



Public Works Fleet – Fuel Usage and Monitoring
Internal Audit

April 2019

Bernalillo County Internal Audit Public Works Fleet– Fuel Usage and Monitoring

Executive Summary

SUMMARY OF PROCEDURES

REDW performed internal audit procedures over fuel tracking and monitoring throughout Bernalillo County. Our internal audit focused on evaluating the controls and processes related to tracking and reconciling of fuel, including issuing and tracking of fuel cards and monitoring of usage.

We performed the following procedures:

- Tested quarterly fuel consumption reports for accuracy and timeliness of submission.
- Tested quarterly reconciliations of fuel between the Veeter-Root system and M5 to determine if variances existed, investigated and properly adjusted.
- Selected a sample of employees authorized to fuel in both the M5 and WEX systems and tested to determine if access appeared reasonable based on their position within the County.
- Performed analytical procedures utilizing the M5 and WEX authorized user listings, active employee listing, terminated employee listing and fuel transaction listings for calendar year 2018 to determine transactions were completed by authorized users.
- Selected a sample of weekly usage monitoring reports to determine if transaction flagged by the systems as unusual were properly reviewed and authorized.
- Selected a sample of Take Home Vehicles (THV) and tested to determine these were properly assigned, and approved by both supervisors and the THV Review Committee.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

During the course of the audit we identified areas which processes and related controls appeared to be functioning properly, most noticeably was the areas related to review of the weekly usage monitoring reports by the Fleet and Facilities Management Department (FFMD). Our testing identified review of potential errors on the weekly usage monitoring reports were properly reviewed, investigated and approved.

As a result of our testing, the following high and moderate risk observations were identified:

- 1) ***Non-Conventional Employee Monitoring:*** Our testing identified 44 M5 users and 5 WEX users who were classified as non-conventional employees and were active in the system (with seven users having fuel transactions during calendar year 2018) but did not have supporting documentation in place or monitoring procedures to determine if their access is appropriate. The FFMD should implement an approval process to ensure all manually entered employees are appropriate. In addition, the an FFMD or designated employee should review all non-conventional user access in both the M5 and WEX systems periodically to ensure employees with access are accurate. A process should be implemented to remove non-conventional access immediately once they are no longer eligible to be fueling.
- 2) ***Quarterly Fuel Usage Monitoring:*** For the six quarterly monitoring reports tested, not all departments with an excess change of +/-10% in fuel usage provided responses for the variances and there were variances in the back-up support used to prepare the reports. Additionally, two of the reports were not provided to the Department Directors. The FFMD should consider developing procedures to ensure processes related to monitoring of the quarterly fuel consumption reports are consistent and are able to be completed if changes in personnel occur.

* * * * *

Further detail of our purpose, objectives, scope, and procedures are included in the internal audit report.

We received excellent cooperation and assistance from the Fleet and Facilities Management Department at Public Works during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
May 6, 2019

Bernalillo County Internal Audit Public Works Fleet– Fuel Usage and Monitoring

Table of Contents

	<u>Page</u>
INTRODUCTION	1
PURPOSE AND OBJECTIVES	1
SCOPE AND PROCEDURES PERFORMED	2
OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES	4

Bernalillo County Internal Audit Public Works Fleet– Fuel Usage and Monitoring Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the processes related to tracking, monitoring and reconciling fuel as well as the authorization of users and tracking of fuel cards. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants and the terms of our Professional Services Contract agreement for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified.

