Performance Audit of Fuel Cards
Audit No. 23-08
December 29, 2023

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Councilman James Green
Chairman, Shreveport City Council

Dear Councilman James Green:

<u>Subject: Audit No. 08 – Performance Audit of Fuel Cards</u>

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Steward

Leanis L. Steward, CPA, CIA
City Internal Auditor

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EXECUTIVE SUMMARY

Performance Audit of Fuel Cards

Why We Did This Audit

We have completed an audit of the Fuel Cards Program. This audit was conducted as one of our regularly scheduled audits included in the Annual Audit Plan developed by the City Internal Auditor. Our objective was to determine the adequacy and effectiveness of internal controls over the Fuel Card Program and compliance with Fuel Card policies and procedures.

What We Recommended:

- Develop a fuel card application/agreement form for the issuance of fuel cards and PINs

- Ensure proper usage of fuel cards by following policies and procedures

- Monitor and review of fuel card transactions

- Deactivate and replace fuel cards promptly

What We Found

The City of Shreveport has contracted with FleetCor Technologies (FleetCor) for the provision of fuel, via Fuelman Fleet Purchasing Cards (Fuel Cards). The contract was effective as of September 24, 2019 through June 30, 2022. The contract with FleetCor has been renewed through June 30, 2025, and may be renewed under the same terms and conditions for one more additional three-year period.

The City incurred approximately $7.7 million (Year 2021- $3.6 million, Year 2022 - $4 million) in Fuel Card transactions between January 2021 and December 2022.

The fuel cards are primarily managed by the Public Works Fleet Services Division through the FleetNet Pro (online card management program) web portal provided by FleetCor.

Employees fuel City vehicles mainly at the six City-owned fueling sites and at local gas stations that accept the Fuelman Fleet Purchasing card.

We have identified the following areas that need improvement:

- Fuel card and PIN Issuance Process
- Policies and procedures
- Surveillance at City fueling sites
- Compliance with policies and procedures
- Reviews of fuel card reports
- Deactivation of fuel cards and PINs

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Introduction

The fuel cards are managed by the Public Works Fleet Services Division through the FleetNet Pro (online card management program) web portal provided by FleetCor. The use of the FleetNet Pro allows for managing and maintaining details on the fleet such as transaction history, vehicle and driver data, controlling and monitoring fuel card usage, ordering, replacing, and locking fuel cards. It also helps control employee spending, identify fraud or misuse, track fuel purchases, and provide detailed reports.

Employees fuel City vehicles primarily at the six City-owned fueling sites and at local gas stations that accept the Fuelman Fleet Purchasing card.

Each vehicle is assigned a fuel card and employees are assigned a Personal Identification Number (PIN). PINs and odometer readings are required to be entered at the fuel pump to use the fuel cards for every transaction, for security and transparency, so management always knows who's spending what, where, and when.

For this audit, we focused on the Fuel Card Program. This report contains six findings and nine recommendations. **Appendix A** contains the risk descriptions for the recommendation risk levels throughout the report.

The objective of this audit was to:

> ➢ **Determine the adequacy and effectiveness of internal controls over the Fuel Card Program and compliance with Fuel Card policies and procedures.**

Scope and Methodology

The scope of this audit was limited to the Fuel Card Program. The period reviewed was January 2021 to December 2022. To answer our objectives, we reviewed relevant internal controls and developed audit procedures that included, but were not limited to, the following:

- Interviewed Fleet Services personnel to understand processes and procedures of the Fuel Card Program.
- Reviewed policies and procedures that govern the Fuel Card Program.
- Reviewed contract for Fuel and Fuel Management Services.
- Reviewed a sample of weekly fuel statements and transactions.
- Observed City–owned and private fueling sites.

The sample sizes of **11 Departments and 28 Weekly Fuel Statements** were calculated using a sampling calculator and were selected based on the criteria of 95 % confidence level and 2% error rate. The departments and weekly fuel statements were selected judgmentally and randomly.

We judgmentally determined a sample size of **753 Fuel Card Transactions.** The results cannot be projected to the entire population.

Random and judgmental sampling selection was used to improve the overall efficiency of the audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our audit objectives.

