



OFFICE OF MANAGEMENT & BUDGET

Office of Internal Audit

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 574-8170
Fax: (401) 574-9255

July 30, 2024

Jonathan Womer, Director
Rhode Island Department of Administration
One Capitol Hill
Providence, RI 02908

Dear Director Womer:

The Office of Internal Audit (OIA) has completed its audit of the Fleet Fuel Card Program, administered by Rhode Island Department of Administration, Division of Capital Asset Management and Maintenance. OIA reviewed and evaluated the effectiveness of controls surrounding management and utilization of the cards. The audit was conducted in accordance with the authority granted to our office, as outlined in Rhode Island General Laws § 35-7.1.

The findings and recommendations included herein have been discussed with members of management, and we considered their response in the preparation of this report. OIA may follow up regarding the recommendations included in this report.

We would like to express our sincere appreciation to the Division of Capital Asset Management and Maintenance staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Andrew Manca
Chief

Cc:

Marco Schiappa, Acting Director, Division of Capital Asset Management and Maintenance
Internal Audit Advisory Group
Representative Marvin Abney, Chairman, House Committee on Finance
Senator Louis DiPalma, Chairman, Senate Committee on Finance
Steven Whitney, Senate Fiscal Advisor
Sharon Reynolds Ferland, House Fiscal Advisor

Contents

Introduction	3
Background	3
Objective and Scope	5
Methodology	5
Findings, Recommendations, and Management’s Response	5
<i>FINDING #1: Policy Deficiencies Impacting Compliance and Controls</i>	5
1.A. Documented Pre-Approval Process	7
1.B. Card Authorization Profiles Disclosure	8
1.C. Record Retention Policy and Reconciliation Process	10
1.D. Invoice Splitting Disclosure	11
1.E. Diverse Internal Fuel Card Policies	12
1.F. Clarity in Transaction Definitions and Outdated Threshold	12
1.G. Clarification of Driver Card Usage	13
1.H. Assigning and Revoking Card PINs	14
1.I. Addressing Odometer Readings	15
<i>FINDING #2: Agencies Were Non-Compliant to the Fleet Fuel Card Program Policy</i>	16
2.A. Lack of Pre-Approval Process	16
2.B. Unauthorized Fuel Transactions	17
2.C. Card Misuse	18

Introduction

The Office of Internal Audit (OIA) conducted an audit of the Fleet Fuel Card Program, administered by the Rhode Island Department of Administration, Division of Capital Asset Management and Maintenance (DCAMM). Presented below are the background, objective, scope, methodology, findings, recommendations, and management's response (including the responsible party and anticipated completion date).

Background

Rhode Island General Laws (RIGL) § 42-11-2.9(a)(1) establishes responsibilities for DCAMM to oversee, coordinate, and manage the operating budget, personnel, and functions necessary to fulfill its duties.¹ Additionally, RIGL § 42-11-2.9(c)(2)(vi) explains DCAMM's role to control and supervise the acquisition, operation, maintenance, repair, and replacement of state-owned motor vehicles by state agencies. As such, State Fleet Operations (SFO), a unit of DCAMM, oversees and manages the Fleet Fuel Card Program.²

Authorized drivers of state fleet vehicles are allocated a WEX Fuel Card ("fuel card") with a unique PIN to facilitate fuel and maintenance transactions. Prior to the implementation of the fuel card in 2021, these transactions were logged in a paper-based system. The introduction of the fuel card was intended to provide more oversight, analysis, and controls with respect to agency expenses. Specifically, the fuel card enables:

- Increased accountability because of the ability to tie transactions to users;
- The collection of detailed transaction information in a searchable format with reporting capabilities;
- Transaction controls based on amounts and other constraints; and
- Automatic fuel and expense tracking.

There is a statewide Fleet Fuel Card Program Policy that governs the use of the fuel card, outlining the controls to ensure expenses are efficiently managed, restricted to authorized uses, and preventing misuse of State resources. The card is used for authorized purchases such as fuel, vehicle-specific consumable items (e.g., windshield wipers, oil), and car washes. Additionally, the fuel card can be used to pay for repairs and maintenance, subject to approval if the total cost exceeds the pre-approved threshold.

