

# Internal Audit Report on Fuel Device Management

---

## County of Henrico



*Proud of our progress;  
Excited about our future*

---

### Internal Audit Report #244 March 21, 2014

HENRICO COUNTY INTERNAL AUDIT  
<http://www.co.henrico.va.us/audit>  
4301 EAST PARHAM ROAD  
P.O. BOX 90775, HENRICO, VIRGINIA 23273-0775

# Internal Audit Report on Fuel Device Management



Report #244  
March 21, 2014



## Summary



- Scheduled Audit
- Conclusions on Audit Objectives:
  - Controls need improvement related to the effectiveness over fuel device:
    - ▲ issuance
    - ▲ monitoring (i.e. reporting, usage analysis, etc.)
    - ▲ tracking (i.e. inventories, safeguarding, collection upon termination/transfer, accountability for usage, etc.)
- Exception Oriented
- 5 reportable issues and 1 other observation
- Management Action Plans have been developed to address all risks identified

● Insufficient-Immediate Attention    ▲ Improvement Needed    ■ Sufficient



## Contents


- Introduction and Background
- Scope, Internal Controls and Methodology
- Conclusions on Audit Objectives
- Issues and Management Action Plans
- Closing and Report Distribution



## Introduction

- Auditor III Sharon Wade performed audit work
- Used professional auditing standards
- Examined controls & tested for selective compliance
- All exceptions given to Agency
- Reported control design issues & significant test exceptions only
- Work for same Government we audit








## Background

**Central Automotive Maintenance (CAM):**

- Division of the Department of General Services
- Responsible for the maintenance of:
  - all automotive equipment
  - 8 automotive refueling sites (CAM-West End, CAM-East End, Varina High School, Byrd Middle School, Fire Station #13, Wastewater Reclamation Facility, Dabbs House Police & Main Government Center)
- CAM owns and leases vehicles (passenger sedans, pickup trucks, vans, buses) to other County agencies on a monthly basis.
  - Some agencies, such as the Division of Police, own their own vehicles
- CAM is an Internal Service Fund as it offsets its expenditures through inter-departmental billings



Henrico County Internal Audit 5



## Background


### ***Fuel Management Process***

*CAM's Role:*


- Issuance/installation and activation of fuel authorizing devices
- Maintenance of the database of these devices
- Monthly billing of fuel transactions to the departments which includes reports detailing cost accounting and fuel usage data by equipment number
- General policy guidance

*Agencies' Role:*

- Safeguarding of the fuel authorizing devices
- Monitoring of fuel charges via month-end reporting



Henrico County Internal Audit 6



## Background


### Number and Types of Fuel Devices\*

Type of Fuel Device	Description	#	Percentage
Fuel Card	Magnetic card (no longer issued)	1,599	40%
VIU3	On-board hands-free device (no longer installed)	1,531	39%
Fuelopass/datapass	On-board hands-free device (replaced VIU3 technology)	472	12%
Tag or fob	Actual tag/fob (replaced magnetic cards)	339	9%
Master Authorizers	Testing unit that mimics the on-board hands-free technologies	10	--
<b>Totals</b>		<b>3,951</b>	<b>100%</b>

Source: Fleet Head Office (FHO) System database as of 9/5/13.

\*NOTE: 228 are miscellaneous fuel devices which are not assigned to a specific vehicle and are used to fill gas cans to fuel small power equipment, for example.

Henrico County Internal Audit 7




## Background

### County Agencies Assigned Fuel Devices\*:

Agency	#	Agency	#	Agency	#
Building Inspections	41	Juv. Detention Home	4	Public Works	391
CRWP	2	Libraries	8	Recreation & Parks	209
Comm. Revitalization	17	MH/DS	84	Registrar	1
EDA	3	Planning	7	School Board	1,326
Finance	12	Police	817	Sheriff	69
Fire	245	Police-Animal Protect.	13	Social Services	27
Vol. Rescue Squads	41	Probation	6	Soil/Water Conserv.	1
General Services**	210	PR & MS	3		
James River JDC	3	Public Utilities	411	<b>TOTAL</b>	<b>3,951</b>