The Internal Audit Office expresses appreciation to the management and personnel of the Public Works – Fleet Services Division for their cooperation and assistance provided during the audit.

Objective: Determine the adequacy and effectiveness of internal controls over the Fuel Card Program and compliance with Fuel Card policies and procedures.

Finding 1: Issuance of Fuel Cards

Best practices dictate that a fuel card application or agreement should be required for any issuance of new fuel cards either for new vehicles or new employees to fully control the process of fuel card issuance.

Fuel Card Policies and Procedures, section 3c, states "Fleet Services will not issue new PIN numbers to new employees without the written approval of the Department Director".

There is no formal application/request form required for issuance of fuel cards. Management submits request via email to Fleet Services for new fuel cards. *<Auditor Note: City Marshal, Fire, Police, and SPORTRAN are responsible for issuance and management of their department fuel cards.>*

Our review of all active fuel cardholders found there were two cardholders that could not be verified as employees or authorized cardholders.

Prior to year 2020, requests for fuel card PINs were by email without any application or agreement form as a formal request from department management. In year 2020, a Request for PIN form was developed by the Fleet Services Division to be used as evidence of request and approval for issuance of PINs. *<Auditor Note: City Marshal, Fire, Police, and SPORTRAN are responsible for issuance and management of their department fuel cards.>*

We judgmentally and randomly selected 21 active fuel cardholders to determine if there was evidence of Request/Approval for Issuance of PINs and acknowledgment of rules and regulations for fuel card and PIN usage. Requests/Approvals for 10 (48%) of 21 were not found.

Furthermore, there is no acknowledgment/signature from department management and fuel card holders of their responsibilities for monitoring fuel card transactions and fuel card usage, respectively.

Verbal instructions are provided to employees but, there is a lack of formal training for employees about the terms, conditions, and responsibilities of usage for fuel cards and monitoring of fuel card transactions.

Without a formal documented fuel card issuance process and proper training on the

rules and responsibilities for using fuel cards and PINs, there is the potential for fuel cards to be issued to unauthorized employees or personnel and misuse of fuel cards and PINs.

The current process of requesting new fuel cards and PINs is illustrated below.
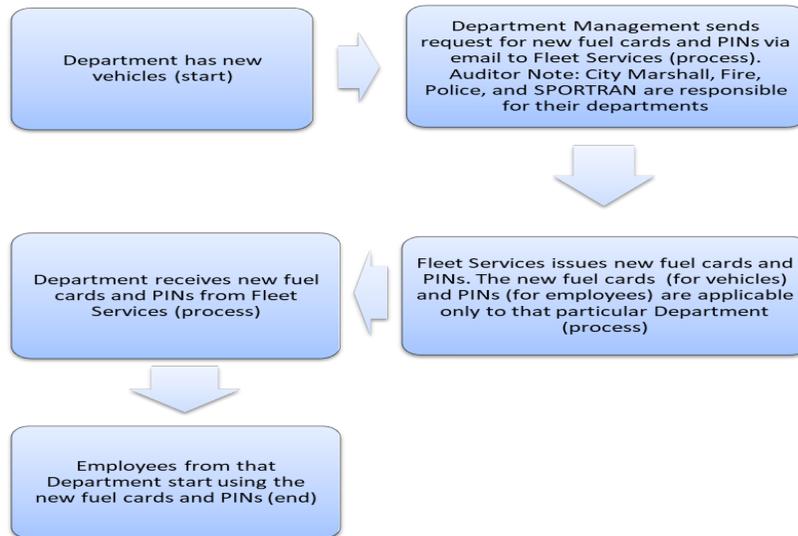
Recommendation 1: Management is responsible for Issuance of Fuel Cards and PINs, should develop a fuel card application/agreement form that states the rules and regulations, and responsibilities for monitoring and usage of the fuel cards and PINs, similar to the City procurement or travel card agreement and application, and require the agreement/form to be completed when requesting a new fuel card and PIN. Require signatures of the supervisor or designated personnel and employee or authorized individual that will be responsible for the issued fuel card and PIN.