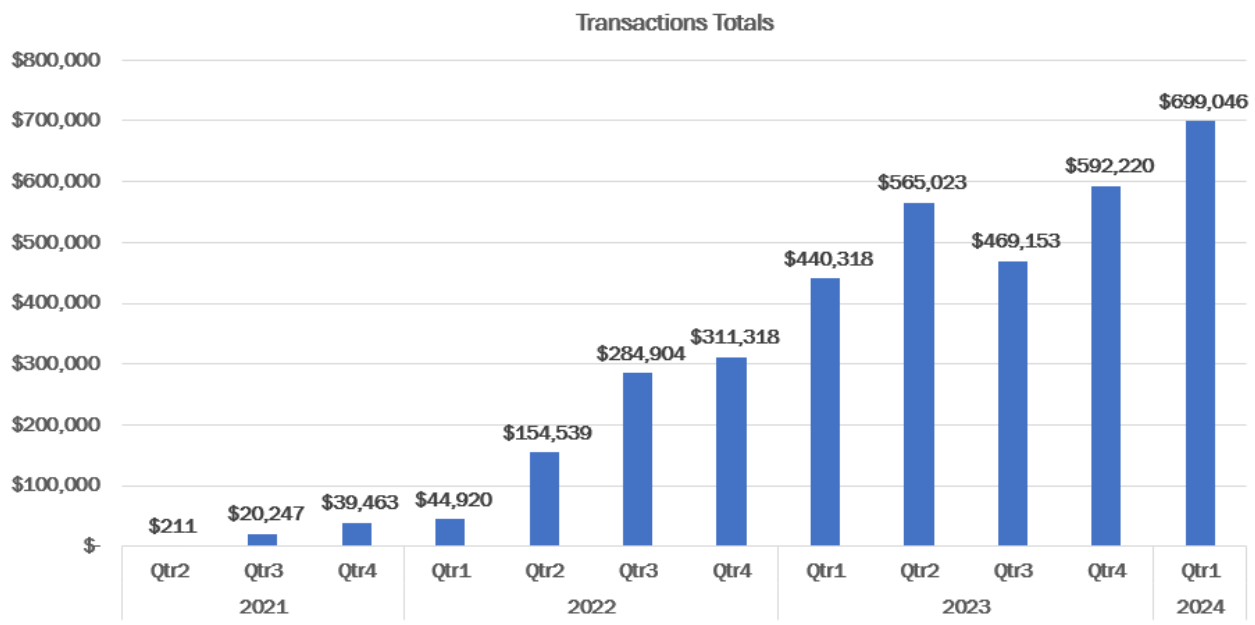
This fuel card program supplements but does not replace the state fuel depots. The fuel card is used to pay fuel and maintenance expenses for state vehicles and is accepted at over 180,000 fueling and maintenance sites in all 50 states, U.S. territories, and Canada.

¹ webserver.rilin.state.ri.us/Statutes/TITLE42/42-11/42-11-2.9.HTM

² <https://dcamm.ri.gov/business-units/fleet>

Each vehicle is assigned a fuel card, with the vehicle identification number embossed on its face, with the exception of a “driver card.”³ Authorized drivers receive a unique PIN to utilize the card. Transactions are recorded in an online portal, capturing real-time data including, but not limited to, the type of purchase, purchaser’s identity, date and time of purchase, transaction amount, location of purchase, odometer readings, and agency name.

The chart below illustrates the increase in card usage as more agencies have started utilizing the card since the program’s inception in April 2021 through March 2024.



During Fiscal Year 2023, there were 25 state agencies that utilized the fuel card and incurred approximately \$1.6 million in fuel and maintenance expenditures for 796 vehicles. Currently, SFO gives state agencies discretion to set their own financial limits which is later identified in the findings below.

The Department of Administration (DOA) issued RFP25004476 on July 9, 2024, seeking proposals to support the consolidation of light-duty vehicle fleet operations and inventory under DOA from across other agencies (excluding the Department of Transportation and the Department of Public Safety). DOA has stated that this consolidation would be in support of two goals: first, to improve the efficiency of the operation of the state fleet, and second, to support the migration of the state fleet to zero emissions. This effort is proposed to include an evaluation of the standards and policies, likely including recommendations for the Fleet Fuel Card Program.

³ “Driver cards” serve a different purpose for card usage and is later explained under Finding #1.G.

Objective and Scope

OIA's objective was to assess fuel and maintenance transactions for Fiscal Year 2023, to evaluate the effectiveness of existing controls, and adherence to policies and procedures. The work order process, which is used for maintenance transactions, was not part of the audit scope.

