

Audit #18-04:

Wright Express Fuel Card Audit

Audit Report

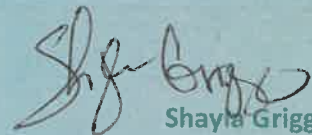
Office of the City Auditor and Clerk
Internal Audit

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Executive Summary

Audit #18-04 Wright Express Fuel Card Audit

Audit Purpose and Scope

This audit was undertaken to evaluate internal controls and utilization of the City's Wright Express fuel card program. The completion of an independent internal audit of the City's WEX fuel card program was included in the 2017 City Risk Assessment.

The period reviewed during the audit was October 1, 2016 – June 30, 2018.

Report Content and Limitation of Use

This executive summary is limited in detail. To obtain the full background on a particular item, please contact Internal Audit and review the details prior to drawing conclusions based upon the limited information contained in this summary. Objective ratings indicate the levels at which the objectives were met.

Audit Conclusions

The results of our audit indicate that controls are generally in place to safeguard City assets. Public Works and Sarasota Police Department do monitor WEX card activity and there are safeguards put in place that do help reduce the risk of unauthorized purchases and restrict purchases to authorized users.

Internal Audit did identify areas for increased controls and opportunities to reduce costs within the WEX card program.

For a complete list of audit items, see pages 9 of this report.

This audit focused on the following objectives:

Audit Objective	Objective Rating	
	Sarasota Police Department	Public Works
Determine whether:		
1.) Processes are in place to provide reasonable assurance that WEX fuel card purchases are regularly and accurately monitored and safeguards are in place to restrict fuel card usage to authorized users;	X	X
2.) WEX fuel card purchases are made only for authorized purposes.	X	X

Green – A green control rating indicated that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control, where risk appears to be minimized and appropriately managed however operation or administrative process may be improved if certain additional changes are implemented.
Yellow – A yellow control rating denotes opportunities for improvement exist relating to the controls reviewed.
Red – A red control rating denotes significant risk or exposure to the City that requires immediate attention and remediation efforts.

Detailed Audit Report

Audit #18-04 Wright Express Fuel Card Audit

Background and Introduction

The City of Sarasota (City) uses vehicles and equipment to provide services to its residents in the normal course of departmental operations. The City primarily fuels these assets at the City's only fuel site located at the Public Works garage on 12th street. The City has contracted with Wright Express (WEX) to provide fuel cards for their vehicles and authorized employees to be used when the fuel barn cannot be accessed. WEX cards can be used at any fuel station that participates in the WEX program.

The City's WEX program is administered through two City departments, Public Works and Sarasota Police Department (SPD). Public Works administers the WEX program across all city departments, except for SPD. SPD maintains a separate WEX program that is only for authorized SPD employees, Public Works is not involved in SPD's WEX program. There are several differences between the administration and use of WEX cards between SPD and Public Works:

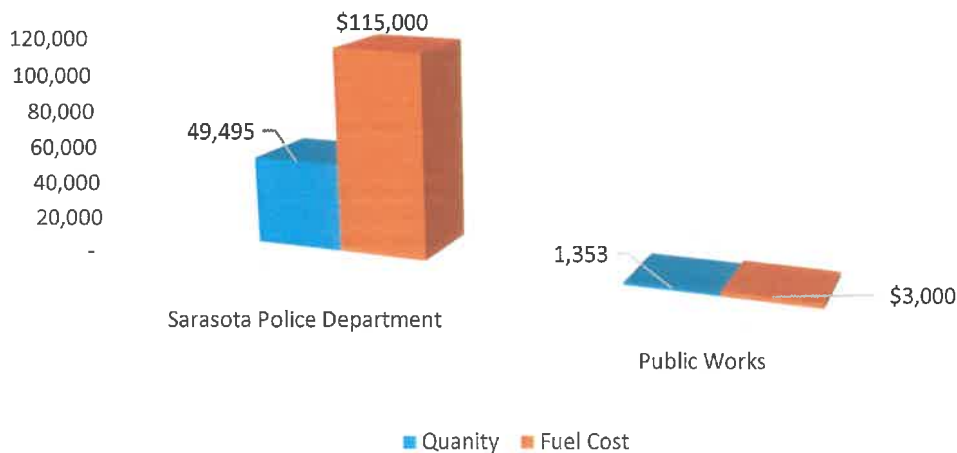
Public Works assigns the WEX card to the vehicle, not the individual.

SPD assigns the WEX card to the individual, not the vehicle.