The completed forms should be retained electronically in a centralized location for, at least, as long as the cardholder is authorized to use fuel cards and PIN and three years after the PIN is no longer active in case there is an audit. This will serve as evidence of approval by the Department Director or designated personnel for issuance of cards, PINs and assignment of accountability.

This requirement should be included with other revisions to the policies and procedures recommended in the "Policies and Procedures" finding. All fuel card holders and personnel responsible for reviewing transactions should receive adequate training on the terms, conditions, and responsibilities of fuel card usage and monitoring transactions. Risk: Medium

> **Management Response:**
>
> **Recommendation 1:** Management will develop a written request form for new employees receiving a Fuelman Card or Pin Number. This will include the procedures that must be followed when using the Fuelman Cards.
>
> **Due Date:** Less Than 6 Months

Finding 2: Policies and Procedures

Louisiana Legislative Auditor Best Practices for Cards states that "Written Policies and Procedures over cards (including credit cards, debit cards, fuel cards, and P-cards) should include:

1. How cards are to be controlled

2. Allowable business uses

3. Documentation requirements

4. Required approvers of statements

5. Monitoring card usage"

City of Shreveport Administrative Procedure 6-3 Fuel Distribution – Fuelman Procedures governs the Fuel Card Program. It details the responsibilities, restrictions, and procedures that are to be followed to prevent and detect improper transactions or misuse of the fuel cards.

Preventive Controls are intended to prevent, deter, or decrease the chance of fraudulent or improper transactions.

Detective Controls are meant to detect potential fraudulent or improper transactions after they have occurred.

Chart A displays the preventive and detective controls that are in place to help mitigate the risks of the use of the fuel cards.

Chart A	
Control Type	**Controls to Prevent and Detect Misuse of Fuel Cards**
Preventive	• Personal Identification Number (PIN) required to be entered at fuel site • No sharing or writing down PINs • Correct odometer reading required to be entered at fuel site • Use City Refueling Sites only (except CNG vehicles, Police, Fire, Department Directors, and other approved employees) • Card Limitations/Restrictions • Overnight Fueling Prohibited Hours (10 p.m. – 4 a.m.) • Nonfuel transactions prohibited • Annual Report and Updates of departments' fuel cards and employees with PIN numbers
Detective	• Report of Exceptions when card limitations have been reached or breached • Supervisors review of weekly fuel statements for exceptions reported and suspicious and/or inappropriate transactions
Source: Administrative Procedure 6-3 Fuel Distribution – Fuelman Procedures	

Although the controls are adequate and effective there is room for improvement. We have noted controls that could be added and/or strengthened.

There is no requirement for each department to have a fuel card sign out sheet nor designated individual, such as a Fuel Card Administrator, to help safeguard and mitigate the risk of the fuel cards being stolen, misplaced, or used with the wrong vehicle. Although there are some departments that keep the fuel cards in a centralized location, there are others that allow the fuel cards to be kept in the assigned vehicle or kept on an employee's person.

The purchase of the lowest grade of fuel (i.e., Regular Unleaded) is not required, unless the vehicle manufacturer requires or recommends a higher grade of fuel. Purchasing of lower grade fuel could be more economical for the City.

An odometer reading is required to be entered to use the fuel card. There was no process or standard established for entering odometer readings for gas cans or equipment without an odometer. While reviewing transactions, we noted that gas cans had odometer readings that appeared to be unreasonable or meaningless.

Override and gas can cards are not assigned to a specific vehicle or equipment but are to be used for vehicles or equipment that may not have a fuel card. However, the allowable and prohibited uses of these cards and the process to record the use of the cards are not documented in the policies and procedures.

An annual reporting or updates to the list of fuel cards and employees with PINs is

required to help identify those cards and PIN numbers that need to be canceled. However, this could be more frequent to ensure those fuel cards and PIN numbers are canceled more timely to prevent misuse of the fuel cards.

Recommendation 2: Management should revise Administrative Procedure 6-3 to include:

1. Each department should have a Fuel Card Administrator that will be responsible for safeguarding the fuel cards in a centralized location.