\*Source: Fleet Head Office (FHO) System original database download as of 9/5/13.  
\*\* Total includes 10 master authorizers and 4 test devices

Henrico County Internal Audit 8




## Background

Voyager Commercial Fuel Cards Issued

Agency	# of Cards
Fire	34
Police	25
Schools-Const. & Maintenance	2
Schools-Pupil Transportation	2
Sheriff	20
Social Services	3
MH/DS	4
General Services	6
DPU	1
DPW	1
<u>CAM</u>	<u>4</u>
<b>Total</b>	<b>102</b>

Note: These fuel cards are used in situations where refueling cannot be done at a County-owned site or where the fuel type needed is not provided by the County.

Henrico County Internal Audit 9






## Scope

**Includes:**

- Fuel cards/devices issued to General Government agencies

**Excludes:**

- Fuel cards/devices issued to Schools
- Fuel-related systems which capture fuel transactions at the pumps (Fleet Head Office) and bill fuel and other related charges (Fleet Focus). [These systems were audited as a part of Audit 235a Fuel and Vehicle Management Systems.]

Henrico County Internal Audit 10



## **Internal Controls**

### ***Objectives***

- Reliability and integrity of information
- Compliance with policies, procedures, laws and regulations
- Safeguarding of assets
- Effectiveness and efficiency of operations



Henrico County Internal Audit

11



## **Internal Controls**


### ***General Limitations of any Controls***

- Errors and irregularities may go undetected
- Inherent limitations in any control structure
- Limitations include resource constraints, legislative restrictions, etc.
- Projection to future subject to risk of change in effectiveness
- Compliance may deteriorate




Henrico County Internal Audit

12




## Audit Methodology

- Evaluated design of internal control system
- Performed a walk-through of stated controls
- Surveyed agencies to understand decentralized controls
- Tested for compliance with key controls



Henrico County Internal Audit 13



## Conclusions on Audit Objectives

	Audit Objective	Issues and Other Observation Identified
▲	Determine the effectiveness of controls over fuel card/device issuance.	1. Ensure the Database of Fuel Devices Used is Properly Maintained
▲	Determine the effectiveness of controls over fuel card/device monitoring (i.e. reporting, usage analysis, etc.)	1. Ensure the Database of Fuel Devices Used is Properly Maintained 2. Monitor Fuel Usage 3. Ensure Resolution of Known Reporting Weaknesses 4. Secure and Manage County and Commercial Fueling Devices 5. Enhance Documented Policies and Procedures 6. Activate Available System Controls to More Effectively Manage Fuel Usage
▲	Determine the effectiveness of fuel card/device tracking controls (i.e. periodic inventories, safeguarding, collection upon termination/transfer, accountability for usage, etc.)	1. Ensure the Database of Fuel Devices Used is Properly Maintained 2. Monitor Fuel Usage 4. Secure and Manage County and Commercial Fueling Devices 5. Enhance Documented Policies and Procedures 6. Activate Available System Controls to More Effectively Manage Fuel Usage

■ Insufficient-Immediate Attention     
 ▲ Improvement Needed     
 ■ Sufficient

Henrico County Internal Audit 14

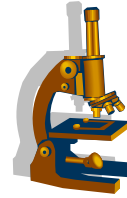


## Issues

1. Ensure the Database of Fuel Devices Used is Properly Maintained
2. Monitor Fuel Usage
3. Ensure Resolution of Known Reporting Weaknesses
4. Secure and Manage County and Commercial Fueling Devices
5. Enhance Documented Policies and Procedures

Other Observation:


6. Activate Available System Controls to More Effectively Manage Fuel Usage



## Issue 1

# Ensure the Database of Fuel Devices Used is Properly Maintained







## Issue 1

# Criteria

According to ISACA's IT Assurance Guide Using COBIT (commonly used guidance based on a framework of IT controls), data is to be managed effectively to help ensure its quality



Henrico County Internal Audit 17



## Issue 1


# Condition

There's a planned strategy to move vehicles to hands-free fuel authorizing devices attached to the County vehicles; however, there will always be a need for some number of cards or fobs for miscellaneous fueling needs for small power equipment or to back-up the hands-free technology. According to our initial download of device data, 49% of the County's device inventory consisted of cards and fobs.


