



MEMO

OFFICE OF THE INTERNAL AUDITOR

To: Rick Pollitt
From: Steve Roser
Date: 8/16/2011
Re: Fuel pricing and outside users

Message:

The recent audit of the fuel inventory system revealed several findings that suggest additional consideration. Among these is the fact that outside agencies purchase fuel from Wicomico County at cost to the county. The Humane Society, Health Department, Housing Authority, Lower Shore Enterprises, and the Library all purchase fuel from the county at the county's cost. In several work sessions with Roads Department personnel, their desire to allow for the fixed overhead expensed in the process of delivering fuel and accounting for usage was discussed.

The Fuelmaster System allows for different pricing structures for various users and it would be a simple matter to add an allowance for the fixed overhead in the county's fuel pricing. The proper amount of the markup is currently under discussion. Presently, the thinking in a discussion with Roads Department management is a markup range between six and ten cents per gallon. Decisions of this nature are strictly management functions and Internal Auditing (IA) can only make suggestions. Several points were discussed:

- Methods of calculating fixed overhead vary
- The necessity of making *estimates* for fixed overhead due to the diverse scope of the work performed at Roads Division
- Fuel pricing for outside agencies will likely be far below retail and should be carefully and objectively discussed with outside agencies prior to any increases

IA stands ready to assist management in any way desired within the IIA Standards to assess and help improve the county fuel system.

cc: All County Council Members
All Audit Committee Members
Sharon Morris
John Redden
Janice Sprague