2. Fuel Card Administrator should maintain a fuel card sign-out sheet, to record at least the employee's name, vehicle/equipment # to be fueled, date and time card signed-out and returned, and signature of Card Administrator when card is returned. Preferably, the card should be returned the same day it was signed out when feasible. Exceptions may be considered for employees that have assigned take home vehicles such as Police, Fire, MPC, etc. Sign-out sheets should be used to reconcile fuel card transactions that may be questionable during review of weekly fuel card statements.

3. Require the lowest grade of fuel (i.e., Unleaded) should be purchased unless the vehicle manufacturer requires or recommends a higher grade (i.e., Unleaded +, Midgrade or Premium). Require cardholders to provide an explanation when a higher grade is purchased. Purchasing the lowest grade of fuel will be more economical for the City.

4. Require a standard number be entered for the odometer readings for gas cans and other equipment that do not have an odometer.

5. The allowable and prohibited uses of the override and gas can fuel card and establish a process to document the use of these cards such as the date and time, vehicle/equipment # or description being fueled and odometer reading when applicable.

6. Require a more frequent (rather than annually maybe quarterly or semi-annually) review of active cardholders to confirm that cardholders are current employees that require use of a fuel card. This could help ensure that transferred/resigned/terminated employees cards/PINs are more timely deactivated/locked and only authorized employees cards are activated/unlocked. Risk: Medium

Recommendation 3: Distribute the revised fuel card policies and procedures to all supervisors or designated personnel responsible for fuel card usage or with active Personal Identification Numbers (PINs) and require a signature acknowledging they understand and will comply. Risk: Medium

Management Response:

Recommendation 2: Management will put controls in place to comply with the findings by the Internal Auditor to insure proper oversite for recommendation # 2.

Due Date: Less Than 6 Months

Management Response:

Recommendation 3: After the fuel card policy is revised proper training will be provided for all users of the Shreveport Fuel Cards.

Due Date: Less Than 6 Months

Finding 3: City Fueling Sites

The use of surveillance cameras at fuel sites help to deter and/or detect misuse of fuel cards and monitor cardholder behavior.

During visits to the six City-owned fueling sites (see pictures of the six City-owned fueling sites below), we observed there were no surveillance cameras or other mechanism at the sites to prevent and/or detect misuse of fuel cards.

Police Garage

Public Works

Sportran

Airport

Water and Sewer - Field Operations

Streets and Drainage

If cameras are installed, this could assist in determining if fuel cards are actually being used on the vehicle assigned to the fuel card and the PIN is entered by the employee assigned to the PIN.

<Auditor Note: Public Works management has discussed the possibility of installing a proximity reader at a future City fueling site that will automatically detect the vehicle being fueled.>

Recommendation 4: Install surveillance cameras or other mechanisms to prevent and/or detect misuse of fuel cards at City-owned Fueling Sites. A potential mechanism to consider is the CANceiver or similar device (ex: proximity reader) that allows for electronic recording of vehicle ID and odometer reading when fuel nozzle is inserted into vehicle. This will eliminate errors from manually entering odometer readings and the potential for fuel cards being used with wrong vehicle.   Risk: Medium

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Management Response:

Recommendation 4: Most of Public Works will be relocating to the new facility on W. 70th Street at which time the addition of cameras will be given due consideration if funding is available.

Due Date: 1 Year or More

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Finding 4: Noncompliance with Policies and Procedures for Usage of Fuel Cards

Administrative Procedure 6-3 (A.P. 6-3) states:
- Overnight fueling is prohibited during the hours of 10pm -4am
- PIN numbers must not be shared
- Use the correct card for the vehicle being refueled
- Correct odometer reading must be entered at time of fueling
- Use City Refueling Sites only (except for Fire, Police, CNG vehicles, Department Heads and other approved employees)
- Nonfuel transactions are prohibited.

The FleetNet Pro system, the online card management system, allows for parameters (ex: daily fuel amount and transaction limits, fuel type restrictions and fuel tank capacity) to be set for each fuel card to prevent and detect potential misuse of fuel cards. When card limitations are reached or breached an exception is reported on the fuel statement.

We randomly and judgmentally selected transactions for 11 out of 18 departments for 28 weeks (14 weeks from each year) from years 2021 and 2022 to review for compliance with A.P. 6-3 and effectiveness of card limitations set within the FleetNet Pro system.