Upon issuance, these devices generally do not require any authorization codes to begin dispensing fuel at the County's pumps. Authorized usage is dependent primarily on device safeguarding and fuel usage monitoring controls implemented at the various Agencies.

Each issued device has an assigned equipment number in the Fleet Head Office (FHO) System to facilitate tracking and billing. However, we noted the following issues regarding the data:

1. CAM has not initiated periodic inventories of these devices at the agency-level to ensure all active devices per the system can be accounted for.



Henrico County Internal Audit 18




**Issue 1**


## Condition

2. The quality and accuracy of the fuel device data in the system was not completely reliable. For example, we noted the following:

- a. There were actually 3 cards assigned to the Registrar's Office, all of which were labeled with the same identification number.
- b. 223 instances of duplicate equipment numbers were noted.
- c. 55 of 228 devices coded with the numerical sequence used for miscellaneous cards/fobs were also indicated in the database as being vehicle identification units (VIU's), devices which are attached to vehicles.



Henrico County Internal Audit 19




**Issue 1**

## Condition


3. Further inquiries at the agency-level based on survey responses revealed that not all device records were updated completely when equipment numbers were reused and, more importantly, not all devices were deactivated timely.

For instance, a visit to Fire Station #12 revealed that Fire personnel at the Station at that time did not know where their miscellaneous fuel card was located. Follow-up revealed that the device had been lost at least several months prior to our visit; however it was not reported as missing to CAM for deactivation purposes until after our visit. Fire personnel reviewed fuel usage reports for the miscellaneous card for the past year and found that no fueling activity had been charged against the lost card.

Furthermore, a second data file obtained from the vendor, again showed that certain records were not deactivated timely. For example, the VIU record for a particular vehicle name was not deactivated when the fuelopass device was installed on the same vehicle.



Henrico County Internal Audit 20




**Issue 1**

## Cause


1. Periodic physical inventories have never before been considered and, thus, the implications of duplicate numbers in taking physical inventories have not been addressed.
2. When vehicles were retired, there was no mechanism in place to communicate what should be done with the fueling device.
3. Division of Fire administrative management thought that the miscellaneous card had been deactivated by CAM.

## Effect

Potential for the misappropriation of County fuel if the database of fuel devices is not properly updated and periodic inventories are not performed in order to properly account for all devices



Henrico County Internal Audit 21




**Issue 1**


## Recommendation

We recommend the following:

1. The Fleet Manager should review the Fleet Head Office database to ensure all active equipment numbers are, in fact, unique and valid and have been completely and properly updated.
2. Once the database is cleaned-up, the Fleet Manager should:
  - a) Initiate an inventory of all portable fuel devices (including Voyager commercial cards and all test devices) to be taken by the agencies assigned the devices with discrepancies reported to CAM. For accounting and monitoring purposes, if more than one fueling device is assigned to a piece of equipment, the devices need to be uniquely identified.
  - b) Thereafter, require a periodic inventory of all fuel cards (County-issued and commercial), fobs and master authorizers at the agency level with any discrepancies reported to CAM.




Henrico County Internal Audit 22



## Issue 1

# Management Action Plan

#	Management Action Plan	Completed By	Date
1.1	The Fleet Head Office (FHO) database has been initially purged of known old data.	Fleet Manager	2/25/14
1.2a	Initiate a County wide 100% inventory of all portable fueling devices (commercial and in house cards and fobs) assigned to departments based on the purged FHO data base. Make corrections as necessary. Equipment with more than one portable device assigned will be uniquely identified.	Fleet Manager	6/1/14
1.2b	Will subsequently conduct periodic inventories and make corrections as necessary.	Fleet Manager	6/1/15




Henrico County Internal Audit


23

## Issue 2

# Monitor Fuel Usage




24



## Issue 2


# Criteria

County assets, including devices authorizing access to County fuel, are to be safeguarded and monitored to ensure proper and reasonable usage.



