



Date: January 28, 2021

To: Gina Hawkins, Police Chief

From: Elizabeth Somerindyke, Internal Audit Director

Cc: Audit Committee
Douglas J. Hewett, City Manager

Re: Follow-up WEX Fuel Card Compliance Audit (Police Department) Originally Issued May 2, 2019

The Office of Internal Audit has completed the follow-up on the WEX Fuel Card Compliance Audit Report approved by the Audit Committee on May 2, 2019. Internal Audit's objective was to determine whether management implemented corrective actions to audit recommendations reported by the Office of Internal Audit.

The audit concluded on November 24, 2020 when management was informed that of the 17 recommendations, four (24%) were implemented, eight (47%) were not implemented, four (24%) partially implemented, and the status of one (6%) could not be determined. Management subsequently implemented seven additional recommendations, bringing the total implemented recommendations to 11 (65%) of the 17 while two (12%) remained not implemented and four (24%) partially implemented.

Results

| Finding # | Original Audit Recommendation Dated May 2, 2019 | Implemented/Partially/Not Implemented |
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| 2.1 | <p><i>Fraud, waste and abuse potentially existed due to lack of internal controls.</i></p> <p>Internal Audit recommends management of the Police Department implement the recommendations as presented in the audit report to ensure internal controls are established, followed, maintained, and properly documented to include a process to ensure adequate follow-up regarding questionable fueling transactions is conducted.</p> | <p>(see original audit recommendation 9 for implementation status)</p> |
| 2.2 | <p><i>Fraud, waste and abuse potentially existed due to lack of internal controls.</i></p> <p>Management within the Police Department should consider changing the currently assigned WEX PINs to a confidential PIN.</p> | <p>NOT IMPLEMENTED</p> <p>Due to segregation of duties, the Finance Department assumed administrative responsibility over the WEX fuel cards and started issuing new randomly selected WEX PINs on March 18, 2020. However, 424 (83%)</p> |

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| | | <p>of the 511 original non-confidential PINs remained active.</p> <p>Additionally, Internal Audit noted 504 employees held active PINs:</p> <ul style="list-style-type: none"> • 393 (78%) of 504 employees had 2 active PINs; and • 6 (1%) of 504 employees had 3 PINs. <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not implemented. Finance Department management <i>subsequently implemented</i> the recommendation by deactivating the original non-confidential PINs that remained active, to include removing multiple PINs assigned to employees.</p> |
| 2.3 | <p><i>Fraud, waste and abuse potentially existed due to lack of internal controls.</i></p> <p>Management should ensure WEX fuel card PINs are only assigned to personnel with the ability and need to use the fuel cards.</p> | <p><i>UNABLE TO DETERMINE STATUS OF IMPLEMENTATION</i></p> <p>The City’s Fuel Card Practices and Procedures policy # 315 did not identify personnel that would be eligible to have a WEX PIN issued for use with fuel cards. In addition, Police Department management did not provide internal procedures outlining personnel with the ability and need to use fuel cards therefore requiring a WEX PIN to be issued. For these reasons, Internal Audit was not able to determine personnel required to have an active PIN assigned.</p> <p>It was noted that the following personnel were assigned a PIN not actively used:</p> <ul style="list-style-type: none"> • Reserve officers, administrative personnel and one unidentified individual had active PINs with no WEX fuel card usage; and • Police Department personnel on extended leave to include FMLA and military leave without pay. <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management that the status of the implementation could not be determined. Police Department management <i>subsequently implemented</i> the recommendation by creating a</p> |

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| | | procedure that defined when employee PIN's should be deactivated. |
| 2.4 | <p><i>Fraud, waste and abuse potentially existed due to lack of internal controls.</i></p> <p>Assessment of a secure location in Police vehicles and equipment should be completed to determine the safest location for fuel cards to be maintained. Policies should note suitable places to store the fuel card in City owned vehicles and equipment.</p> | <p>NOT IMPLEMENTED</p> <p>The City's Fuel Card Practices and Procedures policy # 315 designates suitable locations where fuel cards should be stored.</p> <p>Due to the COVID 19 Pandemic, Internal Audit was unable to observe where fuel cards were maintained.</p> <p>However, based on Internal Audit inquiry active fuel cards were left in vehicles when turned in for disposal. These fuel cards were not found in a separately keyed or combination lockbox within the vehicles.</p> |
| 3.1 | <p><i>City-wide and/or departmental written policies and procedures governing fuel card usage and management were not documented.</i></p> <p>Develop written city-wide and departmental policies and procedures for using WEX fuel cards, to include identifying the City administrator of the WEX fuel card program. These policies and procedures should address the City administrator and user department responsibilities, as well as operational guidance.</p> | <p>IMPLEMENTED</p> <p>The Police Department did not establish a separate policy related to user responsibilities and operational guidance, but used the City's Fuel Card Practices and Procedures policy # 315 which outlines the Department Fuel Card Administrator and provided an appropriate level of guidance.</p> |
| 3.2 | <p><i>City-wide and/or departmental written policies and procedures governing fuel card usage and management were not documented.</i></p> <p>Ensure user departments are provided copies of the city-wide policies and procedures and are requested to comply and develop internal procedures for fuel cards. Training should be given to personnel that use WEX fuel cards to ensure understanding and adherence to the policies and procedures.</p> | <p>IMPLEMENTED</p> <p>The City's Fuel Card Practices and Procedures policy # 315 was distributed to Police Department personnel in January 2020 and continues to be distributed to new employees through PowerDMS, a policy management software. (See original audit recommendation #8 for implementation of training)</p> |
| 3.3 | <p><i>City-wide and/or departmental written policies and procedures governing fuel card usage and management were not documented.</i></p> | <p>PARTIALLY IMPLEMENTED</p> <p>Based on Internal Audit inquiry, the Police Department established a process to ensure PINs were deactivated for personnel no longer employed by the City. However, Internal Audit</p> |

