

Internal Audit Department

ORANGE COUNTY in the USA
6th Largest County

Internal Control Audit:

OC PUBLIC WORKS – COUNTY FUEL CARD ADMINISTRATION

For the Period July 1, 2009
through June 30, 2010

High
Impact
Audit

During the audit period, over \$3.8 million was spent using County Fuel Access Cards and Voyager Fleet Cards for the purchase of about 1.3 million gallons of fuel, with the largest users being the Sheriff-Coroner and OC Public Works.

We audited OC Public Works/OC Fleet Services to evaluate their administration over the issuance, activation, monitoring and deactivation of County Fuel Access Cards and Voyager Fleet Cards provided to employees for fueling of assigned County vehicles.

We found that OC Fleet Services has processes in place for the administration of County Fuel Access Cards and Voyager Fleet Cards; however improvement is needed in maintaining accurate and complete records of fuel cards issued to employee and vehicles. We identified **one (1) Significant Control Weakness** and **three (3) Control Findings** for maintaining current and accurate records of active fuel cards, and establishing internal and Countywide policies and procedures describing the responsibilities of OC Fleet Services and departments/agencies in fuel card administration and usage.

AUDIT NO: 1029

REPORT DATE: APRIL 12, 2011

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RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government



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2005 Institute of Internal Auditors' Award for Recognition of Commitment to Professional Excellence, Quality, and Outreach



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Providing Facts and Perspectives Countywide

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OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No.1029 April 12, 2011

TO: Jess A. Carbajal, Director
OC Public Works

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control Audit: OC Public Works -
County Fuel Card Administration

We have completed an Internal Control Audit of OC Public Works – County Fuel Card Administration for the period July 1, 2009 through June 30, 2010. We performed this audit in accordance with our *FY 2010-11 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors. Our final report is attached for your review.

Please note we have a structured and rigorous **Follow-Up Audit** process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). Our **first Follow-Up Audit** will begin at six months from the official release of the report. A copy of all our Follow-Up Audit reports is provided to the BOS as well as to all those individuals indicated on our standard routing distribution list.

The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our **second Follow-Up Audit** will begin at six months from the release of the first Follow-Up Audit report, by which time **all** audit recommendations are expected to be addressed and implemented. At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a **Follow-Up Audit Report Form**. Your department should complete this template as our audit recommendations are implemented. When we perform our first Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations. Additionally, we will request your department complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

ATTACHMENTS

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 5.

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County Fuel Card Administration
Audit No. 1029*

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OC Internal Auditor's Report



Audit No. 1029

April 12, 2011

TO: Jess A. Carbajal, Director
OC Public Works

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: Internal Control Audit: OC Public Works -
County Fuel Card Administration

Audit Highlight

OC Fleet Services provides administration of Fuel Access Cards and Voyager Cards assigned to County employees and vehicles for fueling and other purchases relating to County business. OC Fleet Services oversees the issuance, activation, modification, and deactivation of County fuel cards, and maintains records of the fuel cards and cardholders.

OC Fleet Services have processes in place over the administration of fuel cards, but improvements are needed:

- Policies and procedures for OC Fleet Services' fuel card administration and agency/department responsibilities need to be established.
- Current and accurate records of County fuel cards issued to employees and vehicles need to be maintained.

OBJECTIVES

In accordance with our *FY 2010-11 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and the Board of Supervisors, the Internal Audit Department conducted an Internal Control Audit of OC Public Works – County Fuel Card Administration. Our audit included an evaluation of the adequacy and integrity of internal controls, and evaluating process efficiencies and effectiveness. Our audit was conducted in conformance with professional standards established by the Institute of Internal Auditors.

The two objectives of this audit were to:

1. Evaluate controls and processes in OC Public Works/OC Fleet Services for administering County fuel cards, specifically over the issuance, activation, modification, deactivation, and monitoring of fuel cards assigned to County employees and vehicles.
2. Evaluate the efficiency and effectiveness of OC Fleet Services' administration of County fuel cards for significant backlogs, duplication of work, or processes that could benefit from automation.