Henrico County Internal Audit


25



## Issue 2


# Condition/Cause


Condition	Cause
<p>1. Discussions with CAM management and test work revealed that fuel consumption reports are not pulled periodically to ensure that fuel charged against the 13 miscellaneous test devices, including devices assigned to third party vendors, for the purposes of repairing/testing fuel sites is reasonable.</p> <p>We also noted one diesel fuel transaction for over 37 gallons was charged against a test device and the Fleet Manager could not explain the specific circumstances surrounding this transaction.</p> <p>The Fleet Manager did state that based on the mileage reported at the time of the fueling, it appeared that a school bus was likely being fueled.</p>	<p>1. CAM management never considered implementing controls around test devices as they deemed the risk to be minimal and most of the test devices are under CAM's control</p>




Henrico County Internal Audit

26

<b>Issue 2</b>					
<b>Condition/Cause</b>					
<table border="1"> <thead> <tr> <th>Condition</th> </tr> </thead> <tbody> <tr> <td> <p>2. The 35 fuel devices assigned to the 4 Volunteer Rescue Squad (VRS) locations have not been monitored by the Division of Fire to help ensure reasonable usage and proper allocation. (VRS fuel costs are charged to Fire). During the audit, however, Division of Fire management devised a multi-step action plan to:</p> <ul style="list-style-type: none"> <li>a) physically inventory all devices assigned to the VRS,</li> <li>b) work towards replacing all cards and fobs with the on-board technology and</li> <li>c) deactivate cards and fobs that have not been used in a specified time period.</li> </ul> </td> </tr> </tbody> </table>	Condition	<p>2. The 35 fuel devices assigned to the 4 Volunteer Rescue Squad (VRS) locations have not been monitored by the Division of Fire to help ensure reasonable usage and proper allocation. (VRS fuel costs are charged to Fire). During the audit, however, Division of Fire management devised a multi-step action plan to:</p> <ul style="list-style-type: none"> <li>a) physically inventory all devices assigned to the VRS,</li> <li>b) work towards replacing all cards and fobs with the on-board technology and</li> <li>c) deactivate cards and fobs that have not been used in a specified time period.</li> </ul>	<table border="1"> <thead> <tr> <th>Cause</th> </tr> </thead> <tbody> <tr> <td> <p>2. Division of Fire never considered implementing controls around the miscellaneous fuel devices assigned to the VRS.</p> </td> </tr> </tbody> </table> <div style="text-align: center;">  </div>	Cause	<p>2. Division of Fire never considered implementing controls around the miscellaneous fuel devices assigned to the VRS.</p>
Condition					
<p>2. The 35 fuel devices assigned to the 4 Volunteer Rescue Squad (VRS) locations have not been monitored by the Division of Fire to help ensure reasonable usage and proper allocation. (VRS fuel costs are charged to Fire). During the audit, however, Division of Fire management devised a multi-step action plan to:</p> <ul style="list-style-type: none"> <li>a) physically inventory all devices assigned to the VRS,</li> <li>b) work towards replacing all cards and fobs with the on-board technology and</li> <li>c) deactivate cards and fobs that have not been used in a specified time period.</li> </ul>					
Cause					
<p>2. Division of Fire never considered implementing controls around the miscellaneous fuel devices assigned to the VRS.</p>					
<p>Henrico County Internal Audit <span style="float: right;">27</span></p>					