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| | <p>A process should be developed to ensure when personnel are no longer employed with the City, their WEX fuel card PIN number is deactivated immediately after their last day of employment.</p> | <p>noted 95 active PINs for Police Department personnel that ended employment with the City. Based on Internal Audit review, Finance started issuing PINs on March 18, 2020. Of the 95 PINs:</p> <ul style="list-style-type: none"> • 56 PINs were for personnel that ended employment with the City prior to 3/18/20 indicating the PIN should have been deactivated by the Police Department; and • 39 PINs were for personnel that ended employment with the City after 3/18/20 indicating the PIN should have been deactivated by the Finance Department. <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was partially implemented. Finance Department management <i>subsequently implemented</i> the recommendation by deactivating the 95 active PINs.</p> |
| <p>3.4</p> | <p><i>City-wide and/or departmental written policies and procedures governing fuel card usage and management were not documented.</i></p> <p>Sharing PIN's should be considered a violation of policy.</p> | <p><i>IMPLEMENTED</i></p> <p>The City's Fuel Card Practices and Procedures policy # 315 stated the sharing of PINs is not allowed. No instances of PIN sharing were confirmed, but due to the number of active PINs the likelihood was increased.</p> |
| <p>4</p> | <p><i>Departmental management should perform an appropriate level of review.</i></p> <p>Management should ensure fuel consumption of each vehicle and personnel are monitored and reviewed and any abnormalities in fuel consumption, to include purchases of higher grade fuel, is investigated. Additionally, trend analysis should be performed to identify and justify increases/decreases in monthly fuel consumption.</p> <p>Based on the type of apparatus/vehicle, management should establish a mechanism to track miles per gallon, assess vehicle utilization and monitor potential abuse.</p> <p>Although the WEX system allows fuel card controls, establishment of a process to review for exceptions is recommended.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>The City's Fuel Card Practices and Procedures policy # 315, required departments that use fuel cards to create a departmental process to validate transactions and review for illegal/fraudulent charges.</p> <p>Based on Internal Audit inquiry, the Police Department had not established a process to validate transactions and review for illegal/fraudulent charges, monitor fuel consumption or purchases of higher grade fuel. Therefore, the fuel card charges were not validated, reviewed, or approved for the period audited, September 1, 2019 through August 31, 2020.</p> <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not</p> |

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| | | <p>implemented. Police Department management <i>subsequently partially implemented</i> the recommendation. The department created procedures that required a monthly review by the Police Department’s fuel card administrator, to include monitoring for fuel consumption, type of fuel purchased, abnormalities and exceptions and provided documentation reflecting a review and follow-up of fuel card transactions for November 2020.</p> |
| 5.1 | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>Require an annual physical verification of all fuel cards, as evidenced by signature and date of the personnel conducting the inventory and the cardholder assigned to the vehicle.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>The City’s Fuel Card Practices and Procedures policy # 315 did not require an annual physical verification, although it did specify that departments maintain an inventory record and reconciliation of cards evidenced by documentation.</p> <p>In addition the Police Department did not develop internal procedures requiring a physical verification annually.</p> <p>A physical verification took place due to card replacements in March and May 2020. The card reissuance required Police Department personnel to sign a form indicating issuance of a new fuel card. Based on Internal Audit inquiry, documentation was not received for all cards issued; therefore, the annual physical verification of all fuel cards was not complete.</p> <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not implemented. Police Department management <i>subsequently implemented</i> the recommendation by creating procedures requiring a monthly random sample of fuel cards to be physically verified and documented.</p> |
| 5.2 | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>Unaccounted for fuel cards should be deactivated immediately.</p> | <p><i>IMPLEMENTED</i></p> <p>By default, all cards were deactivated due to the card replacements in March and May 2020.</p> |
| 5.3 | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>Management should develop and maintain a listing of vehicles and the fuel cards</p> | <p><i>PARTIALLY IMPLEMENTED</i></p> <p>The assigned vehicle for each fuel card was listed in the WEX fuel card system. Therefore, an active fuel card list, obtained from the WEX</p> |