The audit scope was segmented into two categories: card utilization and program lifespan analysis. The card utilization included a review of a randomized sample of 123 maintenance transactions from 13 state agencies. The program lifespan data analysis review consisted of fuel and maintenance transactions from April 5, 2021, through June 30, 2023. The analytical procedures covered the total population within the audit scope. Data analytics enabled OIA to identify trends and anomalies that required additional testing.

Methodology

To address the audit objectives, OIA performed the following steps:

- Examined policies, procedures, and statutes related to the program.
- Reviewed and evaluated the effectiveness of the fuel card online portal's existing controls.
- Identified risks associated with card utilization, including fraud, misuse, and non-compliance risks.
- Interviewed DCAMM personnel and representatives of 13 state agencies that are responsible for fuel card management, to assess their understanding of policies and compliance measures.
- Gathered transactional data related to fuel and maintenance card usage, including invoices, payment receipts, and related reports directly from the fuel card online portal.
- Conducted sample testing and analytical procedures of transactions to assess its controls and ensure adherence to policy, procedures, laws, and regulations.
- Reviewed vendor activities in response to the audit findings.

Findings, Recommendations, and Management's Response

The findings are divided into two parts to address policy deficiencies and identify exceptions for noncompliance. Two of these sections delve into specific instances of the findings.

FINDING #1: Policy Deficiencies Impacting Compliance and Controls

Policies and procedures serve as the foundation for organizational controls, setting expectations for employee behavior and responsibilities while standardizing protocols. DCAMM implemented a statewide Fleet Fuel Card Enterprise Policy, last revised on May 18, 2021, and signed by DCAMM's Director in November 2022.

OIA noted the policy details are insufficient to adequately control the Fuel Card Program. These policy deficiencies impact compliance and controls regarding the usage of the fuel card. Below in this finding outlines specific areas where clarity and additional details will enhance its effectiveness and strengthen controls. Revising the policy to include updated information and procedures is essential for improving clarity.

RECOMMENDATIONS:

- 1-1: Revise the Fleet Fuel Card Program Enterprise Policy to increase transparency and compliance by state agencies.
- 1-2: Provide trainings to increase awareness and understanding about how to correctly use fuel cards in accordance with the policy and enforce state agencies' compliance with the revised Fuel Card Program Enterprise Policy.

MANAGEMENT'S RESPONSE:

1-1: State Fleet intends to revise the Fleet Fuel Card Program Enterprise Policy. The updated version will be available online when complete. In addition, the scope of DOA's planned centralization efforts will include the evaluation of State Fleet policies. New policies relevant to the Fleet Fuel Card Program produced during this effort will be developed in a collaborative process and will be proactively disseminated in addition to being posted online and offered for trainings.

1-2: State Fleet has offered trainings to all agencies. State Fleet will continue to offer trainings to all agencies on a quarterly basis. SFO will work to enforce the fuel card policy across the state.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

1-1: Immediate revisions to the Fleet Fuel Card Program are underway. This round of policy revision is expected to be completed by 10/31/24 and will be posted online upon completion. The larger effort of Fleet centralization will take place in the coming months, and any revised policies related to the Fleet Fuel Card Program (if developed and implemented) will be available on later than 2025.

1-2: This is a rolling target. State Fleet discusses the fuel card program with anyone willing to participate whether it is one on one or requests for formal presentations. SFO hosts quarterly meetings with all agency fleet representatives to discuss any issues or new initiatives. This

group is considered the SFO “Steering Committee,” and SFO will continue to incorporate trainings and updates into Steering Committee meetings on a quarterly basis or as developments continue to unfold with related programs.

1.A. Documented Pre-Approval Process

The policy states, “Maintenance over \$100 will need to be pre-approved by the Fleet Service Representative.” Each state agency designates a point of contact or Fleet Service Representative (FSR) responsible for fleet services. An FSR serves as a primary contact for their agency’s fleet and ensures compliance with State Fleet policies. While a pre-approval process by the agency’s FSR is mentioned in the policy, the policy lacks documentation of this procedure.

Having a documented pre-approval process is important for several reasons:

- **Transparency:** It ensures that there is clarity on how pre-approvals are obtained and what criteria are considered.
- **Control and Oversight:** It provides a mechanism for management to review and approve expenses before they are incurred, enabling better control over budgetary allocations and expenditures.
- **Risk Management:** By establishing clear criteria for pre-approval, organizations can identify and mitigate potential risks associated with certain expenditures.

