



Mecklenburg County
Department of Internal Audit

Real Estate Services
Fuelman Gas Card Investigation
Report 1189

August 23, 2011



MECKLENBURG COUNTY
Department of Internal Audit

To: Mark Hahn, Director of the Real Estate Services Department
From: Joanne Whitmore, Director of Internal Audit
Date: August 23, 2011
Subject: Fuelman Gas Card Investigation Report #1189

On Tuesday, October 12, 2010, a Department of Real Estate Services employee received information that a nearby gas station manager spoke to another County employee about misuse of County tax dollars by a County driver. The manager stated that he and two other employees witnessed a security guard driving a County vehicle pull up to a gas pump, fuel the County vehicle, charge the purchase with a County Fuelman gas card, then go to a black non-County vehicle that backed up to the County vehicle and pump gas into that vehicle. The manager stated it appeared as though money changed hands between the two drivers. The security guard in question was supplied through an outside vendor and drives the County vehicle to provide security over the Valerie Woodard Center where the Real Estate Services and other County department offices are located. The vendor supplied two security guards to drive County vehicles and they no longer work at the County.

Internal Audit was contacted by the Department to investigate the allegation. We conducted interviews and analyzed gas card transaction activity for all County vehicles for the period of April 23, 2009 through October 17, 2010. We looked at equipment logs and personal identification numbers (PINs) and other data relevant to County vehicles and Fuelman gas card activity. Because of data limitations, we could only perform limited analysis on Fuelman gas card use by the vendor security guard in question.

INVESTIGATION CONCLUSION

Interviews and analysis of available information could not confirm with 100% certainty that the allegation was true. Witnesses and limited video surveillance at the gas station, however, do give sufficient support to the validity of the allegation. The lack of vehicle and gas card internal controls, consistent management oversight and supporting documentation, such as driver logs, as well as disjointed data, present an environment for future potential loss related to gas card use both within the Department of Real Estate Services and countywide.

Analysis of all County Fuelman gas card usage between April 23 and October 17, 2010 revealed several anomalies that could indicate potential misuse. For example, there were at least 82 occasions when unleaded fuel was used in a diesel vehicle or vice versa. Other gas cards not assigned to specific vehicles show both unleaded and diesel transactions, which may or may not be appropriate purchases. In addition, there were many occasions where fuel transactions were made at non-County fueling stations by the same person on the same day within a short period of time from each other. Without supporting documentation

such as travel logs and gas card receipts, it would be difficult to determine if those transactions were appropriate.

The issues listed below, as well as recommendations and management responses, are discussed in detail in the attached document. Internal Audit will conduct a follow-up review at a later date to verify that recommendations are implemented and working as expected.

ISSUES

1. The Department does not provide sufficient oversight of its drivers' County vehicle and fuel usage.
2. The current County vehicle use policy and procedure do not provide a comprehensive approach for governance, risk management and control over County vehicles and Fuelman gas cards.
3. County information databases do not provide sufficient and accurate information to permit management to adequately oversee vehicle and Fuelman gas card activity.

We appreciate the cooperation you and your staff provided during this investigation. Please feel free to contact me at 704-336-2575 if you have any questions or concerns.

c: Harry Jones, County Manager
Michelle Lancaster, General Manager
John McGillicuddy, General Manager
Bobbie Shields, General Manager
Dena Diorio, Finance Director
Board of County Commissioners
Audit Review Committee
Vic Reece, Real Estate Services Division Director

BACKGROUND

Mecklenburg County (“the County”) has approximately 1,200 vehicles and each County department follows its own procedure to control its vehicle and Fuelman gas card usage. The Department of Real Estate Services took charge of fleet oversight at the beginning of FY2009 and in FY2011 each department with vehicles assigned to it had to maintain its own gas budget. The fleet liaison in each department acts as the point of contact to talk about fleet operation concerns. Fuelman gives the Departments of Real Estate Services and Finance a weekly invoice and charges are allocated by vehicle and department/unit. The city of Charlotte took control of fleet maintenance approximately two years ago and County department liaisons interact with the City.

The Real Estate Services Department uses an outside vendor to supply two security guards to conduct roving surveillance at the Valerie Woodard Center parking lot and other County buildings. Per contract, the guards drive County vehicles and use the County’s Fuelman gas credit cards to fuel the vehicles.