RESULTS

Objective #1: We found that OC Fleet Services has certain administrative processes and controls in place; however, improvement is needed in maintaining current, complete, and accurate records of fuel cards assigned to employees and vehicles. We identified **one (1) Significant Control Weakness** and **one (1) Control Finding** for maintaining complete, current and accurate records of fuel cards, and establishing internal and Countywide policies and procedures describing the responsibilities of OC Fleet Services and departments/agencies in fuel card administration and usage.

Objective #2: We found no backlogs, duplication of work, or processes that could benefit from automation pertaining to OC Fleet Services' administration of County fuel cards. We identified **two (2) Control Findings** concerning fuel requirements and use of County fuel stations, and for recordkeeping of fuel card documentation submitted by user departments/agencies.

See further discussion in the *Detailed Findings, Recommendations and Management Responses* section of this report in [Findings 1 through 4](#). See *Attachment A* for a description of Report Item Classifications.



BACKGROUND

OC Public Works' (OCPW) mission is to *"Ensure quality of services today and quality life tomorrow."* OCPW is comprised of four divisions: OC Engineering, OC Facilities, OC Planning, and Administration. Under Administration, **OC Fleet Services** *"provides safe, reliable, cost-effective, timely and environmentally sensitive vehicles, equipment, maintenance and support services to County departments/agencies to help their missions serving the needs of the community."* One of OC Fleet Services' responsibilities is administering the fuel card program for County departments/agencies.

County Fuel Cards

There are two fuel card types issued by OC Fleet Services:

1. **County Fuel Access Cards** – These cards are issued to drivers/operators and allow vehicle operators/drivers to pump fuel for assigned vehicles at County fuel stations, and are limited to obtaining fuel only. Two cards are required to obtain fuel: County Fuel Access Card and a Vehicle Card identifying the vehicle. The driver must insert the Vehicle Card, the County Fuel Access Card and input the odometer reading to pump fuel. At the time of our audit, OC Fleet Services reported 1,600 vehicles with assigned Vehicle Cards and approximately **4,700 active County Fuel Access Cards**.
2. **Voyager Fleet Cards** - These cards are essentially credit cards (similar to the County's Cal Card/Purchasing Card) that are used for fueling at non-County commercial fuel stations. With the Voyager Fleet Card, non-fuel purchases such as food may be allowed if authorized by the user department/agency. At the time of our audit, there were **1,000 active Voyager Fleet Cards** issued either to a driver or assigned to the vehicle unit. Voyager cards issued to vehicle units can be used by any driver of the vehicle.

Volume and usage of the above fuel cards during our audit period were as follows:

- County Fuel Access Cards were used to purchase approximately **722,000 gallons of fuel** for a cost of about **\$1.75 million**. The majority of the costs were incurred by the Sheriff-Coroner (\$876,300); OC Public Works (\$516,300); OC Community Resources/Animal Control (\$173,300); Probation (\$136,400); and Social Services Agency (\$42,600).
- Voyager Fleet Cards were used to purchase approximately **631,000 gallons of fuel** and some food purchases for a cost of **\$1.8 million**. The two largest users of Voyager Fleet Cards are the Sheriff-Coroner (\$1.3 million) and OC Public Works (\$488,000).

OC Fleet Services' responsibilities for administering fuel cards include:

- Overseeing the issuance, activation, modification, and deactivation of fuel cards based on requests from user departments/agencies. Requests are submitted by a designated individual in each user department/agency referred to as the "Point of Contact."
- Acting as a liaison with fuel card users and resolving issues when fuel cards are not working properly.
- Receiving and processing monthly Voyager Fleet Card invoices/statements for payment, and submitting approved invoices to the Auditor-Controller for payment.
- Billing user departments/agencies for County station and non-County station fuel purchases on a monthly basis, which includes an administrative fee.
- Providing monthly reports to departments/agencies for their review, such as Voyager Fleet Card food purchases and detailed fuel card activity reports upon request. According to OC Fleet Services, user departments/agencies are responsible for establishing internal fuel card usage policies and procedures, ensuring compliance with the procedures, and monitoring fuel card usage.