RECOMMENDATIONS:

1.A-1: Develop guidance for a pre-approval process to ensure that approval is reviewed and documented by the agency’s Fleet Service Representative.

1.A-2: Discuss with the fuel card provider options to establish a method for approving transactions exceeding the threshold directly through the fuel card's online portal.

MANAGEMENT’S RESPONSE:

1.A-1 State Fleet will work with agencies to develop a reconciliation process. Agencies will reconcile pre-approved transactions on a quarterly basis and will retain a copy for DOA review.

1.A-2 The approval process for transactions exceeding the threshold currently exists on the vendor’s online portal. SFO will reach out directly to the vendor to further discuss declined transactions and notifications to ensure no transactions exceeding thresholds are approved without proper authorization. As part of the centralization effort, State Fleet will also evaluate the thresholds based on specific agency needs to determine if thresholds should be adjusted.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

1.B. Card Authorization Profiles Disclosure

The policy lacks specificity regarding expenditure limits and frequency allowances. SFO offers a default card authorization profile within the fuel card online portal, which agencies can adopt or customize according to their spending controls. However, agencies may set their own card authorization profiles with limits exceeding SFO's or even unlimited.

The following is a depiction of SFO's default card authorization profile, illustrating the established limits and frequency allowances.⁴ OIA noted that the \$100,500 threshold was an error that should also be revised.

⁴ The information is pulled from the fuel card online portal. There were categories that did not have limits established in the default authorization profile.

Transaction Based Limits		
Car Wash Products		
	Dollars per Transaction	\$150 Limit
Fuel Products		
	Dollars per Transaction	\$100 Limit
	Gallons Per Transaction	N/A
General Merchandise Products		
	Dollars per Transaction	
Oil & Fluids Products		
	Dollars per Transaction	\$50 Limit
Parts & Service Products		
	Dollars per Transaction	\$2,500 Limit
Quick Lube Products		
	Dollars per Transaction	\$150 Limit
Roadside Assistance Products		
	Dollars per Transaction	\$300 Limit
	Total Dollars for Non-Fuel Products	No Limits Set
	Total Dollars for All Products	No Limits Set
Total Purchasing Controls		
	Total dollars for non-fuel products per timeframe	No Limits Set
	Total dollars for all products per timeframe	No Limits Set
	Total number of transactions for all products per timeframe	No Limits Set
Product Limits		
Car Wash Products		
	Dollars	\$150 Limit
	Transactions	2 Limit
Fuel Products		
	Dollars	\$100 Limit
	Transactions	2 Limit
	Gallons	40 Limit
General Merchandise Products		
	Dollars	
	Transactions	
Oil & Fluids Products		
	Dollars	\$50 Limit
	Transactions	1 Limit
Parts & Service Products		
	Dollars	\$100,500 Limit
	Transactions	1 Limit
Quick Lube Products		
	Dollars	\$150 Limit
	Transactions	1 Limit
Roadside Assistance Products		
	Dollars	\$300 Limit
	Transactions	1 Limit

RECOMMENDATIONS:

- 1.B-1: Develop guidance on card authorization profile usage and establish expenditure limits, frequency allowances, and update the default card authorization profile to reflect them. Ensure the error of \$100,500 is adjusted to the correct limit.
- 1.B.2: Eliminate agencies' ability to edit card authorization profiles in the fuel card online portal and prevent overrides of SFO's settings.
- 1.B-3: Establish a documented approval process with criteria for state agencies to request revised expenditure limits and frequency allowances, subject to SFO's documented approval.

MANAGEMENT'S RESPONSE:

State Fleet will set the rates for expenditure buckets in the fuel card policy. Agencies will be given the opportunity to request higher thresholds on a case-by-case scenario based on their unique operational requirements. These requests will be reviewed on a case-by-case basis for approval by State Fleet based on criteria set through the centralization process that takes into account defined agency use cases.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

1.C. Record Retention Policy and Reconciliation Process

Agencies are unable to perform true reconciliations, ensuring that two sets of records, physical invoices and card payments, are in agreement. Supporting documents such as physical receipts and invoices for transactions over the pre-approval limit are not mandated to be retained. This deficiency in reconciliation practices was evident in the analytical testing, which identified duplicate transactions. Strengthening reconciliation procedures will assist in identifying misuse, as well as financial accountability.

