



Performance Audit:

***General Services Gas Cards
22.5***

Durham County Internal Audit Department

March 17, 2022



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March 17, 2022

Dr. Kimberly Sowell,
County Manager

Dear Dr. Kimberly Sowell:

Internal Audit completed its audit of Gas Cards managed by the General Services Department. The audit objectives focused on determining whether:

- 1) Internal controls provide reasonable assurance that the Gas Cards are managed in compliance with Federal and State statutes and regulations as well as internal guidelines,
- 2) Gas Cards are used only for authorized purchases,
- 3) Gas Cards are used only by authorized employees,
- 4) Financial transactions are properly posted and reported, and
- 5) "Managing for Results" are properly posted and reported.

Overall, we found that the gas card program meets these objectives. However, improvements are needed in these areas:

- Receipt retention,
- Timely distribution of updated policy and procedures manual,
- Proper documentation of procedures, and
- Monthly reviews

This report describes specific findings related to the audited areas, and the management response to each. **Please note that none of the findings in the report are material.** The audit team appreciates the department director and her team's cooperation and assistance during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore,
Internal Audit Director

INTRODUCTION

The Audit Oversight Committee approved this audit in the Annual Audit Plan for fiscal year 2022. This audit was conducted to identify and examine the operational process for the Gas Cards program under the General Services Department.

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 the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Internal auditors are independent per GAGAS requirements.

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.¹

BACKGROUND

Durham County assigns each county vehicle a gas card to be used for purchasing fuel at either on or off-site gas stations. Total transaction count and gross dollar amount for the period of 9/1/21-10/31/21 were 5,060 and \$127,808.51, respectively.² These cards allow drivers to refuel as needed, while also providing transaction tracking and spending allocation information.

Durham County Fuel Card Program Policies and Procedures Manual covers gas cards used by all departments that use county vehicles. Employees are evaluated to determine eligibility to drive for the County and must sign a User Agreement prior to being issued a DIN number authorizing them to use the gas cards.

AUDIT OBJECTIVE

The audit objectives were to determine whether (1) Internal controls provide reasonable assurance that the Gas Cards are managed in compliance with Federal and State statutes and regulations, and internal guidelines; (2) Gas Cards are used only for authorized purchases; (3) Gas Cards are used only by authorized employees; (4) Financial transactions are properly posted and reported; and (5) the related data for Managing for Results is accurate and complete.

AUDIT SCOPE AND METHODOLOGY

The audit scope included transactions that occurred from 9/1/21-10/31/21, and processes occurring after this period that relate to those purchases. To conduct our audit, we:

1. reviewed the Policies and Procedures Manual as well as the contract with GoGas,

¹ Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2011, p.17.

² Obtained from "DurhamCntyNC TransactionAll 2021-09-01-2021-10-31" spreadsheet provided by Francis Gibbs

2. inquired of management regarding any investigations or legal proceeding of potential fraud or exposure concerning the eligibility process,
3. inquired of program managers concerning Gas Card processes, and
4. inquired of management regarding Managing for Results,

We established testing criteria by using the Policies and Procedures Manual. Using the EZ-Quant 2.0 Statistical Sampling application software, we determined a sample size of 46 for off-site transactions. We then selected our sample randomly. We judgmentally determined a sample size of 50 for driver status testing and selected our sample randomly.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

Overall, Internal Audit found that receipt retention and monthly review of transaction data need improvement. In addition, we found other areas that General Services can improve the gas card program's internal controls and operational processes. Internal Audit identified findings and discussed conclusions and recommendations below.

Insufficient Detail in Program Manual

The Fuel Card Program Policies and Procedures Manual does not contain detailed procedures regarding:

- allocation of gas charges and other fees to each department,
- who is responsible for posting journal entries to SAP, how that process occurs, and when,
- payment for gas purchases and fees to vendor,
- allocation of costs related to the "rental" vehicles at the warehouse,
- how to run reports in EKOS, and
- retention periods for receipts and other documentation.