OC Internal Auditor's Report



OC Fleet Services oversees the acquisition, maintenance, repair, and disposition of County vehicles, components and heavy equipment (referred to as County fleet) in safe and proper working condition. OC Fleet Services also maintains County fleet records in a system called Fleet Focus. As of August 30, 2010, OC Fleet Services reported **2,519 vehicles** and **390 components** for a total fleet inventory of **2,909** items. See charts below for distribution of County fleet:

Agency/Department	Vehicle	Component	Total
Sheriff-Coroner	1,137	73	1,210
OC Public Works	884	239	1,123
Probation	150	4	154
John Wayne Airport	87	36	123
Health Care Agency	79	30	109
County Pool	51	-	51
OC Community Resources	34	2	36
Social Services Agency	31	3	34
District Attorney	19	1	20
OC Waste and Recycling	16	-	16
Registrar of Voters	14	2	16
Public Administrator/Public Guardian	10	-	10
County Executive office	3	-	3
Child Support Services	2	-	2
OC Dana Point Harbor	1	-	1
Board of Supervisors	1	-	1
County Total	2,519	390	2,909

Source: OC Fleet Services, Fleet Focus (8/30/2010)

Vehicle Cards. A Vehicle Card (also referred to as a Unit Card) is issued for every County vehicle. It is a 4-digit card that is set up in OC Fleet Services' Fleet Focus System and is kept in each vehicle. A prefix number on the card is set up in the system that allows fueling to occur. The prefix number is not visible on the card or known by the driver/operator, and prevents the drivers/operators from obtaining fuel using only the Vehicle Card number.

County Fueling Stations. The County has four fueling stations. They are located at Fruit Street in Santa Ana; the Civic Center Garage in Santa Ana; in South County in the City of Laguna Niguel; and in the City of Orange. The products which are available at these fueling stations are regular unleaded gasoline, propane, oil, water & air, diesel, and compressed natural gas, which is dispensed only at the City of Orange station. These stations, with the exception of the Civic Center Garage, are open 24 hours and have security cameras directed at the fuel pumps.

Voyager Fleet Cards. Voyager Fleet Cards allow drivers to obtain fuel at non-County commercial fueling stations. OC Fleet Services accesses the web-based Voyager Fleet Commander system to set up the Voyager Fleet Card. Restriction codes and control parameters are utilized to limit the usage of the fuel cards. Parameters such as limiting card swipes to 3 transactions per day and \$1,000 in total purchases per month are set up in the system. Restriction Codes as described below are established for limiting type of purchases:

- Restriction Code (RC) 31 – fuel purchases only.
- Restriction Code (RC) 30 – fuel & other purchases and requires odometer reading. Note: certain gas station categorizes CNG as "other"; therefore, RC30 is used for CNG vehicles.
- Restriction Code (RC) 10 – fuel & other purchases, does not require odometer readings.

The Voyager Fleet Card also requires an input of either a driver identification number or the vehicle identification number and an odometer reading when purchasing fuel. OC Fleet Services has set up the Voyager Fleet Card with an attribute of associating the card with a vehicle or a driver when issued. If the Voyager Fleet Card is assigned to a vehicle, then the pump card reader will prompt for a driver identification number to be input. If the Voyager card is assigned to a driver, then the pump card reader will prompt for a vehicle identification number.



SCOPE AND METHODOLOGY

Our audit covered the period July 1, 2009 through June 30, 2010 and included the following:

- Evaluated controls and process in OC Fleet Services over fuel card administration and maintenance, including card issuance, terminations, modifications, monitoring usage, and communication with cardholders for County Fuel Access Cards and Voyager Fleet Cards.
- Observed and evaluated fuel card setup, modification and termination procedures.
- Obtained fuel card information for analysis using computerized assisted auditing techniques (CAATs) to determine if active fuel cards were appropriately assigned to currently employed drivers/operators or to valid County vehicles.
- Evaluated the efficiency and effectiveness of OC Fleet Services' fuel card administration for backlogs, duplication of work, or manual processes that could benefit from automation.