<b>Issue 2</b>					
<b>Condition/Cause</b>					
<table border="1"> <thead> <tr> <th>Condition</th> </tr> </thead> <tbody> <tr> <td> <p>3. Based on a review of monitoring practices in a sample of agencies, we noted that management does not always review monthly reports detailing fuel usage charged against agency-owned vehicles and miscellaneous cards issued to fuel small power equipment.</p> <ul style="list-style-type: none"> <li>a) DPW was not reviewing these reports in detail on a monthly basis.</li> <li>b) DPU was reviewing these reports monthly; however, management did not document the review and only focused on the miscellaneous fuel cards; portable fuel devices assigned to vehicles were not included in this review.</li> </ul> </td> </tr> </tbody> </table>	Condition	<p>3. Based on a review of monitoring practices in a sample of agencies, we noted that management does not always review monthly reports detailing fuel usage charged against agency-owned vehicles and miscellaneous cards issued to fuel small power equipment.</p> <ul style="list-style-type: none"> <li>a) DPW was not reviewing these reports in detail on a monthly basis.</li> <li>b) DPU was reviewing these reports monthly; however, management did not document the review and only focused on the miscellaneous fuel cards; portable fuel devices assigned to vehicles were not included in this review.</li> </ul>	<table border="1"> <thead> <tr> <th>Causes</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>a) Agency management did not consider the risk of fuel misuse and, therefore, did not focus on monitoring usage by reviewing month-end reports.</li> <li>b) Management did not view the risk of misuse of portable fueling devices assigned to vehicles as significant.</li> </ul> </td> </tr> </tbody> </table> <div style="text-align: center;">  </div>	Causes	<ul style="list-style-type: none"> <li>a) Agency management did not consider the risk of fuel misuse and, therefore, did not focus on monitoring usage by reviewing month-end reports.</li> <li>b) Management did not view the risk of misuse of portable fueling devices assigned to vehicles as significant.</li> </ul>
Condition					
<p>3. Based on a review of monitoring practices in a sample of agencies, we noted that management does not always review monthly reports detailing fuel usage charged against agency-owned vehicles and miscellaneous cards issued to fuel small power equipment.</p> <ul style="list-style-type: none"> <li>a) DPW was not reviewing these reports in detail on a monthly basis.</li> <li>b) DPU was reviewing these reports monthly; however, management did not document the review and only focused on the miscellaneous fuel cards; portable fuel devices assigned to vehicles were not included in this review.</li> </ul>					
Causes					
<ul style="list-style-type: none"> <li>a) Agency management did not consider the risk of fuel misuse and, therefore, did not focus on monitoring usage by reviewing month-end reports.</li> <li>b) Management did not view the risk of misuse of portable fueling devices assigned to vehicles as significant.</li> </ul>					
<p>Henrico County Internal Audit <span style="float: right;">28</span></p>					




## Issue 2

# Effect

Potential for the diversion of County fuel for personal use without detection.



Henrico County Internal Audit 29




## Issue 2

# Recommendation


We recommend the following:

1. Fuel consumption reports should be pulled and reviewed monthly for all test fuel devices including those devices issued to third party vendors. These reviews should be documented and signed off on by CAM management.
2. We concur with the course of action proposed by the Division of Fire and recommend that the proposed steps be put into place as soon as possible.
3. Agency management should perform a documented review of month-end reports detailing fuel gallons charged against both owned vehicles and miscellaneous cards issued to fuel small power equipment to ensure that fuel usage is reasonable. Should usage appear to be out of the normal range, management should request a detailed fuel transaction report for the device(s) in question to provide data for research and analysis purposes.

*Note that Issue #3, Recommendation #2 also addresses some of the risk denoted in this Issue.*




Henrico County Internal Audit 30




## Issue 2

# Management Action Plan

#	Management Action Plan	Completed By	Date
2.1	Fuel consumption reports will be prepared and reviewed monthly for all test devices including those issued to third party vendors. These reviews will be documented and signed off by the Accountant III.	Accountant III	5/1/14
2.2a	Inventory all devices assigned to the VRS.	Fire Lieutenant – Logistics/Fleet Manager	1/29/14
2.2b	Replace all cards/fobs with on-board technology when possible.	Fire Lieutenant – Logistics/Fleet Manager	12/31/14
2.2c	Deactivate cards/fobs that have not been used in a specified time (1 year).	Fire Lieutenant – Logistics/Fleet Manager	1/29/14