On Tuesday, October 12, 2010 at 9:26 a.m., a Department of Real Estate Services employee received information that a nearby gas station manager spoke to another County employee about misuse of County tax dollars. The manager stated that on October 11, 2011 at approximately 2:40 p.m. he and two of his employees witnessed a security guard driving a County vehicle pull up to a gas pump located at the side of the gas station and fuel the vehicle using a Fuelman gas card. (The County vehicle was a 2002 Ford Crown Victoria, vehicle number 3895.) The security guard then went to a black non-County vehicle with North Carolina plates, which backed up to the County vehicle, and the security guard also pumped gas into that vehicle. The gas station manager stated that it appeared as though money changed hands between the two drivers. The manager was able to obtain the license plate number of the black vehicle but did not recognize the driver. Although the primary gas pumps and the gas station entrance have video surveillance, the gas pumps located at the side of the building at which this transaction took place do not have surveillance. Internal Audit later determined that the license plate of the black non-County vehicle was not registered to a County employee.

On Wednesday, October 13, 2010 a department staff person talked to the gas station manager and viewed the front entrance video surveillance tape. He recognized the security guard in question walking into the gas station to pay with the Fuelman gas card. There were no other transactions for the Fuelman gas card at that gas station on that day.

Later that day, another department staff reported the potential problem to the vendor providing the security guards. A vendor representative said their company would reimburse the County for any loss. The security guard involved in the transaction began working at the Department of Real Estate Services on September 1, 2010 and as of October 11, 2010 no longer works at the County, although still employed by the vendor. A second security guard who typically drove County vehicle number 3371 stopped working for the vendor in August 2010.

Internal Audit was contacted on Thursday October 14, 2010 to investigate.

On October 15, 2010, the Department removed the gas card from County vehicle number 3895. The other gas card remained in County vehicle number 3371 until management could determine how the security guard could fuel the vehicle if County staff is not available to provide the gas card.

On October 18, 2010 the three gas station witnesses were interviewed and confirmed their statements of the event.

DATA ANALYSIS

The Department of Real Estate had four vehicles and the driver in question primarily drove County vehicle number 3895. Available data for vendor and comparative Fuelman gas card activity for these vehicles is limited, however, and does not provide any meaningful analysis. When comparing the gas card activity for the vendor employee using vehicle 3895 against all vehicle 3895 gas card activity, the vendor employee had fewer miles between fueling, lower mpg and fewer days between fueling. This could indicate potential gas card misuse and, while the Department had gas card receipts for the vendor employee's non-County Fuelman gas purchases, the lack of department vehicle logs and other controls make it impossible to determine misuse with 100% certainty.

Vehicle 3895	Vendor Activity 07/01/2010 – 10/17/2010	All Activity 04/23/2009 – 10/17/2010	Variance
Average miles between fueling	105.3	144.6	39.3
Average mpg	7.8	10.6	2.8
Average days between fills	2.4	9.9	7.5

*Source: Auditor analysis of data provided by
Department of Real Estate Services, unaudited*

Issue 1. The Department does not provide sufficient oversight of its drivers' County vehicle and fuel usage.

Risk Observations

- A. The Department does not require its drivers to:
- check the vehicle keys and Fuelman gas card in and out
 - record starting and ending mileage
 - record current mileage when obtaining fuel
 - provide Fuelman gas card receipts for all its vehicles from non-County fueling station purchases (County fueling stations do not provide a receipt)
- B. The Department stores the Fuelman gas cards inside the vehicles and although a unique personal identification number (PIN) is required to use the card, it provides the opportunity for someone that gained knowledge of the PIN to access and use the card.
- C. The Department does not conduct monthly reconciliations of the Fuelman gas card charges to determine if vehicle mileage and gas usage seem appropriate.

Recommendations

Internal Audit recommends that the Department of Real Estate Services establish a robust policy and procedure for both County vehicles and Fuelman gas card use to provide appropriate internal controls and oversight.

Management Response

Agree. We agree with the recommendation for establishment of a more robust policy that provides appropriate internal controls and oversight within a decentralized system. RES¹ also agrees the system reports of the current fuel vendor do not provide sufficient and accurate information to permit management to adequately oversee vehicle and gas card activity in a comprehensive, efficient, manner. County RES staff is currently working with the City of Charlotte on an RFP² to provide fuel to the County. A new policy will be more practical to monitor and enforce once a new fuel vendor is selected and better software features for monitoring, tracking, alerting, and reporting are implemented for the fuel cards. These features are being requested as part of the current RFP for a new fuel vendor. We anticipate implementation of a new system in approximately 3-4 months. Where applicable, training on the software will be provided to County staff.

