May 25, 2010

Mark Haddad  
Town Manager  
Town of Groton  
173 Main Street  
Groton, MA 01450

Re: Allegation of Fuel Theft

Dear Mr. Haddad:

As you know, the Office of the Inspector General (OIG) investigated a complaint alleging that Town of Groton Highway Department (Department) employees misappropriated Town fuel (gasoline and/or diesel fuel) supplies on a number of occasions over the past few years. The allegation also suggested that the Highway Surveyor, the official in charge of the department, knew about and chose to ignore this theft of public property.

The Surveyor indicated that in the past he did condone a Department practice that allowed employees to reimburse themselves for certain out-of-pocket expenses by using fuel for their personal vehicles. Specifically, the Surveyor remitted reimbursement for job-related expenses or compensation, in part, for certain work by allowing employees to use Town fuel supplies. For example, the Surveyor stated that if the Town owed an employee for “tolls” paid on a business-related trip, he would instruct the employee to “take a few gallons” of fuel for their personal vehicle as reimbursement.

This practice of using fuel as a form of currency to reimburse or compensate employees, while no longer in use by the Department, had been in use for many years. This type of system was inappropriate. Since it was based on oral understandings it lacked the audit trail and accountability normally required with expense reimbursements. According to the Surveyor, the practice was discontinued earlier this year, in part, because of internal department friction surrounding the policy.

The OIG identified numerous fuel control weaknesses that leave fuel supplies highly vulnerable to theft, waste, and abuse. In February 2010, the OIG
issued a Fuel Management Advisory that outlines many of the forms of fuel theft and abuse that can occur and recommends control measures that a municipality should consider using. ([http://www.mass.gov/ig/publ/fuel_advisory.pdf](http://www.mass.gov/ig/publ/fuel_advisory.pdf)) Since the Town is in the midst of replacing its fuel tanks and fuel pumps, this may be an ideal time to consider system control improvements.

According to the Surveyor and documents he provided, Town fuel controls lack the following:

- Routine and systematic review of fuel transactions. The Surveyor skims fuel system reports for questionable transactions. However, rarely has a transaction been questioned and the Surveyor stated that the management system is primarily used to bill other Town departments for fuel use.
- Mile-per-gallon (MPG) reporting and analysis to flag vehicles with unusually high or low MPG as this can identify vehicle engine trouble as well as fuel misuse. For example, an employee could fill multiple vehicles or “gas cans” during one fueling transaction. This could be difficult to detect without an MPG analysis.
- Mileage data per fuel transaction. Although required by policy, employees do not have to enter mileage data during a transaction. A lack of mileage information makes a complete fuel use review impossible. Vehicles lacking or with non-functional odometers could use alternative data collection such as log books.
- Built-in control measures that may currently be available in the Department’s fuel management system. These include per day or per vehicle fuel limits (ex. a vehicle with a 15 gallon gas tank cannot receive more than 15 gallons per fueling), lockouts if data (including mileage) is not entered or entered incorrectly. Also, not all vehicles or gas cans have unique fueling cards. Gas cans are filled by using cards assigned to vehicles. This will distort any MPG analysis, impact the built-in system controls discussed above, and creates opportunities for fuel theft.
- Segregation of duties. The Surveyor handles all aspects of the fuel management system including assigned cards, establishing controls, monitoring use and billing departments. This lack of segregation of duties creates internal control risks. The person controlling the fueling system should not be responsible for the monitoring and oversight of system use. The Town needs to consider how duties can be segregated to ensure better control.

The Town should take advantage of all the automated control features available in the fuel management system and should establish a more routine protocol for monitoring fuel transactions. This can be done through sampling,
periodic department level reviews etc. The OIG is not suggesting that a transaction by transaction review be performed each month. However, oversight opportunities exist between a periodic “eye-balling” of reports and an exhaustive audit. The Town needs to identify these opportunities by considering the risk and costs of theft, abuse, and appearance issues against the costs of oversight. As the Surveyor informed the OIG, the fuel system is operational 24 hours per day seven days per week and as one man he cannot monitor everything. All the more reason for using the system capabilities to their fullest and segregating oversight functions.

Based on the rising cost of fuel and the amount of fuel used by the Town annually, the Town may wish to consider updating or replacing its current fuel management software and control system. This investment may pay for itself by preventing theft, waste, and abuse.

The Town should also consider developing a fuel and vehicle use policy that makes it clear that improper or unauthorized use of Town property is unacceptable and employees who violate the policy will be subject to disciplinary and/or legal action.

Thank you for your cooperation in this matter. Please do not hesitate to contact Deputy Inspector General Neil Cohen if you have any questions, concerns, or require further assistance with this or any other matter.

Sincerely,

[Signature]

Gregory Sullivan
Inspector General

cc: Robert T. Delaney, Jr., Highway Surveyor