck occasionally provides fuel for the Airport, the Civic Center, and some others
- The fuel truck data reveals extensive use of an emergency prokey
- Non landfill use for storage tank in 2011 was approximately 5,277 gallons
- The trend repeats 2010 with significant additional equipment use from September to November corresponding with dredge site activity
- There is a spike in equipment usage in March with a significant dip in February (similar to 2010)
- When billing is compared to calculated fuel usage variance = -191 gallons possibly due to timing

Year-over-Year Comparison Analysis

Graphical representation of year-over-year landfill fuel usage is as follows:



Observations

- There is a significant increase overall for 2011 with the exceptions of January and May
- Fuel consumption has not returned to pre-dredge site levels
- There is a significant increase for January 2012
- Emergency prokey is still in use for 2012

Management Questions

The following questions are respectfully submitted to management:

1. What is the lease structure for the dredge site equipment?
2. What causes the spike in usage for large trucks in May 2010 and 2011?
3. Please Explain Prokey for SOLIDWAS MISC DIESEL – EMERGENCY USE
4. What is the history and use of Cat Compactor 836 (WCSW0526)?
5. What is spike in usage for Misc Diesel Cans Jan-Mar for both years?
6. What causes spike in equipment use Feb-Apr both years?
7. What caused spike in usage for January 2012?
8. Is the dredge site is complete, and if so, why has usage not gone down to pre-dredge site levels?
9. Are there two AIM2 units on the landfill tanker truck? If not, how do we account for vehicle usage?

Conclusion

IA draws no conclusions at this time. We will consider answers to the above questions in an effort to complete this exercise. IA working papers (with council's permission) are available to management. Additionally, we will be glad to assist with any questions.

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