

MAYOR JIM GRAY



BRUCE SAHLI
DIRECTOR
OFFICE OF INTERNAL AUDIT

MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: May 22, 2018

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
William O'Mara, Commissioner of Finance & Administration
Jamshid Baradaran, Director of Facilities & Fleet Management
Phyllis Cooper, Director of Accounting
Todd Slatin, Director of Purchasing
Susan Straub, Communications Director
Wanda Kean, Deputy Director of Facilities & Fleet Management
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Teressa Gipson, CFE, Internal Auditor

RE: Fleet Fuel Costs Audit MAPPR

Background

On July 27, 2017, the Office of Internal Audit issued the Fleet Fuel Costs Audit Report. The 2017 audit report contained several findings related to fuel contract being expired; vendor invoices needed OPIS price breakdown; improper fleet fuel card purchases identified, and incomplete fuel tank capacity data in FleetWave.



This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included Fleet Fuel Costs from January 1, 2018 through April 13, 2018.

A summary of the findings from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

Finding	Summary of Original Finding	Follow-Up Results
Finding 1 High Priority	Fuel Contract Expired	Contract renewal feature in IonWave is being utilized and buyers and/or department personnel receive renewal notices prior to the end date of the contract. Riley Oil Company contract was rebid and accepted by Council on June 15, 2017. This finding has been resolved.
Finding 2 High Priority	Vendor Invoices Need OPIS Price Breakdown	Progress has been made by changing the third party billing vendor to Wex Bank. Fleet Services is working through billing issues to ensure OPIS pricing is consistently billed regardless of prices at the pump. Fleet should continue to work with Wex Bank to fully resolve the billing issues.
Finding 3 High Priority	Improper Fleet Fuel Card Purchases Identified	Fuel purchases exceeding fuel tank capacity for a particular vehicle linked to a fuel card are flagged by Fleet management and reported to departments. Fleet management also notifies user departments when invalid odometer readings occur. This finding has been resolved.



Finding 4 High Priority	Incomplete Fuel Tank Capacity Data in FleetWave	All vehicles and equipment in FleetWave have been assigned a fuel tank capacity amount. This finding has been resolved.
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SUMMARY OF AUDIT FINDINGS

Original Finding #1: Fuel Contract Expired

Priority Rating: High

Condition:

At the beginning of fieldwork, we noted that the price contract for Riley Oil Company had expired on March 17, 2017 and the replacement price contract had not been presented to Council for approval. Prior to the end of fieldwork, the price contract had been rebid and accepted, but had not been approved by Council.

Effect:

Contract pricing may not be honored by the vendor in the event of an expired contract. Expired contracts may also result in the loss of certain indemnifications for the LFUCG.

Recommendation:

We recommend that timely monitoring of price contract end dates be performed so that the LFUCG maintains consistent pricing for the purchase of fuel commodities.

Director of Purchasing Response:

Purchasing is implementing the contract module in our procurement system IonWave, which allows us to automatically send reminders to buyers, Division users, and Directors regarding the expiration dates of contracts. However, purchasing relies on the Division user to provide revised specifications for re-bids and if this is not done in a timely manner there may be a lapse between old and new contracts.

Commissioner of Finance & Administration Response:

I concur with the Director of Purchasing's response.



Follow-Up Detail Results:

We noted the contract renewal feature in IonWave is being used by Purchasing and reminders are sent to buyers and department personnel prior to contract expiration. We also obtained a copy of the current Riley Oil Company contract and noted that the resolution to accept the bid was passed on June 15, 2017 and the contract is still in effect.

This finding has been resolved.

Original Finding #2: Vendor Invoices Need OPIS Price Breakdown

Priority Rating: High

Condition:

SSA is LFUCG's largest supplier of diesel and gas. Their invoices include the transaction date, vehicle number, card number, and transaction type; however, they do not detail the gallons or the OPIS daily pricing charged plus the markup fees and applicable taxes per transaction.

We were also informed by Fleet management that the SuperFleet software has a glitch that causes it to invalidate one transaction when there have been two fuel transactions on the same day by the same employee for the exact same gallons of fuel. The SuperFleet system will kick out the first transaction and only detail the second transaction. This error must be noted and corrected by Fleet management during their reconciliation of the electronic file download.

Effect:

It was difficult to reconcile invoices to the daily OPIS price plus markup in the absence of the detailed price breakdowns. Fleet management spends additional hours reconciling the SuperFleet electronic download when transactions are omitted.

Recommendation:

We recommend that SSA provide additional invoice details to include the OPIS price plus any markup and/or taxes and discounts per fuel transaction. We also recommend that Fleet Services continue to work with the software vendor to remove the SuperFleet software glitch so that invoice downloads can submit all fuel transactions.



Deputy Director of Facilities and Fleet Management Response:

Fleet Services has made a request of Speedway to modify the invoices to show the actual cost per transaction. The government is currently in the middle of a 1-year contract with renewable option and since the file transfer protocol (ftp) and the invoice details are terms of the contract, Speedway is under no obligation to make the changes immediately. However, Speedway will begin using a third party to submit the invoices in a few months and have agreed to try to implement the new format at that time.

The glitch producing an omitted transaction is a systematic issue with the software sometimes recurring with a code release of an upgrade. The software manufacturer promptly makes the correction when notified and the process of reconciling the transactions immediately reveals the omission.