Although we have included management’s responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

An entrance conference was held on March 28, 2019, and fieldwork began April 1, 2019. An exit conference was held on April 29, 2019.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating the processes and controls related to fueling access and monitoring including: quarterly monitoring of fuel usage by departments, authorization of users, tracking of fuel cards, quarterly reconciliations of fuel usage and weekly monitoring of unusual fuel transactions. In addition, we evaluated whether user access appeared reasonable based on an employee’s position and current employment status. Lastly, we assessed whether Take Home Vehicles (THV) were properly requested and approved by the THV Review Committee.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and laws/regulations, we interviewed the following personnel:

- Mary K. Murnane, Fleet and Facilities Management Department Director
- Jared Divett, Acting Fleet Administrator
- Eric Christian, Fleet Operations Supervisor
- Leticia Garay, Administrative Officer 1
- John Vialpando, Inventory Control Coordinator

In order to gain an understanding of the processes we read relevant portions of:

- Bernalillo County Administrative Instructions (AI) No. FL 05: Fuel Card Program - Wright Express (WEX), revised May 9, 2011
- Bernalillo County Administrative Instructions (AI) No. FL 02: Vehicle Use and Assignment Guidelines and Procedures, revised June 6, 2018

We performed the following testwork:

Quarterly Department Fuel Usage Monitoring: Obtained quarterly fuel consumption reports for all quarters in fiscal year 2018 and the first two quarters in fiscal year 2019. For each quarter selected, we tested to determine:

- The report was prepared by Fleet and Facilities Management Department (FFMD);
- The report was provided to designated reviewers timely;
- The data included in the report could be agreed to the system generated support;
- Responses were submitted timely from departments with fuel usage changes of +/-10%.

Weekly Usage Monitoring: Obtained 13 weeks within calendar year 2018 of unusual activity reports and tested to determine if:

- Unusual transactions were investigated;
- The response to the unusual transactions appeared reasonable;
- If the transaction was not authorized the applicable department was charged;
- Approval of transactions was performed by either the Acting Fleet Administrator or Fleet Operations Supervisor;
- Review of the report was completed timely.

System Fuel Inventory Reconciliations: Selected two quarters from calendar year 2018 and requested fuel inventory support (stick measurements, Veeter-Root system fuel levels and M5 system fuel levels) for the tanks at all four fueling stations within the County. We tested to determine:

- Fuel levels agreed between systems;

- Variances in excess of sixty gallons were reported by Constituent and Support Services to FFMD;
- Variances were investigated and conclusions appeared reasonable;
- Necessary adjustments were accurately completed within the M5 system.

In addition, we performed a reconciliation on one of the fuel tanks while we were on site by comparing the Veeter-Root measurement, stick measurement and M5 system, to identify significant variances and assess the adequacy of the process.

System Adjustments: We obtained a listing of all adjustments performed in M5 for the calendar years 2017 and 2018 to evaluate the total quantity and direction of adjustments.

Authorized Users: Obtained listings of all users authorized to fuel in the M5 and WEX system as of March 20, 2019. We selected 30 users from the M5 listing of 1,616, and 30 from the WEX listing of 705. For each user selected, we tested to ensure:

- An employee Vehicle Fuel Authorization Form was completed and signed by the Director/Supervisor or, if no form was available, access appeared reasonable based on the employees title and department as provided by Human Resources (HR);
- Employee was properly set up in the M5 system;
- Employee was only added to the authorized system.

User Access Monitoring: Obtained the listings of authorized M5 and WEX users from the testing above, a report of all fuel transactions occurring in calendar year 2018, and an active and terminated employee listing. Using the listings, we performed analytical procedures to ensure authorized users were active employees, fueling transactions were completed by authorized users only and WEX users were included in the M5 system in accordance with department procedures. Additionally, we searched for employees having fueled in less than three days from their previous transaction, then using the active employee listing, determined if this appeared reasonable based on their title and department.

Take Home Vehicles (THV) Authorization: Obtained the list of all vehicles identified as take home as of December 31, 2018. From the listing of 22, selected 10 and tested to ensure:

- Vehicle was assigned to an active County employee;
- Application was uploaded to MinuteTraq;
- Renewal of application was received by December 5, 2017, for calendar year 2018, if applicable;
- THV Application form was completed and approved by the Elected Official or Department Director for 2018;
- The THV Review Committee approved the application.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

During the course of the audit, we identified areas which processes and related controls appeared to be functioning properly, most noticeably was the area related to the review, investigation, and approval of the weekly fuel usage monitoring reports. In addition, our testing determined that County employees in the M5 and WEX system appear to have appropriate authorizations based on job title/department and they appeared to be correctly set up in the system they were authorized for.