SCOPE EXCLUSIONS

Our audit scope did not include the following:

- Controls, policies and processes in County departments/agencies concerning their assignment, use and monitoring of Fuel Access Cards or Voyager Cards.
- Controls and processes over OC Public Works' interdepartmental billing processes as these were addressed in a prior audit (No. 2823).
- Controls and processes over access to the web based Voyager Fleet Commander information system or the Fleet Focus system.

Management's Responsibilities for Internal Controls

In accordance with the Auditor-Controller's County Accounting Manual section S-2 *Internal Control Systems*, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls." Control systems shall be continuously evaluated (by Management) and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. Our Internal Control Audit enhances and complements, but does not substitute for OC Public Works' and OC Fleet Services' continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate. Accordingly, our audit would not necessarily disclose all weaknesses in the OC Public Works' and OC Fleet Services' operating procedures, accounting practices, and compliance with County policy.

OC Internal Auditor's Report



Acknowledgment

We appreciate the courtesy extended to us by OC Public Works and OC Fleet Services during our audit. If we can be of further assistance, please contact me directly or Eli Littner, Deputy Director at 834-5899 or Michael Goodwin, Senior Audit Manager at 834-6066.

Attachments

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors
Members, Audit Oversight Committee
Thomas G. Mauk, County Executive Officer
Alisa Drakodaidis, Deputy CEO, OC Infrastructure
Carlos Bustamante, Director, OCPW/Administration
Tony Bernard, Manager, OCPW/Purchasing/Contract Services and Fleet Services
Anthony Marquez, Manager, OCPW/OC Fleet Services
Juan Ochoa, Operations Manager, OCPW/OC Fleet Services
Liz Jewell, Manager, OCPW/Administrative Services/Finance Services
Mary Fitzgerald, Manager, OCPW/Accounting Services
Larry Stansifer, Manager, OCPW/Administration
Foreperson, Grand Jury
Darlene J. Bloom, Clerk of the Board of Supervisors



Finding 1 – Monitoring Fuel Cards Issued to Employees and Vehicles

Summary

OC Fleet Services relies on departments/agencies to notify them of changes in employee status and vehicle service when either has fuel cards assigned to them. Our audit found several instances of County Fuel Access Cards and Voyager Fleet Cards still shown as “active” with vehicles that are no longer in service and to employees who have retired, transferred, or terminated. OC Fleet Services needs to establish processes to periodically reconcile in-service vehicle listings to the fuel cards listings, and take measures to ensure departments/agencies report to them changes in employee status of fuel cardholders as a means to keep current and accurate records of active fuel cards. **(Significant Control Weakness)**

Details

OC Fleet Services records the status of County fleet vehicles (e.g., acquisition, retirement, surplus, and disposal) and sets up fuel cards assigned to the vehicles and operators in the Fleet Focus System and the Voyager Fleet Commander System. OC Fleet Services provides fuel card usage information in monthly billing reports to user departments/agencies; however, they rely on departments/agencies to notify them of changes in employee status and vehicle status which have fuel cards assigned to them. Modification and deactivation of fuel cards result from department/agency requests to replace lost cards or cards that are not working; to cancel cards no longer needed due to employee transfers, retirements or terminations; and/or from changes in vehicle service status.

At the onset of our audit, we found there were approximately **4,700 active Fuel Access Cards and 1,000 active Voyager Fleet Cards issued for about 1,600 vehicles**. This excessive amount of active cards compared to the number of vehicles resulted from no periodic reviews by OC Fleet Services to ensure issued fuel cards are assigned only to active employees and in-service vehicles, and there not being a process in place to require from departments and agencies reviews and updates on active fuel cardholders for OC Fleet Services to maintain current and accurate records in Fleet Focus and Voyager Fleet Commander databases.

