

LBA Financial Audit Report Summary:

Department of Transportation, Bureau of Mechanical Services, Fuel Distribution Section, for Year Ended June 30, 2001

Reporting Entity And Scope

The reporting entity and scope of this audit and audit report is the Fuel Distribution Section of the New Hampshire Department of Transportation, Bureau of Mechanical Services, for the year ended June 30, 2001. During this period, the Fuel Distribution Section operated 96 fueling sites providing credit sales of motor fuel to state, local, and federal government organizations and certain nonprofit agencies.

Organization

The Fuel Distribution Section is part of the organization of the Department of Transportation, Bureau of Mechanical Services. The Fuel Distribution Section is under the direction of an engineering technician V, who reports to the Bureau administrator. The Bureau administrator reports to the director of the Division of Operations, who reports to the commissioner of the Department.

At June 30, 2001, the Fuel Distribution Section employed four permanent full-time employees. A fifth full-time employee's time was allocated between the Fuel Distribution Section and other Bureau responsibilities.

The Section's main office is located on Stickney Avenue in Concord. The main offices of the Department are located in the John O. Morton Building on Hazen Drive in Concord.

Responsibilities

The primary responsibility of the Fuel Distribution Section is the operation of 96 motor fueling sites located throughout the state. During fiscal year 2001, the Section sold approximately 4.6 million gallons of diesel fuel and gasoline to 793 billable customers. The operation of the Fuel Distribution Section is intended to increase efficiencies for governmental fuel purchases allowing customers to purchase fuel at near wholesale costs and avoid state and federal fuel tax refund processing while promoting environmental controls of government fuel storage and distribution by centralizing operations at regional sites. The fuel inventory maintained by the Section is also intended to provide the State with a strategic fuel reserve.

Funding

The financial activity of the Fuel Distribution Section is accounted for in the Highway Fund of the State of New Hampshire.

The financial activity related to the purchase and sale of motor fuel is accounted for in a revolving fund in the State's accounting system. Funds from the sale of fuel, which is priced at a ten-cent per gallon markup over cost, are intended to cover operating costs and the purchase of additional inventory for sale. The purchase and sale of motor fuel is not budgeted or subject to appropriations however, certain administrative costs of the Fuel Distribution Section are subject to budget and appropriations. The fiscal year 2001 appropriations combined with supplemental warrants, balances forward, and transfers resulted in spending authority of \$506,284 in the Highway Fund. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 2001 revenues of \$398,439 in the Highway Fund. The following table summarizes the financial activity of the Section in the Highway Fund for the year ended June 30, 2001.

Summary Of Revenues And Expenditures		
Fiscal Year Ended June 30, 2001		
(expressed in thousands)		
		Highway Fund
Revenue		
	Sale Of Fuel	\$ 5,059
	Total Revenues	\$ 5,059
Expenditures		
	Purchase Of Fuel	\$ 4,551
	Salaries And Benefits	226
	Other	135
	Total Expenditures	\$ 4,912
Excess (Deficiency) Of Revenues		
	Over (Under) Expenditures	\$ 147

The auditor's report on the Section's financial statement was qualified with respect to the lack of presentation of the financial position of the Section in the Highway Fund and with respect to the accounting for general fixed assets.

The audit report included auditor's reports on compliance and internal control over financial reporting and on management issues. The following is a list of the comments in the report.

Internal Control Comments

Material Weakness

- Fixed Asset Management System Should Be Established

Other Reportable Conditions

- Review Of Fuel Usage Should Be Performed

- Procedures For Determining Eligibility For Tax-Free Fueling Privileges Should Be Reviewed And Formalized
- Price Markup On Fuel Cost Should Be Based On Analysis Of Actual Costs Of Operations
- Testing Program To Monitor Quality Of Fuel Purchases Should Be Implemented
- Fuel-Storage Integrity Evaluations Should Be Documented
- Continued Validity Of Fuel-Card Information Should Be Periodically Reestablished
- Fuel Site Operating Guides Should Be Emphasized
- Customer Handbook Should Be Prepared
- Standardization/Policies For Initiating Reorders Should Be Established
- Segregation Of Duties Over Equipment Controls Should Be Improved
- Formal Policy For The Collection Of Accounts Receivable Should Be Established
- Method Of Recording Recovery Of Operating Costs Should Be Changed To Prevent Overstatements Of Revenues And Expenditures
- More Emphasis Should Be Placed On Determining Accurate Year-End Accounts Receivable Amounts

Management Issues Comments

- Long-Term Business Plan Should Be Developed
- Policy Of Setting Separate Fuel Prices For Each Location Should Be Reviewed