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FOR IMMEDIATE RELEASE

March 29, 2012

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Greuel Uncovers Millions In Unexplained Fuel Expenditures

LOS ANGELES – As gas prices hover near \$5 per gallon, Los Angeles City Controller Wendy Greuel today released a scathing audit of the City’s fuel use and uncovered millions of dollars of unexplained, high-risk fuel transactions by City departments.

“Taxpayers expect more and deserve better,” said Greuel. “There needs to be responsibility for the siphoning off of more than \$7 million in unaccounted for fuel transactions.”

Annually, the City purchases about 13.8 million gallons of fuel at a cost of approximately \$28.6 million. Greuel found that during the 22-month audit period, more than \$7 million in fuel was taken without any information identifying the vehicle or purpose that the gas was intended for and that City departments ignored a \$12 million fuel tracking system that the City purchased a decade ago to help prevent this type of abuse.

Greuel cautioned that all fuel transactions should be for official purposes only and urged departments to enforce authorization procedures. She also urged the City Council to hold hearings on this matter as quickly as possible.

“What we have here is a problem that is exacerbated by the fact that City leaders are not holding managers accountable,” said Greuel. “In the private sector, it would be unthinkable to take millions in supplies or resources and ignore a multi-million dollar system that was designed to prevent theft or illegitimate use of resources, or in this case, the City’s fuel. My audit reveals that there is a tremendous lack of oversight when it comes to the City’s fuel use. This is compounded by the fact that the fuel tracking system the City invested in allows for too many bypass procedures. I urge City leaders to hold a hearing on my audit as soon as possible so that the City’s failings regarding the way fuel is dispensed can be immediately addressed.”

Some of Greuel’s recommendations include:

- Establishing a Fuel Task Force in the General Services Department to develop general guidelines for controlling and monitoring fuel use.

-More -

- Restricting employee access to keypad entry transactions, which allow drivers to manually bypass the information tracking system. Although overrides should only be used when all normal methods of procuring fuel have failed, they accounted for nearly \$4 million worth of transactions in the audit period.
- Maintaining logs at each City fuel site to record fuel dispensed using bypass modes and master cards.
- Conducting regular department-wide physical inventories of fuel cards to limit fraudulent expenditures.
- Maintaining logs to record fuel dispensed from above ground tanks, which are currently unrecorded.

This is the latest audit Greuel has conducted highlighting the City's failure to manage internal controls, resulting in unnecessary financial risk and exposure for the City. To date, Greuel has conducted more than 50 audits and uncovered \$125 million that the City has lost to wasteful spending, fraudulent activity and abuse of City resources.

For more information, log on to the Website of Los Angeles Controller Wendy Greuel: <http://controller.lacity.org/index.htm>

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