Our testing disclosed the following:

- Of the 776 Voyager Fleet Cards assigned to specific vehicles, we found 165 fuel cards for vehicles not shown as “active” in OC Fleet Services’ In-Service Equipment Inventory list dated August 31, 2010. This indicates possible changes in vehicle status (e.g. disposed or surplus), but still had active Voyager cards issued for the vehicles. We tested a sample of Voyager cards tied to inactive vehicles and noted there was no activity on the cards. OC Fleet Services informed us that if there were card usage, it will be detected as an exception during its monthly fuel billing process.
- Of the 286 active Voyager Fleet Cards assigned to specific drivers, we found 14 fuel cards remain active for drivers who are no longer current employees. We tested a sample of these cards and noted there was no activity on the cards, although there could have been for other cards.
- We found two (2) drivers were each issued two Voyager Fleet Cards. We reviewed the usage activity for these cards and found usage with only one of the two cards.
- We found one (1) driver was issued two Voyager Fleet Cards with two driver ID’s. We reviewed the usage activity and noted the cards were not used during the audit period.

Detailed Results, Findings, Recommendations and Management Responses



- County Fuel Access Cards still remain active for users who are no longer current employees. Our testing found two (2) instances (a former Assistant Sheriff who retired over a year ago and a former member of the Board of Supervisors whose term expired) are still on the active County Fuel Access Card list.
- We found three (3) drivers sharing a County Fuel Access Card ID number and two (2) drivers sharing another County Fuel Access Card ID number.
- We reviewed the active County Fuel Access Card listing on a sample basis and noted nine (9) drivers have two (2) County Fuel Access Card ID numbers.

It should be noted that our testing was not designed to detect all exceptions; and therefore, additional exceptions could likely exist. The above noted exceptions could have resulted from several factors, such as card modifications, differences in employee names, employees sharing the same names, etc. However, they remain as active in the system. Measures should be taken by OC Fleet Services to update their records to ensure they show only active cards assigned specifically for current and active employees and vehicles.

Recommendation No. 1

OC Public Works/OC Fleet Services establish processes to periodically review and update its County Fuel Access Card and Voyager Fleet Card records to ensure they are tied to in-service vehicles and to current employees. This can be accomplished by reconciling OC Fleet Services' internal vehicle and fuel card reports, and by requesting user departments/agencies to review and update their fuel cardholder status and submitting the information to OC Fleet Services to update their records.

OC Public Works Management Response:

Concur. OC Fleet will establish processes to periodically review and update its County Fuel Access Card and Voyager Fleet Card records to ensure they are tied to in-service vehicles and to current employees.

Detailed Results, Findings, Recommendations and Management Responses



Finding 2 – Policies and Procedures for County Fuel Cards

Summary

OC Fleet Services needs to establish written procedures describing their roles and responsibilities for fuel card administration, including card activations, modifications, deactivations, and monitoring card activity related to in-service vehicles. OC Fleet Services uses *Fuel Card Request Forms* that contain some usage guidelines and restrictions; however, we found no Countywide guidelines provided to departments/agencies with assigned fuel cards describing OC Fleet Services' role in fuel card administration, fuel card usage policy, non-fuel purchases, use of County fueling stations and fuel type, and responsibilities of the departments/agencies. **(Control Finding)**

Details

OC Fleet Services is responsible for administration of County Fuel Access Cards and Voyager Fleet Cards, which includes set-up, issuance, distribution, modification, and deactivation of fuel cards assigned to departments/agencies. They maintain a Point of Contact list of individuals in departments/agencies who they contact for fuel card administration; however, the list we observed did not include all user department/agencies. OC Fleet Services monitors and records the status of County fleet vehicles (e.g., acquisition, retirement, surplus, and disposal) and the fuel cards assigned in the Fleet Focus System and the Voyager Fleet Commander System. OC Fleet Services provides fuel usage information in monthly billing reports to user departments/agencies, and also approve all Voyager Fleet Card invoice statements for payment even though the original fuel receipts are kept with the users. OC Fleet Services expects the user departments/agencies to validate the fuel charges through the monthly billing reports.

Our audit found OC Fleet Services has responsibility for administering County fuel cards; however, internal written policies and procedures describing their roles and responsibilities were not established. OC Fleet Services uses *Fuel Card Request Forms* that contain the purpose of the request, usage guidelines, and signatures by a designated department/agency approver and the cardholder. These forms are effective in documenting department/agency approval and cardholder acknowledgement of accepting responsibility of having a fuel card.