Best practices require documentation of all significant business practices, processes, and policies. Without proper documentation, steps could be missed, untimely, or completed incorrectly.

Recommendations: We recommend the Fuel Card Program Policies and Procedures Manual be revised to include the processes and policies listed above. This should include at minimum, the position responsible for each process, how the process is performed, and when it must be performed. Further, gas card program management team should conduct periodic reviews of documented policies to ensure practices are properly implemented.

Management Response: The Fleet Coordinator will add the procedure for the allocation of fuel charges and other fees to the Fuel Card manual. Fleet Coordinator will also outline the process that is used to get the information to Finance, and what they will need to enter in SAP. It will outline the (3) JV's (On-Site, Off-Site and GE Software) that need to be completed by the 7th of each month, and then sent via email to Finance.

The Fuel Card manual will outline Finance's responsibilities for inputting fuel purchases and fees for all departments.

The Fleet Coordinator will add a section on the process of doing the chargebacks for the rental fleet that is kept at the Warehouse. It will also include when the chargebacks will be completed monthly.

The Fleet Coordinator will add an addendum on how the Department Representatives can run their monthly reports in EKOS.

It was decided that the invoices should be kept digitally, and the retention period would be 2 years.

Anticipated implementation – August 1, 2022.

Additional Processes Needed

There are currently no procedures in place to:

- review active DIN numbers for employment status periodically,
- ensure transaction validity through random review of transaction data,
- review odometer data,
- monitor spare cards, and
- specify the location of individual cards within vehicles.

In addition, Section 4.10 Driver Identification Numbers of the Gas Card Policy and Procedure Manual states, "Departmental Administrators are responsible for alerting the Fleet Coordinator of the termination or separation of employment of a driver and request the cancellation of the Driver ID within 2 working days of separation." This response time is excessive. These steps are necessary to prevent unauthorized or incorrect usage of fuel cards, and to ensure the physical security of the cards.

Recommendations: We recommend that a regular review of active drivers occur such that terminated employees not previously deactivated can be caught and corrected immediately. In addition, we recommend that the manual be revised to require Department Administrators to send notification to Fleet Coordinator of separation of employment within 24 hours. We recommend that procedures be implemented to periodically perform a random review of individual on and off-site transactions. This review should include verifying that the employee was scheduled to work on the day of the purchase, confirming that the trip and purchase relate to business use, and verifying odometer information entered at the pump agrees to odometer readout in the vehicle for a sample of vehicles. We recommend that a county policy be created for the secure storage and routine check-out of spare cards, and that safe storage locations in vehicles be determined, documented, and used.

Management Response: The Department Representatives should view their vehicles and personnel on a quarterly basis.

It was determined that the Department Representatives will need to notify the Fleet Coordinator within 24 hrs. of an employee leaving; this will be added to the policy. Policy revision edited March 31, 2022

As described in response 1, there will be instructions for the Department Representatives to monitor their fuel purchases monthly, and how to get their reports from EKOS.

A section will be added to address spare fuel cards that the departments have, addressing security and a sign out sheet for them.

As far as where the fuel cards will need to be kept in each vehicle, we will add the wording that it needs to be secured and not visible.

Anticipated implementation – August 1, 2022.

Receipts & Monthly Reconciliation

Twelve of 46 (26%) off-site transactions sampled had neither a receipt nor documented explanation of purchase. Three of 46 (7%) transactions sampled had an explanation documented due to a missing receipt; but the documentation was not submitted timely. In order to perform a complete and accurate monthly review, drivers must maintain receipts or provide explanations when one is missing.

Recommendations: We recommend that all departments collect receipts for each transaction occurring at off-site stations and require drivers to submit explanations for missing receipts in a timely manner such that the appropriate review can occur.

Management Response:

Sheriff's Office: We agree with the finding, and we have taken the following actions prior to the completion of the audit. Going forward, Fiscal Services will require drivers to submit explanations for missing receipts no later than 10th of each month after the expense has been incurred and invoiced.