Our review of 753 transactions identified areas of noncompliance or potential noncompliance (i.e., questionable transactions) and exceptions reported as a result of card limitations being reached or breached (Chart B).

Chart B — Departments and Areas of Noncompliance										
Areas of Noncompliance	**CD**	**FD**	**IT**	**Lib**	**MPC**	**PD**	**PS**	**PW**	**SPAR**	**SPORTRAN**	**W/S**
Purchased fuel on prohibited day								X			
Purchased fuel during prohibited hours							X	X			X
Used Non-City Fuel Sites without written CAO approval	X		X	X	X		X	X	X	X	X
Purchased nonfuel		X				X					
Entered zero (0) for odometer reading		X					X	X			
Purchased higher grade fuel (Midgrade or Premium)		X		X	X	X	X		X	X	X
Purchased wrong fuel as recommended by manufacturer or restricted in the Fuelman System		X		X	X	X	X	X		X	X
Purchased fuel quantity greater than vehicle tank size		X		X	X	X	X	X	X		X
Repeated exceptions reported weekly *(ex: odometer reading out of sequence, exceeded daily fuel and transaction limit, vehicle is restricted from purchasing this fuel)*	X	X	X	X	X	X	X	X	X	X	X

Note: Those highlighted areas of noncompliance are more serious because they could potentially be viewed as or lead to fraudulent purchases.

Department Legend

CD – Community Development
FD – Fire Department
IT – Information Technology
Lib – Shreve Memorial Library
MPC – Metropolitan Planning Commission
PD – Police Department
PS – Property Standards
PW – Public Works
SPAR – Shreveport Public Assembly and Recreation
SPORTRAN – Shreveport Area Transit System
W/S – Water and Sewer

We also noted the following areas of concern that may not or did not have exceptions reported but need to be investigated or reviewed further:

•Transactions showing odometer readings entered were out of sequence, remained the same or appeared to be inaccurate (ex: 1, 1234, 12345). The purpose of entering the odometer reading is to track the fuel efficiency of a vehicle as well as to help detect if the fuel card is being used on the correct vehicle. When the odometer reading is out of sequence this could be a human error, but also could possibly mean that the fuel card is not being used on the correct vehicle. An "odometer entry is out of sequence" exception is only reported on the Fuelman statement if the odometer reading is less than the previous reading entered. If the odometer reading entered is more or remains the same as the previous odometer reading an exception is not reported.

•Transaction showing same employee fueling same vehicle multiple times in a day within less than 1 hour between fueling (Chart C).

Chart C					
Examples of Transactions of Employees Possibly Using Fuel Card on Wrong Vehicle or Excessive Fueling					
Employee	**Transaction Date and Time**	**Vehicle**	**Odometer Reading Entered**	**Quantity (Gallons)**	**Fuel Type**
A	4/22/2022 1:23 pm	#9115 2007 Dodge Charger	98,653	17.086	Unleaded
A	4/22/2022 1:36 pm	#9115 2007 Dodge Charger	123,000	18.069	Unleaded
A	4/23/2022 12:06 pm	#9115 2007 Dodge Charger	45,698	22.483	Unleaded
A	4/23/2022 12:52 pm	#9115 2007 Dodge Charger	6,532	19.25	Unleaded
A	6/22/2022 6:31 pm	#9115 2007 Dodge Charger	41,235	32.874	Unleaded
A	6/22/2022 6:37 pm	#9115 2007 Dodge Charger	41,235	14.967	Premium
A	6/23/2022 6:36 pm	#9115 2007 Dodge Charger	45,213	19	Unleaded
A	6/23/2022 6:54 pm	#9115 2007 Dodge Charger	412,536	19	Unleaded
B	11/1/2022 6:55 am	#2110 2008 Ford 1 Ton Crew	55,555	29.879	Unleaded
B	11/1/2022 6:56 am	#2110 2008 Ford 1 Ton Crew	0	33.436	Unleaded
B	11/1/2022 6:57 am	#2110 2008 Ford 1 Ton Crew	0	38.145	Unleaded
B	11/1/2022 6:58 am	#2110 2008 Ford 1 Ton Crew	0	19.798	Unleaded
B	11/1/2022 7:07 am	#2110 2008 Ford 1 Ton Crew	0	15.178	Unleaded
Note: Highlighted odometer readings and quantities indicates potentially different vehicle being fueled or excessive fueling of same vehicle, respectively.					
Source: Fuelman Card Management System (Fleetnet Pro)					

•Transactions showing same vehicle fueled minutes apart by different employees (Chart D). This could be viewed as potentially excessive fueling or fueling a different vehicle than the card is assigned to because the fuel card doesn't detect what vehicle is being fueled.