According to OC Fleet Services, departments/agencies are responsible for establishing their own specific policy and procedures on fuel card usage and monitoring requirements including validating Voyager fuel charges to the original receipts. However, users may not be aware that monthly billing reports on the fuel charges are available for viewing via ERMI at the County Intranet site.

OC Fleet Services indicated that they are only the liaison for the user departments/agencies and do not set their policy and procedures on fuel card usage. We did not find a Countywide policy on the use, monitoring and reporting of fuel card usage, or other policy requirements on non-fuel purchases (for Voyager Cards only), and use of County fueling stations and unleaded regular grade gas in vehicles. If it is determined that a Countywide policy should be established, OC Fleet Services should consider using the County Cal Card Policies & Procedures as a reference in establishing fuel card policy and procedures.

Recommendation No. 2

OC Public Works/OC Fleet Services establish written policies and procedures for their roles and responsibilities in administering County fuel cards, and evaluate the need for a Countywide policy for fuel card usage and monitoring requirements including validating the Voyager fuel charges to the original receipts. They should also ensure their department/agency fuel card Point of Contact list is complete and current.

Detailed Results, Findings, Recommendations and Management Responses



OC Public Works Management Response:

Concur. OC Fleet will establish written policies and procedures for their roles and responsibilities in administering County fuel cards, and evaluate the need for a countywide policy for fuel card usage and monitoring requirements. They will also ensure the department/agency fuel card Point of Contact list is complete and current.

Finding 3 – Fuel Requirements and Use of County Fueling Stations

Summary

County vehicles do not require the use of upgraded unleaded fuel since County fuel stations only dispense regular unleaded. Our audit found instances where drivers added unleaded plus and premium grade unleaded fuel to County vehicles. We also noted instances where fuel purchases using Voyager Fleet Cards were made at gas stations that are in close proximity to County fueling stations. Both of these situations result in additional fuel costs and are where some cost savings could be achieved. **(Control Finding – Efficiency/Effectiveness)**

Details

A *Vehicle Handbook* is placed in each County vehicle. The handbook states that a decal has been installed in the vicinity of the fuel tank that specifies which fuel product (i.e., propane, diesel, methanol, or unleaded gasoline) is designated for use in the vehicle. Operators are to be aware of, and adhere to, such requirements when refueling the vehicle. The handbook also states that “gasoline shall be obtained from County stations whenever possible. If it is impossible to get to a County fueling station, and gasoline must be purchased from a commercial source, i.e., out-of-county refueling or emergency situations, the operator shall utilize self-service pumps.”

Per the handbook, agencies/departments may request a waiver of the County station use policy “when such an exception would provide cost savings. If it is determined that the use of commercial stations would be cost effective, requests should be submitted to the Fleet Services Manager, accompanied by justification for evaluation.” OC Fleet Services informed us that they do not have such requests. The clause was instituted prior to the Voyager fuel card program. OC Fleet Services intends to remove the clause. The handbook was dated April 2010.

We audited Voyager Card transactions for the months from April 2010 through June 2010, and noted the following types of fuel purchases:

- Purchases of 87 Regular Unleaded: 112,057 gallons costing \$347,909; average \$3.10/gal.
- Purchases of 89 Unleaded Plus: 4,264 gallons costing \$13,671; average \$3.21/gal.
- Purchases of 91 Super Premium: 11,431 gallons costing \$37,535; average \$3.28/gal.

Assuming only Regular Unleaded was purchased for the above 15,695 gallons (4,264 + 11,431) at an average cost of \$3.10/gallon, there would be a **quarterly cost savings of about \$2,500** and an **annual cost savings of about \$10,100**.