Henrico County Internal Audit 31



## Issue 2

# Management Action Plan

#	Management Action Plan	Completed By	Date
2.3a DPW	Distribute monthly CAM reports to the appropriate DPW Division Managers. The Division Managers are responsible for reviewing fuel consumption usage. The Division Managers will contact CAM with any questions & discrepancies. Division Managers will document monthly review along with any corrections to billing by signing, dating and returning a copy of the top page of their respective report to DPW's Business Supervisor.	DPW Business Supervisor	4/1/14
2.3b DPU	DPU Division Directors or their designees will review monthly fuel usage reports. Any discrepancies or unusual usage will be investigated and the cause documented. The person reviewing the report and the date of the review will be documented. DPU will continue to work with CAM to install automated fuel devices on all vehicles to eliminate the use of fuel cards and fobs for vehicles.	DPU Division Directors	5/1/14



Henrico County Internal Audit 32

**Issue 3**

# Ensure Resolution of Known Reporting Weaknesses



33



**Issue 3**

## Criteria

Reports should provide all necessary information in order to assist management in making informed decisions. In addition, reports should be distributed to the appropriate level of management who has access to the operational data which can help verify the reported information thus resulting in effective decision-making.





### Issue 3

## Condition

During the initial walkthrough, the Fleet Manager acknowledged that the month-end billing and summary reports do not contain all the necessary information that would be helpful to management in their efforts to monitor vehicle and fuel usage. He stated, however, that they are working with the system vendor to address the issues. The reporting deficiencies include:

- a) MPG not being calculated and displayed on one report and
- b) total fuel gallons used not being indicated on another report.

Furthermore, it was determined that the month-end report which summarizes fuel costs for leased vehicles is not distributed to the respective agencies so that they can better monitor these charges, especially fuel costs.



### Issue 3


## Cause

1. These were the report formats designed for the original in-house designed fleet system which were carried forward and set-up in the replacement system purchased from a third-party vendor.
2. CAM management used the month-end report summarizing costs for leased vehicles to track MPG, especially for classes of vehicles, for reasonableness and not to monitor fuel gallons used.

## Effect

Incomplete data is available to management for effective decision-making






**Issue 3**


## Recommendation

We recommend the following:

1. The Fleet Manager should continue to monitor the vendor's progress in updating these reports with the requested information until delivered.
2. The Fleet Manager should provide instructions on how to effectively read and review the monthly billing reports to ensure vehicle use (mileage), fuel and other costs (i.e. repairs, labor, etc.) are reasonable. These instructions should initially be included in the month-end report distribution but also added to the CAM Customer's Manual for future reference and training purposes.
3. The Fleet Manager should ensure that the month-end report summarizing costs, vehicle mileage and MPG information for leased vehicles is distributed to the agencies.




Henrico County Internal Audit 37



**Issue 3**


## Management Action Plan

#	Management Action Plan	Completed By	Date
3.1	The Fleet Manager will continue to monitor the Fleet Focus staff's progress for updating the custom reports until they are delivered and tested for accuracy.	Fleet Manager	7/1/14
3.2	The Fleet Manager will provide written instructions to departments regarding how to effectively review the monthly billing reports to determine reasonableness of fuel and other costs. Written instructions will be placed in the CAM Customer Manual, and initially provided with each monthly billing period for about 6 months.	Fleet Manager	7/1/14
3.3	The Fleet Manager will ensure that the month end billing reports summarizing the costs, mileage and MPG information is provided to those departments that lease CAM vehicles.	Accountant III	7/1/14