Chart D				
Examples of Multiple Employees Fueling Same Vehicle Minutes Apart				
Employee	Transaction Date and Time	Vehicle	Fuel Type	Odometer Reading Entered
C	8/3/2021 6:55 pm	#2468 2011 Frtlnr Packer	Diesel	114,789
D	8/3/2021 7:18 pm	#2468 2011 Frtlner Packer	Diesel	2,402
E	4/5/2022 6:28 pm	#2469 2011 Frtlner Packer	Diesel	2,495
C	4/5/2022 6:39 pm	#2469 2011 Frtlner Packer	Diesel	145,870
G	4/5/2022 6:49 pm	#2423 2017 International	Diesel	81,159
E	4/5/2022 6:54 pm	#2423 2017 International	Diesel	2,407
Source: Fuelman Card Management System (Fleetnet Pro)				

•A comparison of transactions in the Fuelman System to observations of employees using fuel cards at selected fueling sites revealed that at least three departments' employees were using incorrect fuel cards on City vehicles/equipment (Chart E). Our observation showed that incorrect cards were being used because cards for vehicles being fueled were locked.

Chart E			
Observations of Fuel Card Used on Wrong Vehicle			
Transaction Date and Time	Vehicle Observed Fueling	Vehicle Card Used (per Fuelman System)	Department
9/25/2023 7:30 am	*#9019 2010 Ford F-150 Pickup	#2110	1-Property Standards
9/26/2023 7:56 am	*#5229 2008 Ford 1 Ton Pickup	#5290	2-SPAR – Maintenance Grounds
11/7/2023 1:41 pm	#2478 2012 Frtlner Packer CNG	#2485	3-Public Works - Solidwaste
*Note: The fuel cards for the vehicles observed were locked at the time of the observation.			

Also, we found over 50 active vehicles/equipment had locked fuel cards which would imply that a fuel card not assigned to the respective vehicles/equipment would have to be used to fuel them.

•We found at least one employee's PIN continued to be used with the previous department's vehicle's fuel cards after transferring from that department to another department. This appears that the PIN number has been shared and used by more than one employee. Each fuel card holder is only to be assigned one PIN at any time to be used with the fuel cards in the department they are assigned.

•Transactions showing same employee fueling multiple vehicles around the same time at same location. PIN number is possibly being shared.

•Incomplete vehicle descriptions (lack of year, make or model/trim of vehicle) on fuel statements. Complete vehicle descriptions assist in the review of the transactions to determine reasonableness in the quantity and type of fuel being purchased.

The card limitations set within the Fleetnet Pro system were effective and operating properly. However, management is not thoroughly reviewing the weekly fuel statements to identify those employees with repeated exceptions and questionable or unusual transactions without reported exceptions. Also, complete vehicle descriptions (i.e., year, make, model/trim) and card limitations (ex: prohibited times) are not always entered into the Fleetnet Pro system. Improvements in these areas will help reduce the risk of and/or detect noncompliance with policies and procedures and misuse of fuel cards.

Recommendation 5: Ensure that complete vehicle descriptions (i.e., year, make, model/trim) and proper card restrictions, consistent with the policies and/or vehicle specifications (i.e., prohibited times, fuel type and tank capacity), are entered into the FleetNet Pro system for each fuel card. This will provide more accurate reporting of fuel card transactions and exceptions to assist in the weekly review of fuel card statements.