We also reviewed Voyager Fleet Card fuel purchases to determine if fuel was purchased at commercial gas stations that were in close proximity (within 3 miles) from a County fueling station. The following table shows our results:

Detailed Results, Findings, Recommendations and Management Responses



County Fuel Station: 30102 Pacific Island Dr. Laguna Niguel, 92677

Address of Commercial Gas Stations				Distance	# of Txns	Gallons
28922 GOLDEN LANTERN	LAGUNA NIGUEL	CA	92677	2.41 miles	109	1,229
30011 CROWN VALLEY PKWY	LAGUNA NIGUEL	CA	92677	1.13 miles	257	2,146
30072 CROWN VALLEY PKWY	LAGUNA NIGUEL	CA	92677	0.63 miles	20	299
30061 ALICIA PKWY	LAGUNA NIGUEL	CA	92677	0.63 miles	42	542
30081 CROWN VALLEY PKWY	LAGUNA NIGUEL	CA	92677	0.77 miles	18	75
27430 ALICIA PKWY	LAGUNA NIGUEL	CA	92677	2.94 miles	2,121	20,591

Total Gallons 24,882

County Fuel Stations: 1102 E. Fruit St. Santa Ana, CA, 92701 and 445 Civic Center Dr. Santa Ana, CA 92701

				Fruit Street Station	Civic Center Garage	# of Txns	Gallons
617 E 17TH ST	SANTA ANA	CA	92701	1.25 miles	1.38 miles	20	360
401 N GRAND AVE	SANTA ANA	CA	92701	0.48 miles	1.67 miles	11	187

Total Gallons 547

OC Fleet Services informed us that the cost of a using County fueling station is about \$0.50 less per gallon than commercial fuel stations. Based on the above, the **potential annual cost savings of using County fueling stations would be approximately \$12,700.**

OC Fleet Services indicated the user departments/agencies have responsibility for monitoring fuel purchases and fueling locations via monthly billing reports that are available on ERMI. Policy and procedures should be established and communicated to user agency/departments concerning fuel purchases and use of County fueling stations as a means to achieve potential cost savings.

Recommendation No. 3

OC Public Works/OC Fleet Services establish procedures and communicate to user departments/agencies that use of upgraded plus or premium unleaded fuel purchases be minimized whenever possible, and that County fueling stations be utilized whenever reasonably possible to obtain cost savings on fuel purchases.

OC Public Works Management Response:

Concur. OC Fleet will establish procedures and communicate to user departments/agencies that use of upgraded plus or premium unleaded fuel purchases be minimized whenever possible, and that County fueling stations be utilized whenever reasonably possible to obtain cost savings on fuel purchases.

Detailed Results, Findings, Recommendations and Management Responses



Finding 4 – Recordkeeping of Fuel Card User Departments/Agencies

Summary

OC Fleet Services' recordkeeping of documentation received for fuel card activation, modification and cancellations is not organized by department/agency or consistently maintained in hardcopy files. **(Control Finding - Efficiency/Effectiveness)**

Details

OC Fleet Services is responsible for administration of County Fuel Access Cards and Voyager Fleet Cards, which includes set-up, issuance, distribution, modification, and deactivation of fuel cards assigned to departments/agencies. Departments/agencies provide requests to OC Fleet Services for new cards, modifications and cancellation of fuel cards. OC Fleet Services processes the requests and updates the status in the systems.

Our audit noted documentation received for fuel card activations, modifications and cancellations is not organized by department/agency or consistently maintained in hardcopy files. Some requests are received via email or in hard copy. Emails are kept by the date received. Hard copy documents are kept in a file. Files are not maintained by individual department/agency. OC Fleet Services should maintain files of documents by department/agency either in hardcopy files or electronic formats that are easily accessible and supports all outstanding active fuel cards and any subsequent modifications and deactivations.

Organized recordkeeping of fuel cards will help increase efficiency when searching for supporting documents and reduce the risk of any lost or misplaced records, and will help in reconciling the count of fuel cards issued.

Recommendation No. 4

OC Public Works/OC Fleet Services implement a systematic way of maintaining fuel card documents that is organized by user department/agency.

OC Public Works Management Response:

Concur. OC Fleet will implement a systematic way of maintaining fuel card documents that is organized by user department/agency.



ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit observations and recommendations, we will classify audit report items into three distinct categories:

- ▶ **Critical Control Weaknesses:**

Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s) and/or business goals. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

- ▶ **Significant Control Weaknesses:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

- ▶ **Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.