As a result of our testing, REDW identified the following observations:

1) Non-Conventional Employee Monitoring

Although the majority of fuel users are County employees, there are instances where a fuel user is manually added to the M5 or WEX system despite not being considered a conventional County employee. Examples of these non-conventional employees include BCSO reserve employees, Village of Tijeras employees, as well as other temporary employees. Our testing identified seven users who had fuel transactions during calendar year 2018, but for whom the authorization forms were not retained after they were entered them into the systems supporting that access to fuel was appropriate. Additionally, we identified a total of 44 M5 users and 5 WEX users who had been manually entered into the system and did not have authorization forms on file to support that they were authorized to fuel. Lastly, it does not appear that monitoring procedures were performed to ensure manually entered employees should continue to have access to fueling during the year.

Potential Risk: High – If the approval process is not documented or monitoring performed to ensure users who are manually entered are legitimate, there could be inappropriate additions of users into the system who are authorized to fuel.

Recommendation: The FFMD should retain all authorization forms for users that are manually entered to ensure their access is appropriate. In addition, the FFMD, or designated employee, should review all non-conventional user access in both the M5 and WEX systems periodically to ensure employees with access are accurate. A process should be implemented to remove non-conventional access immediately once they are no longer eligible to be fueling.

Management's Response: Although authorization forms are not retained, it is the department's current process to obtain an authorization forms for all users prior to granting fuel access. Going forward, the department will ensure to retain all authorization forms obtained for non-conventional employees to ensure there is documentation supporting that their access is appropriate. Additionally, the Fleet Operations Supervisor will begin sending out six-month notices via email to all departments with non-conventional employees to ensure users continue to require fueling access. If a response has not been received from a department by the due date, the following day, a final notice will be sent to the department letting them know their departments fueling access will be temporarily suspended if a response is not obtained in three business days. This process is expected to be implemented effective June 30, 2019.

2) Quarterly Fuel Usage Monitoring

As part of monitoring procedures for fuel usage, the Fleet Administrator sends out quarterly fuel consumption reports to Department Directors for approximately 200 departments and requests an explanation to changes in fuel consumption of +/-10%. Our testing of six quarters identified:

- Four quarters included fuel data that did not agree the underlying support. Additionally, there were multiple departments included on the underlying support that did not appear to have been included on the quarterly report.
- Two quarters were not sent out due to changes in personnel.
- Four quarters included 55 total occurrences where there was no response to the request for explanation to changes in fuel consumption.
- Two quarters included 22 total occurrences with responses however, response dates were unavailable so we were unable to determine if the response was timely;
- Three quarters included 20 total occurrences where departments did not respond by the deadline assigned by the Fleet Administrator.

Potential Risk: Moderate – Inadequate monitoring of fuel consumption could result in Department Directors being unaware of significant increases in fuel consumption and overspending of budgets.

Recommendation: The FFMD should develop procedures to ensure processes related to quarterly fuel consumption reports are consistent and are able to be completed if changes in personnel occur. Additionally, FFMD should ensure responses from all departments with fuel consumptions changes of +/-10% are received.

Management's Response: The department will develop procedures to ensure reporting requirements are standardized and performable in the event of a change or absence in personnel. In order to ensure underlying data is agreeable, we will begin including the supporting data in separate tabs within the excel workbook used to create the report. We will create a fleet folder in the share drive to store all reports, underlying support and department responses so that these are easily accessible. We will also implement a process to follow-up with departments when they have not responded to consumption changes of +/-10%. If a response has not been received from a department by the due date, the following day, a final notice will be sent to the department letting them know their departments fueling access will be temporarily suspended if a response is not obtained in three business days. We expect this process to be established by December 31, 2019.