Director of Facilities and Fleet Management Response:

I concur with the Deputy Director's Comments.

Commissioner of General Services Response:

I concur with the Director's Comments.

Follow-Up Detail Results:

According to Fleet management, Speedway contracted with a third party billing service in December 2017; however, the vendor did not provide an adequate breakdown of the OPIS price on their invoice. After working with this vendor for several months, the billing part of the contract was rebid and Wex Bank has been providing billing services since April 2018. Fleet management stated they are working through some current billing issues to ensure that the OPIS pricing is consistently billed at the same price regardless of the price at the pump. We recommend that Fleet continue to work with Wex Bank to fully resolve these billing issues.

Deputy Director of Facilities & Fleet Response:

Fleet Services remains in the implementation process of switching the third party billing from FleetCor to WEX. The criteria for accepted invoicing is stated in the bid specifications and reads as follows:

Bi-weekly invoicing shall be per LFUCG Vehicle Number stating for each day of given bi-weekly period the gallons purchased and cost per gallon. Daily cost



per gallon shall equal OPIS pricing plus applicable Federal, State and Local taxes plus contract markup.

We hope to have the new contract invoicing in place by June 30th and hope to submit a final resolution at that time.

Director of Facilities and Fleet Management Response:
I concur with the Deputy Director's Comments.

Commissioner of General Services Response:
I concur with the Director's Comments.

Original Finding #3: Improper Fleet Fuel Card Purchases Identified
Priority Rating: High

Condition:

Our test work identified 33 instances where fuel purchases exceeded a vehicle's tank capacity, with these purchases ranging from one gallon to 23.2 gallons (and an average of 5.06 gallons) above tank capacity. Eleven of these transactions were explained as employees filling up their vehicle then filling up fuel tanks for small engine equipment (ten of which occurred in Parks). Other explanations included filling up another Police motorcycle, fueling an auxiliary tank, and six Waste Management drivers saying they couldn't remember why this occurred. Eleven of these exceptions were identified as having occurred because FleetWave contained the wrong tank size for the vehicle.

Fleet Usage Procedures and Guidelines specifically states, "Fuel cards are assigned to a specific unit and should never be used to fuel another unit".

Effect:

Purchases in excess of tank capacity are a clear indicator of improper use of fleet fuel cards.

Recommendation:

Fleet Usage Procedures and Guidelines dictating that only specific units are to be filled with fleet cards should be strictly adhered to. Division Directors should take appropriate disciplinary action to address invalid odometer readings as stipulated in



the “Fleet Policy Memo-Inputting Accurate Odometer Reading at Time of Fueling” contained in the PIN Assignment Packet which is issued to all new fleet card users. The incorrect tank sizes in FleetWave should be corrected to eliminate false positives when tests for purchases in excess of tank capacity occur.

Deputy Director of Facilities & Fleet Management Response:

Fleet Services has reviewed and updated all of the fuel tank sizes in the fleet management system and will continue to verify and enter the correct tank sizes for new units added to the fleet.

Fleet Services will continue to send invalid odometer reports to the Division Directors and recommend disciplinary action be taken for repeat offenders.

Director of Facilities & Fleet Management Response:

I concur with the Deputy Director’s Comments.

Commissioner of General Services Response:

I concur with the Director’s Comments.

Follow-Up Detail Results:

Fleet management sends emails to departments when fuel purchased at the pump with a fuel card exceeds the tank capacity of the assigned vehicle linked to that card. We were also provided with emails showing that management continues to send out notices to departments regarding invalid odometer readings entered at the fuel pump. Fleet management appears to be taking the necessary steps to monitor and address improper fleet card purchases.

This finding has been resolved.

Original Finding #4: Incomplete Fuel Tank Capacity Data in Fleetwave
Priority Rating: High

Condition:

We performed fuel analysis testing that included determining the fuel tank capacity for vehicles and comparing this information to the vehicle fuel transactions. Fuel purchases that exceed tank capacity are an indication of possible inappropriate activity. We noted that 82 vehicles included in Fleetwave did not include a fuel tank capacity.



Effect:

The absence of fuel tank capacity for these vehicles prevents an important analysis of fuel purchases.

Recommendation:

We recommend that Fleet Services add the fuel tank capacity to all vehicle profiles in Fleetwave.

Deputy Director of Facilities & Fleet Management Response:

Fleet Services has reviewed and updated all of the fuel tank sizes in the fleet management system and will verify and enter the correct tank sizes for new units added to the fleet (also referenced in Finding #3).

Research of the system files revealed the “exceeded fuel tank capacity” feature in the fleet management system did not flag some of the overfills because the fuel variance was set too high thus allowing the driver to go over the tank capacity while the transaction processed as normal in Fleetwave. The variance has been lowered and future transactions exceeding tank capacity will be flagged, investigated and reported to the affected Divisions.

Director of Facilities & Fleet Management Response:

I concur with the Deputy Director's Comments.

Commissioner of General Services Response:

I concur with the Director's Comments.

Follow-Up Detail Results:

Fleet management provided a listing of 2,968 vehicles and equipment items with their tank size capacities. We examined the listing and determined that all tank sizes had been entered into Fleetwave. Four hundred twenty-five tank sizes were set to zero, which appeared proper since these items were either small equipment or were not directly linked to a fuel card.

This finding has been resolved.