Henrico County Internal Audit 38






## Issue 4


# Condition/Cause

Condition	Cause
<p>Based on a review of the fuel device safeguarding practices, we noted the following:</p> <ol style="list-style-type: none"> <li>1. At the time of our initial discussions with management and walkthroughs at CAM West, the following fuel devices maintained in this office were not being kept in secured locations:               <ul style="list-style-type: none"> <li>• 4 test cards maintained in a test repair kit (3 of which were cut up as only 1 was expected to be in the kit)</li> <li>• 3 master authorizing devices maintained in the test repair kit and month-end inventory kit</li> <li>• A fuel fob (tag) maintained in the test repair kit</li> <li>• A miscellaneous fuel card maintained for emergency sign-out purposes.</li> <li>• 3 cards held for sign-out by the Registrar's Office.</li> <li>• 5 commercial cards available for check-out. Furthermore, documentation of the usage (checking in and out) of these cards is not retained.</li> </ul> </li> </ol> <p>As of 10/8/13, all of these devices were observed as being secured in a locked filing area.</p>	<ol style="list-style-type: none"> <li>1. Reliance on the fact that the CAM West administrative office is locked on weekdays before 8am and after 4:30pm as well as on the weekends; Management saw no need to keep the sign-out documentation once the commercial card was returned; Multiple cards were created based on need and for testing purposes</li> </ol>

Henrico County Internal Audit



41




## Issue 4


# Condition/Cause

Condition	Cause
<ol style="list-style-type: none"> <li>2. An observation at the CAM East office revealed the following fuel devices were not kept in secure locations:               <ol style="list-style-type: none"> <li>a) A master authorizing unit</li> <li>b) A test fuel card</li> <li>c) Two emergency use fuel cards (one for Schools and one for the motor pool)</li> </ol> </li> <li>3. Management confirmed that they do not require employees to sign out CAM West's test repair and month-end inventory kits or CAM East's master authorizer and test fuel card.</li> </ol>	<ol style="list-style-type: none"> <li>2. Reliance on the fact that the outside doors to CAM East are locked after business hours</li> <li>3. Fuel pumped on test devices is poured back into the tanks</li> </ol>

Henrico County Internal Audit




42




## Issue 4

# Condition/Cause

Condition	Cause
<p>4. A vehicle fuel card and a miscellaneous fuel card maintained in General Services' West Maintenance Shop (located on the ground floor of the parking garage) were not kept locked up. The securing of these cards is deemed important as access to this Shop, which is controlled via a badge card reader, was significantly expanded over a year ago for security purposes.</p>	<p>4. Safeguarding of fuel cards was not considered when access to the shop where the devices are kept was expanded.</p>




Henrico County Internal Audit 43




## Issue 4

# Effect

- If fuel devices are not secured and if test cards are not deactivated when the need no longer exists, there is the potential for these devices to be taken and returned without anyone's knowledge for the purpose of misappropriating County fuel
- No documented history of card usage for accountability purposes and management trending/research needs
- Potential for unauthorized access to fuel cards which could result in the misuse of these cards



Henrico County Internal Audit 44

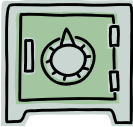


## Issue 4

# Recommendation


We recommend the following:

1. All fuel authorizing devices maintained in the CAM West and East administrative offices should be secured when not in use.
2. Usage logs should be established and maintained for all fuel authorizing devices including Voyager commercial cards which are checked out of the CAM West and East administrative offices.
3. The storage area for fuel devices in General Services' Buildings and Grounds West Maintenance Shop should be locked.



Henrico County Internal Audit

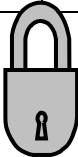
45



## Issue 4

# Management Action Plan

#	Management Action Plan	Completed By	Date
4.1	All fuel authorization devices maintained in the CAM West and East administrative offices will be secured when not in use.	Accountant III and CAM East Foreman	2/25/14
4.2	Usage logs will be established and maintained for all authorizing devices including Voyager commercial cards which are checked out of the CAM West and East administrative offices.	Accountant III and CAM East Foreman	4/1/14
4.3	These fuel cards are now secured in a location only accessible to the West Maintenance staff for operational support.	West Maintenance Building Superintendent	1/13/14



Henrico County Internal Audit

46

**Issue 5**

# Enhance Documented Policies and Procedures



47

**Issue 5**


## Criteria



- Policies and procedures documenting a process should be comprehensive so that they can be used as a reference and training tool.
- Records of lost fuel authorizing devices should be maintained for management decision-making purposes.