Further, we believe installing GPS³ on all County vehicles could help provide valuable back-up information for potential compliance issues. RES staff plans to determine County department requirements for such a system during FY12 and request funding.

Regarding the "risk observations" cited above, RES agrees with the stated risks. In response to Internal Audit's observations about the possible misuse of County gas cards by security vendors in October 2010, RES changed departmental procedures for the vehicles used by security vendors, as well as shared

¹ RES is an acronym for the Department of Real Estate Services.

² RFP is an acronym for Request for Purchase.

³ GPS is an acronym for Global Positioning System, a satellite-based navigation system.

vehicles used by RES staff to comply with the recommendations of Internal Audit. Gas cards are required to be signed in and out, and gas card receipts are required to be obtained from non-County fueling stations. Additionally mileage logs are placed in each shared vehicle to indicate the driver name, starting and ending mileage, and the destination. These logs are to be collected and reviewed monthly. In March 2010 substantial departmental staff reductions resulted in the elimination of the use of all shared vehicles, except one. Consequently, the new procedures for the use of shared vehicles by RES staff became a moot point, except for one vehicle.

In October 2010 RES had two County-owned security vehicles assigned to the security vendor. Gas card receipts have always been required from security vendors refueling at non-County fuel stations. Since October 2010 RES has required the security vendor officers to sign out and turn in vehicle keys and fuel cards, as well as to provide mileage logs. However, beginning on July 1, 2011, RES directed security vendors to provide their own vehicles and fuel, rather than those being provided by the County. One vehicle has been purchased and one has been ordered. Upon receipt of the second vehicle by the security vendor, the above described procedures for security vendor vehicles will be a moot point.

County Manager Response

The proactive and reactive response provided by the Real Estate Services Department (RES) leadership and staff when they discovered the control problem was appropriate and commendable, including asking the Internal Audit Department to conduct an audit on the controls. In addition, subsequent to the findings and recommendations provided by the Internal Audit Department, RES has or is implementing changes appropriately and consistent with the recommendations provided by Internal Audit. It is noted that the conclusion of the RFP with the City of Charlotte and the awarding of the vendor contract is slated for September. This new contract will provide service features, including specific data and reporting, that will enable RES to enhance its monitoring of fuel use and spending compliance.

Issue 2. The current County vehicle use policy and procedure do not provide a comprehensive approach for governance, risk management and control over County vehicles and Fuelman gas cards.

Risk Observations

Although the Department of Real Estate Services is in charge of all County vehicles, each department assigned a vehicle has the liberty to monitor and control vehicles and Fuelman gas card usage in its own manner, which could lead to inconsistent practices and weak controls to protect County assets.

Recommendations

Internal Audit recommends that the Department of Real Estate Services establish and implement a comprehensive countywide policy and procedure and require all persons using County vehicles to follow the policy and procedure to ensure proper controls over vehicle and car usage. Internal Audit recommends that management work with the Fuelman gas card vendor to determine available information that the County could use to better control use of gas usage. We further recommend that management require all department liaisons to conduct monthly reconciliations of vehicle and gas card usage logs and Fuelman gas card fuel statements to ensure mileage and fuel usage, as well as vehicle use purpose, are appropriate.

Management Response

Agree. We agree with the recommendation to require all persons using a County vehicle to follow a countywide policy and procedures that provide appropriate internal controls and oversight. County RES staff is currently working with the City of Charlotte on an RFP to provide fuel to the County. Such a policy and procedures will be more practical to monitor and enforce once a new fuel vendor is selected and better software features for monitoring, tracking, alerting, and reporting are implemented for the fuel cards. These features are being requested as part the current RFP for a new fuel vendor.

County Manager Response

As part of supporting the RES Department's management response to the Internal Audit recommendations, the County Manager has directed RES to develop recommended amendments to the vehicle use policy that is specific to the risk observations and recommendations contained in this Audit Report. In addition, the County Manager has directed RES to develop recommended business processes for RES staff's monitoring of this facet of the policy amendments, and to recommend the resources necessary to implement these proposed processes. It is acknowledged that the proposed processes will be contingent on and aligned to the new data collection and reporting features that will be required of the new fuel vendor.