While the fuel card online portal captures transaction details such as the date and time of transaction, transaction amount, and type of transaction, it does not capture all of the details required for record-keeping and auditing purposes such as performing the reconciliation process. OIA noted that it would be beneficial for invoices over the pre-approval threshold to include details such as the VIN, current odometer reading, itemized cost, type of maintenance, and repair detail. This would ensure that a complete audit trail is available, facilitating transparency, accountability, and compliance.

RECOMMENDATIONS:

- 1.C-1: Establish a record retention policy for invoices over the pre-approval threshold. Invoices should include the VIN, current odometer reading, date of service, maintenance or repair work detail, and itemized cost (labor, material, total cost).
- 1.C-2: Develop a reconciliation process for over the pre-approval threshold to ensure accurate financial reporting.

MANAGEMENT'S RESPONSE:

1.C-1 State fleet will establish a record retention policy including VIN, current odometer reading, date of service, maintenance or repair work detail, and itemized cost, for invoices. This requirement will be added to the revised policy.

1.C-2 State Fleet will establish guidelines on a quarterly reconciliation process for agency fleet representatives and add it to the revised policy. In the future, the centralized light-duty fleet model could enable SFO to take further action with respect to non-compliant agencies.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024 with the implementation of an updated fuel card policy.

1.D. Invoice Splitting Disclosure

The policy does not address the prohibition of invoice splitting. Invoice splitting occurs when the cost of repair or maintenance services exceeds the pre-approval limit, where vendors could manually divide expenses to avoid denied charges and/or the pre-approval process. Twelve instances of invoice splitting were identified in testing.

RECOMMENDATIONS:

1.D-1: Establish policy for the prohibition of invoice splitting.

1.D-2: Implement measures within the fuel card's online portal to detect and address potential invoice splitting instances.

MANAGEMENT'S RESPONSE:

1.D-1 State Fleet will highlight this prohibition in the updated fuel card policy, specifically that invoice splitting to circumvent thresholds is not allowed. This update will be included in ongoing agency trainings. In the future, the centralized light-duty SFO will take necessary action with respect to non-compliant agencies.

1.D-2 State Fleet will inquire with the fuel card provider to see if this recommendation can be implemented.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

1.E. Diverse Internal Fuel Card Policies

SFO permits agencies to develop internal policies in addition to the Fleet Fuel Card Program policy. For instance, one agency implemented an internal policy allowing maintenance and service transactions under \$1,500 to be electronically accepted with the fuel card. This pre-approval limit supersedes the pre-approval limit established by SFO in the Fuel Card Program policy.

The allowance for agencies to develop internal policies is not documented in the Fuel Card Program policy, which currently permits agencies to establish such policies without prior approval from SFO. OIA noted that DCAMM should not allow agencies to exceed SFO's established requirements.

RECOMMENDATION:

1.E-1: Revise the Fuel Card Program Policy to indicate that DCAMM governs the usage of the fuel card statewide.

MANAGEMENT'S RESPONSE:

State Fleet will set the rates for expenditure buckets in the fuel card policy. Agencies will be given the opportunity to request higher thresholds on a case-by-case scenario based on their unique operational requirements. These requests will be reviewed on a case-by-case basis with clear and transparent criteria shared with agencies for approval by State Fleet.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

1.F. Clarity in Transaction Definitions and Outdated Threshold

While the policy lists both authorized and unauthorized transactions, it lacks clarity in defining the terms. For example, it states that "excessive car washes or details" are unauthorized transactions without specifying what constitutes "excessive."

Additionally, the policy specifies “...maintenance over \$100 will need to be pre-approved.” However, SFO advised OIA that this threshold should indicate “\$500, with approvals required from the agency's FSR.”

Providing further explanations for the approved transactions and unauthorized transactions would enhance user understanding and compliance with the policy.

RECOMMENDATIONS:

1.F-1: Provide clear criteria for both authorized and unauthorized transactions.

1.F-2: Update the threshold to reflect the correct amount and clarify that approval should be sought from the agency's FSR.

MANAGEMENT'S RESPONSE:

1.F-1 Car washes will be limited to twice per month per vehicle. State Fleet may authorize additional car washes for agencies as needed according to their unique operational requirements. Non-original equipment specified parts will be considered as unauthorized transactions. This will be made clear in the updated policy.