3) Quarterly Fuel Inventory Reconciliations

On a quarterly basis, the Constituent and Support Services measures actual fuel levels of each tank at all County locations. Inventory levels are also obtained from the Veeter-Root system and the M5 system for each tank. Fuel levels between systems are compared to determine variances and necessary adjustments are completed. Our testing determined variances were not reported to the FFMD by Constituent and Support Services and adjustments were not reviewed by anyone other than the employee making the adjustment. Additionally, for one of the quarterly reconciliations identifying a variance, the variance was not adjusted in the M5 system to agree to the Veeter-Root system.

Potential Risk: Low – If adjustments in fuel levels between systems are not properly documented and reviewed by another employee, amounts could potentially be adjusted incorrectly or not adjusted at all. We have reduced this risk to low as a review of the adjustments for the previous two years indicated that the majority of the adjustments were increasing the M5 inventory levels to match the Veeter-Root system and as such, did not appear to indicate that more fuel was being taken out of the M5 inventory than should have been.

Recommendation: Constituent and Support Services should develop a formal reconciliation process to ensure variances of a certain threshold are communicated and adjustments are reviewed prior to being completed in the M5 system.

Management's Response: Fleet, along with Constituent and Support Services (CSS) have developed a process on how quarterly fuel inventory reconciliations will be completed going forward. Beginning June 30, 2019, on the first Friday of the last month in the quarter, measurements for all fuel locations will be obtained by CSS personnel and a reconciliation completed within five business days. Any variances will be communicated by the Inventory Control Coordinator to Fleet, who will make the adjustments to M5.

4) Take Home Vehicles

According to the Bernalillo County Administrative Instructions (AI) No. FL 02: Vehicle Use and Assignment Guidelines and Procedures, take home vehicles (THV) may be issued to individual employees. Prior to issuance of a THV, an application must be completed, reviewed, and approved by a set annual deadline. We identified eight of ten employees that submitted their renewal applications after the deadline (between 2 and 73 days delinquent).

Potential Risk: Low – If renewal authorizations are not received timely, an employee may continue to utilize County assets when it may be deemed this no longer provides a benefit to the County.

Recommendation: A process should be implemented to ensure all application and renewal forms are submitted within the timeline established by administrative instructions.

Management's Response: The original intent of the December 5 deadline was to ensure that the taxable benefit is recorded for each applicable employee prior to year-end payroll close out. However, since the deadline applies to renewals, these employees are already being taxed accordingly, rendering the deadline arbitrary. The AI specifies that Elected Officials or Department directors shall notify the THV review committee whenever changes in assignments, to include Termination of use, occur. Additionally, Department Directors and Department Fleet Liaisons are provided with current lists of approved Take-Home Vehicle users semi-annually for review with the expectation that any changes be reported to the Take-Home Vehicle Review committee. If the committee or Payroll Office has not been notified that an employee no longer has an assigned Take-Home Vehicle, then the taxable benefit continues to be applied. As such, the deadline is arbitrary.

The Administrative Instruction (AI) #FL02 is currently under review, and proposed revisions are being drafted to include the removal of this deadline. Consideration will also be given to clarify the purpose of the semi-annual reviews. Inclusion of Revisions to the AI are anticipated to be finalized, approved, and posted by June 30, 2019.

PROCESS IMPROVEMENT OPPORTUNITIES

As a result of our testing, REDW identified the following process improvement opportunities:

1) AI No. FL 05 Policy Update

According to the Bernalillo County Administrative Instructions (AI) No. FL 05: Fuel Card Program - Wright Express (WEX), the policy was last revised May 9, 2011. The FFMD should consider reviewing and revising this policy and others periodically to ensure they reflect current procedures performed by the department and continue to be in line with County objectives.

2) WEX User Monitoring

Our testing identified seven users that were included in the WEX authorized user listing but had been removed from the M5 system due to termination of employment or it not being necessary for them to have access to fuel. Although employees on the WEX listing would not be able to fuel off-site as they are not included in the M5 system, the Fleet Administrator should consider periodically reviewing the WEX authorized user listing and removing all employees who no longer need access to the system.

* * * * *

This report is intended for the information and use of the Bernalillo County Fleet and Facilities Management Department, the audit committee, members of Bernalillo County Commission and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from the Fleet and Facilities Management Department during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
May 6, 2019