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AUDIT REPORT

Quick Trip Fuel Program

“Pursuant to Section 55.161 RSMo., the Auditor’s Office shall audit, examine and adjust all accounts of county officials and courts operating in such counties, and which are accumulated and intended for public purposes.”

Audit Objective: identify the financial impact and tangible benefits of the Quick Trip fueling program

AUDIT REPORT IN BRIEF

September 2011, Public Works Director Greg Sager proposed to the County Commission a fueling service [Agreement] with Quick Trip (“QT”). QT is a regional retail convenience store with multiple grades of unleaded gasoline and diesel.

The Agreement provided, as described, ‘freedom for all Offices and Departments of the County to fuel throughout Platte County without the requirement of, as currently in place, returning to the Public Works facility’. The program was also stated to ‘reduce administrative record keeping costs, as QT will provide a detailed consumption report by Office or Department, enabling the elimination this support function’.

The price of fuel was quoted to be \$.02 below the current, or the day the purchase is made, retail pricing at the QT location.

Public Works presented the Court Order as a zero budget impact. In certifying the availability of funds, the Auditor’s Office indicated the budget impact is unknown.

The County Commission respectfully requested the Auditor’s Office to review the program and provide a report of findings. The following is a sixty day evaluation of the program.

AUDIT RATIONALE

- What are the benefits to the County and the users of a decentralized fueling program;
- Determine the cost of the program and a forecasted 2012 Budget impact;
- If the program eliminates administrative functions and reduces the County labor costs; and
- Is the County reducing liability and the cost of insurance?

AUDIT FINDINGS

What are the benefits to the County and the users of a decentralized fueling program?

To understand the benefits of the program, personal interviews were held with representatives of the two primary users, Public Works and Sheriff’s Department.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Convenience of remote locations • Presence in various areas of the County • Freedom for the Officer to fuel at their convenience • Less traffic at the Public Works facilities • Number of fuel purchases is reduced • Freed up time for employees to work on other tasks • Access to fuel during power outages • Reduce the potential of a spill in which the County would be responsible 	<ul style="list-style-type: none"> • Open congested areas for fueling • Risk of accidents • Additional cost of the fuel • Officers still have to come to Platte City • Reduced Sheriff Officer’s presence • Not getting full benefit of the equipment from the limited use • Still have to transport fuel for Park’s & Rec.’s

This portion of the evaluation gathered data to reflect the number of transactions, where the fueling occurred, and what savings were, in theory, realized from the Agreement and the access to fuel throughout the County.

This analysis takes into consideration all areas of the County participating in the program; Public Works, Sheriff’s Department, Parks & Recreation, and Assessor’s Office. A total of 778 transactions were reported during the audit period. The following summarizes, by City, where fueling occurred:

<u>Location</u>	<u>#</u>	<u>% of Total</u>
Platte City	602	77.4%
Riverside	72	9.3%
Kansas City	100	12.9%
Other	4	0.5%

This analysis takes into consideration, the theoretical savings from decentralizing the program. From the report, a count (“Ct.”) was determined for all locations other than Platte City. The Platte City location is the same approximate distance from the County Complex as Public Works. Using Google Maps, QT locations were identified. Mileage to Public Works from that location and back was determined. As a base line, average mileage was based on the 2007 Ford Crown Victoria⁽¹⁾, a model similar to the Sheriff’s Department patrol vehicle. The equation is as follows:

$$[(((\text{Miles} * 2) / \text{Avg. '07}) * \text{Ct.}) * \$3.21^{(2)}] = \text{Expense Savings.}$$

Unit #	Miles	Avg. '07	Ct.	Expense Savings
193	22.1	13.9	1	\$ 3.18
218	13.2		63	384.09
221	16.8		1	7.76
225	16.7		6	46.28
170	18.6		98	841.90
213	13.4		2	12.38
				\$1,295.59

Following similar driving trends, an annual savings could be estimated at: \$7,773.52

Determine the cost of the program and 2012 Budget impact.

Consideration must be given to the cost of doing business and realize a value for Public Works for oversight, maintenance, and other operating variables. The 2012 Budget forecasts Public Works to use 44.31% of the fuel, or 52,543 gallons used by other County Offices and Departments. Applying \$.23⁽³⁾ per gallon as an operational cost, an additional \$12,084.95 of cost should be applied to interdepartmental transfers.

This analysis takes into consideration theoretical costs if the program had been in place for calendar year 2011. Each purchase in 2011 was identified at the wholesale cost, and then compared to retail pricing based on the retail price for the day the purchase was made. The results are reflected in the following matrix of actual expenditures verse what the County would have spent if the County had participated in the program throughout 2011. The difference demonstrates increased costs “()” to the County.