1.F-2 Expenditure buckets will be set by State Fleet Operations. Changes to limits and frequencies will be evaluated and adjusted on a case-by-case basis as requested by agencies, subject to State Fleet's approval.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

This will be documented in the updated fuel card policy by 10/31/2024.

1.G. Clarification of Driver Card Usage

OIA has identified a different type of card being used known as a “driver card,” which does not exist in the policy. A “driver card” serves different purposes from vehicle-specific fuel cards such as:

- It allows for non-vehicle specific purchases where transactions cannot be categorized under a specific vehicle.
- It facilitates emergency purchases when a vehicle-specific card is unavailable.

While transactions made with vehicle-specific cards are easily traceable to specific vehicles, driver card transactions are tracked under the user's name rather than a vehicle identification number. The data reports within the fuel card system do not distinguish whether purchases were made using a "driver card."

The absence of controls and a clear purpose for this card in the policy poses risks in its usage.

RECOMMENDATIONS:

- 1.G-1: Develop guidelines distinguishing between various card types, including "driver cards," defining their purpose, who is eligible to use it, and the rules governing their usage including limits, eligible and ineligible purchases.
- 1.G-2: Include and define the card type such as "driver card" as a card category within the fuel card online portal for user level distinction.

MANAGEMENT'S RESPONSE:

1.G-1 The difference between driver and vehicle cards will be clarified in the updated policy. Reports currently indicate if driver cards are used and a name is displayed instead of a vehicle. Driver cards are for transactions that cannot be attributed to a specific vehicle or in the event of an emergency. This will be clarified in the updated policy.

1.G-2 The portal is set up to identify the "driver card" by identifying the individual's name instead of a vehicle. We will inquire with the vendor if an additional; "driver card" tag can be attached.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

1.H. Assigning and Revoking Card PINs

Each vehicle is assigned a fuel card. Authorized drivers receive a unique PIN to use the card. A single vehicle fuel card can have multiple user PINs assigned to it. The policy lacks a process for assigning and revoking card PINs. Without defined procedures for assigning PINs, there is a risk of inconsistency in how PINs are distributed among authorized drivers.

Similarly, the absence of clear guidelines for revoking access to the card creates vulnerabilities in controlling card usage. Without established protocols for revocation, there is

a risk of unauthorized transactions or misuse of funds going undetected. Additionally, ineffective PIN revocation processes can result in delays in terminating access to their unique PIN for former employees or individuals who are no longer authorized to use the card, potentially exposing to financial losses or security breaches.

RECOMMENDATION:

1.H-1: Develop procedures for both card PIN assignment and revocation. These procedures should outline the steps, criteria, and responsibilities involved in assigning PINs to authorized drivers and revoking them when necessary.

MANAGEMENT'S RESPONSE:

Procedures for PIN assignment and revocation are as follows: PIN numbers are only created by the fuel card vendor in sequential order. The agency's Fleet Representative makes a request to State Fleet to add or delete PINs. Upon approval by SFO, State Fleet contacts the fuel card vendor to request a new PIN be created. PIN numbers are deleted, and authorizations revoked upon notification from SFO to Fuel Card vendor from original request from the respective agency's fleet representative. The fuel card vendor/provider generates PIN numbers sequentially to ensure duplication does not occur.

The upcoming centralization effort will help to establish the business case for vehicle use, which will also impact authorized users of state fleet vehicles. New or revised policies will likely touch on the distribution of fuel cards and the recourse if users are found to be non-compliant.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

2024 – early 2025 pending centralization efforts.

1.I. Addressing Odometer Readings

The fuel card system requires the input of the current odometer reading during usage. However, this guidance was not enforced. A significant number of instances of unreliable data entry for the current odometer readings were identified. Examples include entries such as "999999," or a decreased mileage input compared to previous readings. Effective management of the state's fleet requires accurate data collection. Due to unreliable data, OIA was unable to perform analytical test procedures to analyze fuel usage.

RECOMMENDATIONS:

- 1.I-1: Update the policy to require input of accurate current odometer readings.
- 1.I-2: Implement controls within the fuel card online portal to deny transactions with unusual patterns and entries such as “999999.”

MANAGEMENT’S RESPONSE:

1.I-1 Accurate odometer readings will be further highlighted in the updated fuel card policy.