Detailed Results, Findings, Recommendations and Management Responses



ATTACHMENT B: OC Public Works Management Responses



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INTERNAL AUDIT DEPARTMENT

2011 APR -6 PM 3:32

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memo

DATE: April 5, 2011
TO: Dr. Peter Hughes, CPA, Director
Internal Audit Department
FROM: Jess A. Carbajal, Director
SUBJECT: Response to OC Public Works – County Fuel Card Administration, Audit No. 1029

I am pleased to provide OC Public Works' response to the Internal Audit Department's Draft Report on the OC Public Works – County Fuel Card Administration. Our response has been reviewed and approved by the County Executive Office.

We will work to implement the Internal Audit Department's recommendations as indicated in our following responses.

I would like to express my appreciation for the professionalism of the Internal Audit Department staff that conducted this audit.

Should you have any questions regarding OC Public Works' responses to the recommendations, or require additional information on these items, please contact Larry Stansifer at (714) 667-3286 or Tony Bernard at (714) 667-3209.

Thank you.

Attachment

c: Alisa Drakodaidis, Deputy CEO, OC Infrastructure
Carlos Bustamante, Director, Administrative Services, OC Public Works
Liz Jewell, Manager, Finance Services, Administrative Services, OC Public Works
Mary Fitzgerald, Manager, Accounting Services, Administrative Services, OC Public Works
Larry Stansifer, Manager, Administrative Services, OC Public Works
Tony Bernard, Manager, OC Fleet & Procurement Services, OC Public Works
Anthony Marquez, Manager, OC Fleet & Procurement Services, OC Public Works
Juan Ochoa, Manager, OC Fleet & Procurement Services, OC Public Works



ATTACHMENT B: OC Public Works Management Responses (continued)

County Fuel Card Administration, Audit No. 1029
Page 2 of 3

OC Public Works Responses to the Internal Audit Department's Draft Report: OC Public Works – County Fuel Card Administration, Audit No. 1029

Recommendation No. 1

OC Public Works/OC Fleet Services establish processes to periodically review and update its County Fuel Access Card and Voyager Fleet Card records to ensure they are tied to in-service vehicles and to current employees. This can be accomplished by reconciling OC Fleet Services' internal vehicle and fuel card reports, and by requesting user departments/agencies to review and update their fuel cardholder status and submitting the information to OC Fleet Services to update their records.

OC Public Works, OC Fleet Response:

Concur. OC Fleet will establish processes to periodically review and update its County Fuel Access Card and Voyager Fleet Card records to ensure they are tied to in-service vehicles and to current employees.

Recommendation No. 2

OC Public Works/OC Fleet Services establish written policies and procedures for their roles and responsibilities in administering County fuel cards, and evaluate the need for a countywide policy for fuel card usage and monitoring requirements including validating the Voyager fuel charges to the original receipts. They should also ensure their department/agency fuel card Point of Contact list is complete and current.

OC Public Works, OC Fleet Response:

Concur. OC Fleet will establish written policies and procedures for their roles and responsibilities in administering County fuel cards, and evaluate the need for a countywide policy for fuel card usage and monitoring requirements. They will also ensure the department/agency fuel card Point of Contact list is complete and current.

Recommendation No. 3

OC Public Works/OC Fleet Services establish procedures and communicate to user departments/agencies that use of upgraded plus or premium unleaded fuel purchases be minimized whenever possible, and that County fueling stations be utilized whenever reasonably possible to obtain cost savings on fuel purchases.

OC Public Works, OC Fleet Response:

Concur. OC Fleet will establish procedures and communicate to user departments/agencies that use of upgraded plus or premium unleaded fuel purchases be minimized whenever possible, and that County fueling stations be utilized whenever reasonably possible to obtain cost savings on fuel purchases.



ATTACHMENT B: OC Public Works Management Responses (continued)

County Fuel Card Administration, Audit No. 1029
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Recommendation No. 4

OC Public Works/OC Fleet Services implement a systematic way of maintaining fuel card documents that is organized by user department/agency.

OC Public Works, OC Fleet Response:

Concur. OC Fleet will implement a systematic way of maintaining fuel card documents that is organized by user department/agency.