Department of Social Services: Management agrees with this finding. DSS will distribute the County's gas card policy to all staff via email March 16th. Along with this distribution, DSS will provide refresher training to supervisors prior to May 2022 on Gas Card policy and procedures.

Office of Emergency Services: Our corrective actions include revising the policy for utilizing fuel cards to 1) require vehicle or employee assigned fuel card logs to track off-site fuel purchases, 2) require logs with receipts to be submitted by the end of each month, 3) conduct a monthly reconciliation and internal review of fuel card logs to identify discrepancies in a timely manner, and 4) implement a standard form for employees to use when explaining missing receipts. Anticipated implementation date – May 1, 2022.

EES Utilities Division: Subsequent to this finding and our recent discussions, an internal procedure (SOP) has been written, fuel card logs placed in each vehicle, and a statement signed by each approved driver acknowledging they have received the policy and understand the requirements. We believe this will help ensure enhanced compliance going forward. Anticipated implementation dates are as follows: Internal SOP – April 1, 2022; Fuel card logs placed in vehicles – March 31, 2022; Signed acknowledgements – All received by March 14, 2022.

Departmental Vehicle Cost Assignment

One of 46 (2%) off-site fuel transactions tested was allocated to the wrong department. In this case, the vehicle used in the transaction had been transferred from one department to another but was not updated in the EKOS software. This caused an over allocation of costs to one department, and an under allocation of costs to another department. After a review of transactions on this card, the Fleet Coordinator determined the total impact of all improperly allocated transactions to be \$323.07.

Recommendations: We recommend management design and implement procedures to ensure county vehicle department assignments, when changed, are updated in the EKOS system in a timely manner. Management should implement a periodic review of all vehicle department assignments within EKOS at least bi-annually.

Management Response: Language will be written to say that as soon as a vehicle is transferred to another department, the fuel card will need to reflect that change within 24 hours. Policy revision edited March 31, 2022

If it will be loaned out to multiple departments, it will be assigned to the Warehouse 5100, and those chargebacks for the rentals will be completed by the Fleet Coordinator every month.

Department Representatives will need to monitor their list of vehicles and drivers on a bi-annual basis.

Monthly Forms

Six of 6 (100%) departments included in our off-site transaction testing did not have both Fuel Card Logs for Offsite Fueling and Fuel Card Summary Sheets for the months tested. These forms were added to the policy and procedures manual in response to findings during the 2017 audit. We noted in discussions with department administrators that they were not aware of the changes made to the manual in 2017 and were still using the 2010 version.

Recommendations: We recommend management develop and implement policies and procedures to ensure all updated manuals are distributed to the relevant departments in a timely manner after the updates are made. In addition, when changes are made, training should occur to ensure all department administrators are clear on new policies. This will allow for more consistent compliance and smoother implementation. Further, we recommend that gas card program management evaluate the current month-end review policies with department administrators to ensure:

- forms required in policy manual are in a form that can be utilized by all department users, and
- deadline for submission of monthly summary form is reasonable considering EKOS system monthly report availability after month-end.

Management Response: The updated policy will need to be distributed and training will be provided to the Department Representatives within 30 days of the Managers approval of the policy.

The Fleet Coordinator will need to monitor that the summary Fuel Card Logs for Offsite Fueling, and Fuel Card Summary reports are submitted by each department monthly.

Anticipated implementation – August 1, 2022.

Monthly Spending Limit

Spending limit applied to each gas card incorrectly defaulted to \$450 per day as opposed to \$1,000 per month as noted in the Application for Fuel Card DIN form included in the manual. To limit the risk of misuse, cards should be set at the monthly maximum as listed in the program manual.

Recommendations: We recommend that management apply the limit stated in the program manual to each card as soon as possible. In addition, we recommend that the policy manual be updated to describe this limit more specifically.

Management Response: All vehicles will be set to a monthly limit of \$1,000 except for all emergency vehicles which will have a \$2,000 limit. That limit can be changed in case of emergency situations by the Fleet Coordinator. EKOS file edited March 31, 2022.