Issue 3. County information databases do not provide sufficient and accurate information to permit management to adequately oversee vehicle and Fuelman gas card activity.

Risk Observations

There is no continuity between County fleet administrative databases, the Fuelman gas card activity database and other County information databases. Further, some information, such as the employee identification number (EIN), which is typically based off an individual's driver's license number, is not associated in a manner that provides meaningful information to be used in management reviews. As a result, management cannot always determine with any certainty who made the gas card purchases; nor would the available data support any disciplinary or legal action.

- a. More than one employee name can be associated with a single EIN and the number is not the County employee number. Of the 3,500 gas card users shown on the Fuelman PIN master list, many EINs were numeric, non-numeric or a combination thereof and did not appear to be based on a driver's license number. Further, 56 employees had one or more EIN's assigned to them and three had a unique EIN but two different PINs. In addition, 1,036 or 30% records had duplicate EINs: six employees had an EIN of "0", 44 employees had an EIN of "XX X" and 16 records had an EIN of "SP" with "Spare" as the employee name.
- b. The Department states that it does not assign a Fuelman gas card to a specific individual but rather to a specific vehicle. Yet, the County vehicle equipment database does not provide the gas card number with each specific vehicle equipment number and description.
- c. The County vehicle equipment database does not always assign a unique license plate and/or serial number to each vehicle. Nor does it usually designate the appropriate fuel type, such as unleaded or diesel, to help management determine if fuel used is appropriate for the vehicle.
- d. Of the 3,500 gas card user records, 1,633 or 47 % gas cards remained open but had no transaction activity since at least December 31, 2008.

Recommendations

Internal Audit recommends that the Department of Real Estate Services develop and use a single database with accurate and meaningful information to allow management and department liaisons to provide proper oversight over vehicle and gas card usage.

- a. Ensure that the database indicates only one unique County-assigned EIN for each employee and associate it to his or her Fuelman gas card usage. Also, ensure that no one employee has more than one active unique PIN.
- b. Include the Fuelman gas card number and associated vehicle equipment number and description in the database elements.
- c. Conduct an inventory of the vehicle equipment database and update accordingly to ensure that each vehicle is assigned a unique license plate number and/or a serial/vehicle identification number. Also include the appropriate fuel type to be used for each vehicle.
- d. Conduct an inventory of current cardholders to remove unauthorized or unnecessary users. Retrieve active Fuelman gas cards from existing employees assigned gas cards that have not been active in 24 months. Conduct routine database and gas card inventory reviews by the appropriate manager/department liaison to ensure the database is current and only authorized employees have access to the fuel cards.

Management Response

Agree. We agree with the recommendation to utilize a single database. Because information is currently managed from two databases, one for vehicles (developed and managed by the City of Charlotte) and one for fuel (developed and managed by the fuel vendor), we are uncertain of the feasibility of creating only one database. We think most of the information needed, however, can be provided in or transferred to the fuel database, and we will work to achieve that end. We also plan to take actions on the recommendations as follows:

- a. RES will ensure that duplications of information are either deleted or posted as not active, and provide new EIN's (i.e., employee driver's license numbers) for active employees who are currently listed as either X's or O's. We have already requested driver's license numbers from employees in this status and anticipate completion of this task by the end of August 2011.
- b. RES will work with the new fuel vendor, once selected, to include the gas card number and associated vehicle equipment number and description in the database elements for fuel transaction reports.
- c. RES will work with the City of Charlotte to ensure the vehicle database has each vehicle assigned a unique license plate number and/or a serial/vehicle identification number. RES will try to get the fuel type for each vehicle on the fuel card usage report for each fuel transaction.
- d. Agreed. An inventory of current cardholders and removal of unauthorized or unnecessary users has already been completed. RES will instruct appropriate manager/department liaisons to conduct routine gas card inventories to ensure only authorized employees have active PIN numbers to use fuel cards.

County Manager Response

It is noted that the two databases available to County staff are not owned or managed by County staff and are owned and managed by two separate organizations (the City of Charlotte and a private vendor). Given this starting point, the RES response is appropriate and consistent with the Internal Audit recommendations.