48





**Issue 5**


## Condition

The CAM Customer Manual Section 2.1 (General Policies) sets forth the applicable policies related to fuel authorizing devices. Nowhere, however, does it explicitly state that miscellaneous fuel cards are to be used for County operations/business only.

Furthermore, during the audit, a fuel card was found on the window sill in the CAM office area. Given this situation, we noted that there are no documented procedures in the CAM Customers Manual related to lost and found fueling devices and no records of lost fuel cards/fobs are kept.



Henrico County Internal Audit 49




**Issue 5**

## Cause

1. The necessary procedures were not documented.
2. Per management, only 4-5 devices are reported as lost per month.

## Effect

1. Potential legal loophole if this direct statement is not included in County policies and procedures
2. Potential for the mishandling of lost fuel devices if lost and found procedures are not documented
3. There is no data on lost fuel devices available for management information and trending purposes.
4. Expenses incurred for replacement fobs (which cost approximately \$7 each) are charged against CAM's budget.



Henrico County Internal Audit 50



**Issue 5**

**Recommendation**

We recommend the following:

1. The Fleet Manager should revise the CAM Customers Manual as indicated.
2. The Accountant III should establish a spreadsheet to record information related to fuel card and fob replacements.
3. The Fleet Manager should perform a cost/benefit analysis to determine if charging the agencies for the cost of replacement fobs is a process that should be instituted.




**Issue 5**

**Management Action Plan**


#	Management Action Plan	Completed By	Date
5.1	The CAM Customer Manual will be revised as indicated.	Fleet Manager	5/1/14
5.2	The Accountant III will keep a spreadsheet to record information related to fuel card and fob replacements.	Accountant III	4/1/14
5.3	Perform a cost benefit analysis to determine if charging the agencies for the cost of replacement fobs should be instituted.	Fleet Manager	10/1/14






## Other Observation

The following slide includes an additional observation noted during our audit which was considered less critical in reaching our conclusions on the audit objectives.



Henrico County Internal Audit 53




## Issue 6


### Activate Available System Controls to More Effectively Manage Fuel Usage

We determined that rules can be set-up on the fuel devices to limit the number of gallons pumped or the number of transactions allowed. As of the audit, however, the only rule that had been enabled was the fuel type (e.g. gasoline, diesel or propane) allowed for each device.

**Recommendation:**  
Going forward, we recommend that the Fleet Manager set-up relevant system controls or rules on all new or reissued fobs to enhance the fuel device control environment.



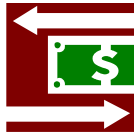
Henrico County Internal Audit 54




**Issue 6**

## Management Action Plan

#	Management Action Plan	Completed By	Date
6	Set up rules in FHO that limit either the gallons issued or transactions allowed in a period of time for all new authorization devices for new vehicles or replacement devices.	Fleet Manager	6/1/14




Henrico County Internal Audit 55




## Closing

- Appreciate Agencies' cooperation
- Follow up on open Action Plans will be performed as completion dates are reached




Henrico County Internal Audit 56



## Report Distribution

Audit Committee (Mr. Glover, Mrs. O'Bannon, County Manager)	Board of Supervisors, Non-Committee Members
Deputy County Manager for Administration; Deputy County Manager for Community Operations	Directors of General Services, Public Utilities, Public Works; Fire Chief
Internal Audit Staff	

Henrico County Internal Audit 57



## Audit Contact Information

Sharon Wade, Auditor III  
Phone: 804-501-4210  
E-Mail: [wad01@co.henrico.va.us](mailto:wad01@co.henrico.va.us)

Vaughan Crawley, Director of Internal Audit  
Phone: 804-501-4292  
E-Mail: [cra85@co.henrico.va.us](mailto:cra85@co.henrico.va.us)

Henrico County Internal Audit 58