Risk: High

Recommendation 6: In addition to implementing a fuel card sign out sheet as recommended in the "Policies and Procedures" finding, supervisors or designated personnel should more thoroughly review weekly fuel card statements for any noncompliance with policies and procedures, suspicious or questionable transactions with or without exceptions reported (ex: time of day, out of sequence odometer, unauthorized fuel types, transaction limits reached, frequency of fueling) and to identify and address those employees that consistently have transactions with exceptions. This could help detect and reduce errors and improper or fraudulent transactions.

Fleet Services should contact Fleetcor Technologies and review Fuelman System parameters to determine if more controls can be set to prevent misuse of the fuel cards. For example: Is there a preventive control to deny transaction for entering incorrect odometer reading or fuel card or PIN number used at the same time or within a window of time?

Risk: High

Management Response:

Recommendation 5: We will use all the restrictions available through the Fuelman Program. Most of the restrictions being requested are not available features.

Due Date: Less Than 6 Months

Management Response:

Recommendation 6: Management agrees that closer monitoring of the monthly report is needed and will be required.

Due Date: Less Than 6 Months

Finding 5: Timely Review of Fuelman Reports

Per City of Shreveport Administrative Procedure 6-3 Fuel Distribution -Fuelman Procedures, Section 7.a., states "weekly fuel reports must be signed off within 3 business days of receiving" and "reports shall be accompanied with a minimum 2 signatures from staff responsible for reviewing the reports for errors and suspicious activity", and "each exception code notated in the exception column for each transaction must be accompanied with a written explanation," with the exception of Police Department.

We reviewed a sample of 28 weekly Fuelman reports for each of the 11 departments during 2021 and 2022 to determine if reports were being reviewed in accordance with Administrative Procedure 6-3. *<Auditor Note: Although Police Department was not required to review Fuelman reports, these reports were selected to review the type of exceptions reported on the weekly statements.>*

All 10 departments *<Auditor Note: Police Department was not required to review Fuelman reports.>* had at least one instance of noncompliance with the requirements of review of Fuelman reports within 3 business days of receipt accompanied by 2 signatures and written explanation of exception codes.

Fuelman reports with exception codes were not always accompanied with an explanation of the root cause(s) for those exception codes. Management also did not follow up with employees to determine what happened and what to do to reduce or eliminate those exception codes.

Because the reports did not always indicate a date received and reviewed, we were not always able to determine if reports were being reviewed within 3 business days of receipt of the report. However, a comparison of the date of the report to the date of review showed four of the 10 departments required to review the reports did not review their reports until weeks or months after the report date (ex: Report Date 1/3/2022-1/9/22 was reviewed 6/28/ 2022).

Additionally, three other departments did not review or there was no evidence of review for Fuelman reports for years 2021 and 2022.

Recommendation 7: Division Heads or the Department Director appointee(s):
Should have at least two different persons to review and sign off and date all Fuelman reports after reviewing them within 3 business days of receipt of the Fuelman report.

Should date stamp or make notation on Fuelman reports when they are received to determine if they were reviewed within 3 business days of receipt.

Should follow up with employees about the exception codes to understand the root cause(s) and to develop a plan to reduce or eliminate the errors and provide written notes/explanations with the weekly Fuelman report, especially with employees with repeated exceptions**.**   Risk: High

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Management Response:

Recommendation 7: Management will take appropriate measures to insure adequate oversite as well as timely review of the Fuelman reports.

Due Date: 6 to 12 Months

Finding 6: Deactivating Fuel Cards of Former Employees

To prevent unauthorized use of former employees fuel cards, Fleet Services or Superintendent of Vehicle Maintenance for Police Department (for police vehicles only) is to be notified immediately when an employee is no longer employed by the City. Fuel cards are to be changed to Manually Locked (M) from Unlocked (U) and PIN (Personal Identification Number) canceled in the Fuelman System to prevent the use of the fuel card.

A comparison of a list of terminated employees to the list of active fuel cards found 23 former City employees and one SPORTAN former employee with unlocked fuel cards as displayed in Chart F below.