Purchase Date	Gallons of Unleaded	Gallons of Diesel	Unleaded	Diesel	Unleaded Extension	Diesel Extension	Total	Unleaded Retail Average ⁽⁴⁾	Diff.	Wholesale Savings - Unleaded	Diesel Retail Average ⁽⁴⁾	Diff.	Wholesale Savings - Diesel
1.3.2011	5,000	2,500	2.3022	3.1831	11,510.78	7,957.81	19,468.59	2.90	-0.60	\$ (2,989.22)	3.21	-0.03	\$ (67.19)
1.25.2011	4,500	3,000	2.9353	2.3284	13,208.87	6,985.26	20,194.13	2.95	-0.01	\$ (66.13)	3.39	-1.06	\$ (3,184.74)
2.9.2011	4,004	3,504	2.8384	2.6178	11,364.95	9,172.89	20,537.84	2.87	-0.03	\$ (126.53)	3.39	-0.77	\$ (2,705.67)
3.2.2011	4,999	2,501	2.9257	3.0944	14,625.64	7,739.15	22,364.79	3.32	-0.39	\$ (1,971.04)	3.74	-0.65	\$ (1,614.59)
3.25.2011	5,003	2,500	3.0580	3.2175	15,299.04	8,043.76	23,342.80	3.36	-0.30	\$ (1,511.04)	3.91	-0.69	\$ (1,731.24)
4.19.2011	5,001	2,000	3.3392	3.3728	16,699.09	6,745.60	23,444.69	3.70	-0.36	\$ (1,804.61)	3.91	-0.54	\$ (1,074.40)
5.13.2011	5,003	2,501	3.3655	3.0773	16,837.45	7,696.32	24,533.77	3.76	-0.39	\$ (1,973.83)	3.88	-0.80	\$ (2,007.56)
6.7.2011	5,003	2,501	3.2429	3.2179	16,224.27	8,047.97	24,272.24	3.63	-0.39	\$ (1,936.62)	3.79	-0.57	\$ (1,430.82)
7.15.2011	5,005	2,504	3.2902	3.2394	16,467.47	8,111.46	24,578.93	3.70	-0.41	\$ (2,051.03)	3.79	-0.55	\$ (1,378.70)
8.5.2011	5,006	2,504	3.1754	3.1535	15,896.10	7,896.37	23,792.47	3.54	-0.36	\$ (1,825.14)	3.74	-0.59	\$ (1,468.59)
8.28.2011	5,001	2,001	2.9042	2.9217	14,523.70	5,846.32	20,370.02	3.58	-0.68	\$ (3,379.88)	3.72	-0.80	\$ (1,597.40)
9.1.2011	4,998	2,500	3.2544	3.2027	16,265.64	8,006.76	24,272.40	3.58	-0.33	\$ (1,627.20)	3.72	-0.52	\$ (1,293.24)
11.3.2011	1,502	3,805	2.9467	3.2676	4,425.88	12,433.21	16,859.09	3.18	-0.23	\$ (350.48)	3.79	-0.53	\$ (2,004.48)
Total Gallons	60,025	34,321								\$ (21,612.75)			\$ (21,558.62)
													\$ (43,171.37)

The \$.02 per gallon discount for October and November was less than \$200.00.

If the program eliminates administrative functions and reduces the County labor costs.

- No reduction was proposed in administrative staff support in the Public Works 2012 Budget.
- The program requires journal entries from the Auditor’s Office, similarly to entries associated with the purchase of wholesale gas.

Is the County reducing liability and the cost of insurance?

In 1984, the Federal Resource Conservation and Recovery Act established a regulatory program for underground storage tanks. (RCRA Subtitle I) - The Missouri law governing the use of underground storage tank systems is found in RSMo. Chapter 319.100-139.

In 1989, Missouri enacted statutes to create the Missouri Department of Natural Resources Underground Storage Tank regulations and program. Since 1989, as part of the per gallon cost, the County has paid into the program as method of insuring the tanks, and will continue until the tanks have been removed.

SUMMARY

- 77.4% of the transactions occurred in Platte City
- The County could potentially save \$7,800 per year from the convenience and remote area access
- The County will continue to be in the fuel business, the risk or exposure was not reduced, and currently the equipment is underutilized for the capacity
- Soft costs savings of \$12k could be realized
- No administrative expense savings were realized
- Journal entry processing requirements in the Auditor's Office continue in a similar fashion
- After the discount, fuel has an estimated additional cost of \$43k per year

RECOMMENDATION

From the study, it appears that the best option for the County is the purchase and distribution of wholesale fuel. Provide QT notification, and terminate the program.

Recognition: *the Sheriff's Office and Public Works should be commended on their responsiveness and cooperation.*

MANAGEMENT RESPONSE

Until the equipment becomes dysfunctional and the County is facing replacement costs, the County should continue the wholesale fuel program.

Respectfully submitted,

J. Kevin Robinson, MBA
Platte County Auditor

(1) Source: <http://www.fuelly.com/car/ford/crown%20victoria>

(2) The \$3.21 is the average price per gallon of fuel during the audit period.

(3) The operational cost of \$.23 rate per gallon has not been tested or verified as a tangible rate. In this analysis, it is used for an estimate only. Standard accounting practices regarding capitalization, depreciation, or amortization, are not reflected in the calculation.

(4) +/- \$.01 per gallon