



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

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August 25, 2015

Christopher Amos, Commissioner  
Equipment Services Division  
Board of Public Service  
1900 Hampton Avenue  
St. Louis, MO 63139

RE: Contract Review (Project #2014-CN14)

Dear Mr. Amos:

The Comptroller's Internal Audit Section has completed a contract compliance review of the City contract with the Kiesel Company. The purpose of the contract was to supply the City with bulk diesel and regular unleaded gasoline (fuel) along with fuel tank monitoring equipment. Enclosed is the report covering the period November 1, 2013 through December 31, 2014. A description of the scope of our work is included in the report.

Fieldwork was completed on July 31, 2015. Management responses to the observations and recommendations noted in the report were received on August 20, 2015, and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV, of the Charter, City of Saint Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Mohammad H. Adil, CPA, CGMA  
Internal Audit Supervisor

Enclosure:

CC: Patrick Dunn, Deputy Commissioner, Equipment Services Division





# CITY OF ST. LOUIS

**EQUIPMENT SERVICES DIVISION**

**CONTRACT REVIEW**

**KIESEL COMPANY**

**NOVEMBER 1, 2013 THROUGH DECEMBER 31, 2014**

**PROJECT #2014-CN14**

**DATE ISSUED: AUGUST 25, 2015**

**Prepared by:  
The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREEN, COMPTROLLER**

**CITY OF ST. LOUIS  
EQUIPMENT SERVICES DIVISION  
CONTRACT REVIEW  
KIESEL COMPANY  
NOVEMBER 1, 2013 THROUGH DECEMBER 31, 2014  
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**CITY OF ST. LOUIS  
EQUIPMENT SERVICES DIVISION  
CONTRACT REVIEW  
KIESEL COMPANY  
NOVEMBER 1, 2013 THROUGH DECEMBER 31, 2014**

**SUMMARY**

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**Background**

The contract was awarded to Kiesel Company (the Contractor) by the City Supply Division on August 30, 2013 for a five-year term, beginning November 1, 2013 and ending on October 30, 2018. The purpose of the contract was to supply the City with bulk diesel and regular unleaded gasoline (fuel). The Price of the fuel was based on the price listed as the Oil Price Information System's (OPIS) daily average for St. Louis fuel products plus a set margin of \$74,616.60, as specified in the bid. For the period of the review the Contractor was paid \$4,908,171.60 for the fuel.

In addition, the Contractor was required to provide equipment, consisting of key controllers for City bulk tanks and tank monitoring equipment with printer and network interface card, to monitor all tanks. The total cost of the hardware was \$229,373.40 spread over the five-year contract term. The hardware becomes the property of the City at the end of the contract. For the period of the review the Contractor was paid \$53,520.46 for the equipment.

**Purpose**

The purpose of Internal Audit's review was to determine if the Contractor complied with the terms, conditions, and various provisions of the contract.

**Scope and Methodology**

Inquiries were made and test procedures were performed regarding the Contractor's compliance with the contract. The scope of the review was from November 1, 2013 through December 30, 2014. Fieldwork was completed on July 31, 2015.

**Conclusion**

The Equipment Services Division (ESD) did not appear to have an adequate system of internal controls in place to ensure the adequate monitoring of the fuel supply and dispensation provisions of the contract.

**CITY OF ST. LOUIS  
EQUIPMENT SERVICES DIVISION  
CONTRACT REVIEW  
KIESEL COMPANY  
NOVEMBER 1, 2013 THROUGH DECEMBER 31, 2014**

**SUMMARY**

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**Summary of Current Observations**

We noted the following observations and opportunities for improvement:

1. Fuel Delivery Verification
2. Fuel Dispensation

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

**Management Response**

An exit conference was conducted with ESD on August 3, 2015. The Deputy Commissioner of ESD attended the exit with the Internal Audit Supervisor.

The report observations and recommendations were discussed in detail at the exit conference.

Management of ESD subsequently provided a written response to Internal Audit on August 20, 2015, which has been incorporated in this report.

**CITY OF ST. LOUIS  
EQUIPMENT SERVICES DIVISION  
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NOVEMBER 1, 2013 THROUGH DECEMBER 31, 2014**

**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**1. Fuel Delivery Verification**

The contract states:

*“A City employee will be at the delivery site at the appointed time. The employee must verify the beginning and ending meter reading for all non-transport load deliveries for which electronic tank monitoring systems are not installed. The City employee’s printed name and signature must appear on the delivery ticket.”*

We noted that the printed name of the ESD employee, present at the delivery site at the time of the fuel delivery, did not appear on fifty-one (51) out of sixty-one (61) or 84% of the Contractor’s fuel delivery tickets.

Non-compliance with this requirement of the contract may result in misappropriation of the fuel.

**Recommendation**

Internal Audit recommends that an ESD employee verify the delivery of the fuel. In addition to signing the Contractor’s delivery ticket, we recommend the ESD employee print his or her name on the delivery ticket.

***Management Response***

*ESD has sent out an e-mail to all that will receive fuel deliveries that they are required to sign and print their names on all delivery tickets.*

**2. Fuel Dispensation**

A fuel key system is used by authorized city employees to dispense fuel. The fueling site requires employees to insert the fuel key prior to dispensing fuel. However, we noted that the fuel key system does not have the mechanism to identify the vehicle approved for such dispensation. This may not prevent an ESD employee with the key from dispensing fuel into an unauthorized vehicle, including non-city vehicles.

A fuel dispensation system without additional protection, such as a system which can identify the approved vehicle, significantly increases the risk of fraudulent consumption of the fuel.

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**DETAILED OBSERVATIONS AND RECOMMENDATIONS**

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**Recommendation**

Internal Audit recommends that ESD install an automatically controlled fuel dispensing system, which limits:

- Such service to approved vehicles only.
- Maximum quantity of fuel supplied to a given vehicle.
- Tracks vehicle mileage and fuel usage data.

***Management Response***

*The system described is ideal. However, the City operates 3,400 vehicles for which approximately \$500 and 2-hours of labor at \$57/hour cost for each or \$2,767,600 total plus \$12,000 upgrade at 4 fuel sites for \$48,000 would be required to implement such a system.*

*Given present fiscal restraints the risk of loss is insufficient to warrant such expenditure. All bulk refueling tanks are within City controlled yards and subject to observation. So, while misuse can't be ruled out it would be brazen to attempt refilling a private vehicle at a Police station or yard operated by Streets, Parks, Refuse or Water divisions.*