Chart F Departments with Unlocked Fuel Cards after Employee Termination	
Department	**Number of Unlocked Fuel Cards**
City Courts	1
City Marshal	3
Information Technology	1
Police	14
SPAR	1
SPORTRAN	1
Water and Sewer	3
Total	**24**
Source: Fuelman Card Management System (Fleetnet Pro) and Logos Human Resources Module	

Internal Audit reported these employee names to Fleet Services and Police Department (for police vehicles only). Two of the 23 former City employees' cards/PINs remain unlocked as of July 31, 2023, for Water and Sewer Department, although no transactions have occurred since employees' termination date.

Three (13%) of the 24 fuel cards/PINs had been used multiple months to over a year since the employees' termination as illustrated in Chart G below. We could not determine who used the cards/PINs.

Chart G Departments with Fuel Cards used after Employee Termination			
Department	**Gallons**	**Amount**	**Period of Time Used Since Termination Date**
City Courts	65	$205	Almost a year
Police	12	$30	Over a year
Water and Sewer	2037	$6764	Almost a year
Approximate Total	**2114**	**$6999**	
Source: Fuelman Card Management System (Fleetnet Pro)			

A comparison of the lock dates for the 24 cards above to the termination dates of the former employees revealed that the cards/PINs were not locked immediately or timely (within 3 to 5 business days) after the employees were terminated. Cards/PINs were locked months to over a year after termination date.

Furthermore, our review of transactions found at least one employee's PIN (Personal Identification Number) continued to be used after transferring from one department to another department as reported in the "Noncompliance with Policies and Procedures for Usage of Fuel Cards" finding. The PIN should have been canceled when the employee transferred from the department.

Fuel cards are assigned to vehicles in the assigned department and should only be used on the vehicle they are assigned to. Similarly, PINs (Personal Identification Numbers) are assigned to employees and must not be shared with others. The PIN is intended to be used only by the employee assigned the PIN. This establishes accountability and helps prevent and/or detect misuse or unauthorized use of fuel cards and PINs.

Recommendation 8: Reiterate and stress to supervisors or designated personnel in each department/division the importance of reporting terminated or transferred employees to Fleet Services and other authorized personnel responsible for locking and canceling cards as soon as possible so that fuel cards and PINs can be locked or canceled timely. Include in policies and procedures to require supervisors or authorized personnel to obtain fuel cards from former employees on day of termination or before transfer when feasible. This will further mitigate the risk of former employees using the fuel cards after termination or transfer. We also recommend cameras or other control mechanism (ex: proximity reader that would be installed on the vehicle and at the fuel site) be installed at the City fueling sites (because they would be used to monitor fueling of only City vehicles) to detect, deter or prevent misuse of fuel cards by unauthorized individuals in "City Fueling Sites" finding. Risk: High

Recommendation 9: Fleet Services, Police Department, and other authorized personnel should request a list of terminated or transferred employees from Information Technology department periodically (possibly monthly or quarterly). This will ensure that any terminated or transferred employees that were not reported will be captured on the termination and transferred list and the list could be used to lock or cancel any former employees' fuel cards and PINs. Risk: High

Management Response:

Recommedation 8: Management will be more diligent about complying with the recommendation #8 above.

Due Date: Less Than 6 Months

Management Response:

Recommendation 9: We will investigate this possibility with the Information Technology Department.

Due Date: Less Than 6 Months

Prepared by:

Brian Nguyen

Brian Nguyen
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Prepared by:

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City Internal Auditor

bn:tf:ts

c: City Council
   Clerk of Council
   Mayor
   Chief Administrative Officer
   Carr Riggs and Ingram
   City Attorney
   Director of Public Works

Appendix A: Findings Risk Ranking Criteria

The chart below summarizes our evaluation of risk for the recommendations outlined in the report. Each recommendation was assessed at a high, medium, or low risk level based on a qualitative assessment of exposure and/or corrective action priority.

Risk Levels	Risk Description
High Risk	Represents a **significant** level of risk exposure to City assets, public safety, or achievement of objectives or mission. Corrective action should have the highest priority.
Medium Risk	Represents a **moderate** level of risk exposure to the City from extensive operating inefficiencies or high-level non-compliance issues. Corrective action should occur expeditiously.
Low Risk	Represents a **minimal** level of risk exposure to the City from inefficiencies or low-level non-compliance issues. Corrective action should occur as appropriate.