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| | <p>assigned, to include spare and miscellaneous fuel cards.</p> | <p>system, would show the fuel card assigned to each vehicle.</p> <p>However, the WEX fuel card system did not identify the location of the spare and miscellaneous fuel cards. The listing provided by the department did not include the location of spare and miscellaneous fuel card and their existence was not validated.</p> |
| <p>5.4</p> | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>Management should ensure cancellation of fuel cards due to disposal/surplus is completed on a timely basis and are followed-up to ensure they are deactivated.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>Internal Audit’s review noted 88 active WEX fuel cards assigned to units the Police Department identified as a surplus unit or disposed:</p> <ul style="list-style-type: none"> • 37 Fuel cards were assigned to vehicles that went through the disposal process prior to March 1, 2020 indicating the card should have been deactivated by the Police Department; and • 51 fuel cards were assigned to vehicles that went through the disposal process after March 1, 2020 indicating the card should have been deactivated by the Finance Department. <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not implemented. Finance Department management <i>subsequently implemented</i> the recommendation by deactivating the 88 active fuel cards. However, an active fuel card report from the WEX reporting system was not provided to validate this statement.</p> |
| <p>5.5</p> | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>Establish a process in which fuel cards without activity for a given period of time are deactivated.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>There was no process in place to review fuel card inactivity to determine if fuel cards needed deactivation.</p> <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not implemented. Police Department management <i>subsequently implemented</i> the recommendation by creating a Police Department WEX/Fuel Card Standard Operating Procedure which requires an unused card report to be run and</p> |

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| | | reviewed monthly for cards that have not been utilized in 30 or more days. |
| 5.6 | <p><i>WEX fuel cards were not inventoried and could not be located.</i></p> <p>The Police Department should immediately complete a physical inventory of all WEX fuel cards to ensure existence and immediately deactivate all fuel cards not located.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>The Police Department requested personnel to provide the card number in their vehicle or possession.</p> <p>However, the documentation received by Internal Audit reflecting the physical inventory was not complete for all WEX fuel cards maintained by the Police Department.</p> |
| 6 | <p><i>Internal controls were lacking in the City’s WEX fuel card online program.</i></p> <p>Management should utilize the controls within the WEX fuel card online system when possible, and when not possible, alternative controls should be put in place to detect exceptions.</p> | <p><i>NOT IMPLEMENTED</i></p> <p>Based on Internal Audit review, controls in WEX were not being used and the department did not establish alternative controls to detect exceptions. Internal Audit noted WEX transactions:</p> <ul style="list-style-type: none"> • Exceeding the fuel capacity for the unit; • Wrong fuel type for the unit; • More than one transaction in a day; and • Purchases other than fuel. <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was not implemented. Police Department management <i>subsequently implemented</i> the recommendation by creating procedures, in lieu of utilizing WEX online controls, which requires a monthly review to be conducted by the Police Department’s fuel card administrator to monitor for exceptions.</p> |
| 8 | <p><i>Training and accountability were not required.</i></p> <p>Management should ensure personnel sign a fuel usage agreement that details the terms and conditions on the proper use of the fuel card prior to issuing fuel cards.</p> | <p><i>PARTIALLY IMPLEMENTED</i></p> <p>Training on the City’s Fuel Card Practices and Procedures policy # 315 was created by the Finance Department and distributed through PowerDMS in September 2020. However, not all Police Department personnel received or completed this training. (see 3.2 for implementation of policies and procedures)</p> <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was partially implemented. Police and Finance Department</p> |

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| | | management are reissuing training to all Police Department personnel on March 1, 2021 through Power DMS. |
| 9 | <p><i>Fraudulent use of WEX fuel card occurred.</i></p> <p>The Police Department implement the recommendations as previously presented in the above findings to ensure internal controls are established, followed, maintained, and properly documented to include a process to ensure adequate follow-up regarding questionable fueling transactions.</p> | <p><i>PARTIALLY IMPLEMENTED</i></p> <p>The City’s Fuel Card Practices and Procedures policy # 315 was created and acknowledged by the department. However, the department did not establish processes that provided sufficient internal controls as identified in the WEX Fuel Card Compliance audit report and outlined in the City policy. Without controls in place and a comprehensive review of WEX fuel card transactions, an environment for fraudulent activity remains which could ultimately cause an increase in fuel expenditures. (Combined with Recommendation 2.1)</p> <p>Following the conclusion of the audit on November 24, 2020, Internal Audit advised management the recommendation was partially implemented. Police Department management subsequently implemented several of the recommendations as outlined in this report.</p> |