1.I-2 State Fleet has implemented controls for mileage authentication where if an odometer entered falls outside of parameters, the transaction is denied in our fleet management software which hosts the fuel card program as a parent software platform. Rules for driver cards are different than those set for vehicle cards. Mileage does not impact driver cards because these are not directly associated with a vehicle. This will also be highlighted in the updated fuel card policy. The use of “999999” has been adopted to easily identify “driver cards’ entries. The “999999” input will not be approved on a fuel card entry.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

FINDING #2: Agencies Were Non-Compliant to the Fleet Fuel Card Program Policy

Agencies were found not compliant with the Fuel Card Program Policy. Below are the findings:

2.A. Lack of Pre-Approval Process

The policy calls for a pre-approval process from the agency’s Fleet Service Representative if an expense is over the pre-approval limit threshold.

- One agency confirmed that no approval process was performed for their transactions that exceeded the pre-approval limit. The review revealed that a driver from an agency used a “driver card” to make purchases totaling approximately \$32,305 from one vendor between August 2022 through February 2024, with transactions exceeding the pre-approval limit. OIA requested additional information from the agency, but they were unable to provide it.
- One agency had three transactions exceeded the pre-approval limit without obtaining pre-approval from their Fleet Service Representative.

RECOMMENDATION:

2.A-1: SFO will communicate OIA's findings to the relevant agencies, make recommendations for improvement, and track the implementation of the recommendations.

MANAGEMENT'S RESPONSE:

Internal agency approvals permit individual fuel card users to make the transactions described above. Approval is required to enable any purchase above the transaction limit; otherwise, the card will not permit the transaction. SFO will investigate the finding accordingly. Broadly, the system of transaction approvals will be reviewed in the policy revision process and the updated policy will be communicated to every agency. Furthermore, the planned centralization effort will address approval limits for transactions across agencies.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

12/31/2024

2.B. Unauthorized Fuel Transactions

The policy for unauthorized transactions states:

“Unless prior written authorization is received from the SFO, the following transactions are prohibited:

- (1) Use of card for any vehicle other than the one imprinted on the card
- (2) Premium or full-service fueling (unless required by state law).”

There were 288 premium fuel transactions for 67 vehicles. OIA sampled 25 transactions corresponding to 17 vehicles. Among these 17 vehicles, OIA found 16 of them do not require premium fuel.

RECOMMENDATIONS:

2.B-1: Update the policy to reflect current premium fuel accommodations.

2.B-2: Implement controls within the fuel card online portal to deny premium fuel except for vehicles that require it.

2.B-3: SFO will communicate OIA's findings to the relevant agencies, make recommendations for improvement, and track the implementation of the recommendations.

MANAGEMENT'S RESPONSE:

2.B-1 State Fleet will update terms of when premium fuel is acceptable and reflect that recommendation in the updated fuel policy. Specific requests to utilize premium fuel will be reviewed on a case-by-case basis with the requesting agency and be evaluated for approval by State Fleet based on their unique operational requirements.

2. B-2 State Fleet nor the fuel card provider system can block or prevent premium transactions within the existing system.

2.B-3 State Fleet Operations will relay relevant OIA findings and update the new fuel card policy to reflect these findings. State Fleet will also require that the use of authorized use of premium fuels be reviewed on an annual basis with the requesting agency.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024

2.C: Card Misuse

The policy stipulates that one fuel card should be assigned to each vehicle for purchases specific to that vehicle. However, OIA found:

- One agency used multiple cards to cover the expenses of a repair invoice.
- One agency used a card on a vehicle not assigned to it.

Additionally, five transactions were identified as duplicates.

RECOMMENDATIONS:

2.C-1: Incorporate controls within the fuel card online portal to identify and deny instances of duplicate transactions and instances of invoice splitting.

2.C-2: SFO will communicate OIA's findings to the relevant agencies, make recommendations for improvement, and track the implementation of the recommendations.

MANAGEMENT'S RESPONSE:

SFO will continue to review, identify, and report on any transactions that appear out of the ordinary. SFO will refer those transactions to the impacted agency and Human Resources for

corrective action. State Fleet will highlight invoice splitting as an unauthorized practice in the updated fleet card policy.

RESPONSIBLE PARTY:

Richard Bremilst, State Fleet Administrator, State Fleet Operations

ANTICIPATED COMPLETION DATE:

10/31/2024