Public Works WEX cards are primarily used for emergencies; SPD's use can be for emergencies or other police activities.

To purchase fuel with a WEX card, authorized employees use either a unique Personal Identification Number (PIN) or an asset identification number identifying the asset. This PIN allows the WEX program to capture the name of the employee at the point of sale for cards that are assigned to a vehicle and the asset identification number captures the asset for cards that are assigned to the individual. The WEX program also captures date and time of the transactions, units, unit cost, product description, merchant name and address, previous odometer reading and current odometer reading.

Public Works and SPD monitor and maintain approximately 310 and 150 WEX cards, respectively. WEX card user activity during the audit period (10/1/16 - 6/30/18) was as follows:



Audit Purpose and Scope

This audit was undertaken to evaluate internal controls and utilization of the City's WEX fuel card program. The audit of the City's WEX fuel card program was included in the 2017 City Risk Assessment.

The period reviewed during the audit was October 1, 2016 to June 30, 2018.

Audit Objectives

The audit focused on the following objectives:

- 1) Determine whether processes are in place to provide reasonable assurance that WEX fuel card purchases are regularly and accurately monitored and safeguards are in place to restrict fuel card usage to authorized users;
- 2) Determine if WEX fuel card purchases are made only for authorized purposes.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

Testing Methodology

In order to fulfill the audit objectives, Internal Audit:

- Interviewed appropriate personnel;
- Identified and tested internal controls over WEX fuel card usage and monitoring;
- Reviewed contract with WEX;
- Reviewed fuel data to identify transactions that required additional testing;
- Reviewed WEX fuel card users;
- Reviewed assets that had active WEX asset ids;
- Reviewed and evaluated SPD's Standard Operating Procedure 719.00 relating to credit card issuance, use and maintenance, and General Order 303.00 related to assignment of department vehicles;
- Compared best practices to actual practices.

To achieve the audit objectives, sampling techniques were utilized to select transactions that occurred at times, days, or locations that were outside normal operating hours. The auditor's compared listings of active WEX card users against current employees of the City.

Audit Criteria

Conditions observed during audit fieldwork were evaluated against the following sources:

- City of Sarasota Administrative Regulations
- Public Works Policies and Procedures
- SPD Standard Operating Procedures (SOP) and General Orders (GO):
 - SOP 719.00- Procedures for Credit Card Issuance, Use and Maintenance (last revised July 26, 2018), and
 - GO 303.00- Assignment of Department Vehicles (last revised October 10, 2017)

Observations and Recommendations for Improvements

Observations and recommendations in this report are offered as independent guidance to management for their consideration in strengthening controls.

A complete list of Internal Audit's observations and recommendations begins on page 9 of this report. For information on priority levels assigned to audit recommendations, please see [Exhibit A](#).

DISCUSSION POINTS & RECOMMENDATIONS FOR IMPROVEMENTS

AUDIT OBJECTIVE #1

BACKGROUND

As noted above, Public Works require unique individual PINs when the card is assigned to the vehicle for users to be able to make fuel purchases. SPD requires a vehicle ID number to be entered at the pump, since their cards are assigned to the individual. WEX requires employees enter their PIN or vehicle ID number and vehicle odometer reading as a control to reduce the risk of cards being compromised. These purchases are monitored monthly at the department level and administration level. Both SPD and Public Works have more than one individual involved in activating, terminating, approving and monitoring of WEX card usage.

SPD has Standard Operating Procedure (SOP) 719.00 Procedures for Credit Card Issuance, Use and Maintenance. The SOP provides detailed guidance for administration of the WEX card program along with specific operating procedures for WEX fuel cards and a Memorandum of Understanding to be signed by the employee.

Public Works uses the WEX fuel cards almost exclusively for emergencies. During the 21-month audit period (October 1, 2016 – June 30, 2018) Public Works had 83 WEX fuel card transactions totaling \$3,049. Of the 83 transactions 67 transactions totaling \$2,653 occurred in October 2016. The City fuel tanks at the City's 12th Street fuel location were shut down due to the potential impact from hurricane Matthew which required City assets to refuel at other locations.

DISCUSSION POINT AND RECOMMENDATION (1): PUBLIC WORKS POLICIES AND PROCEDURES FOR THE WEX CARD PROGRAM

Public Works has not established formal policies and procedures to govern its WEX fuel card program. A formal policy provides guidance over how and who can access a fuel card, allowable purchases, monitoring and administration of the program. Additionally, formal policies should outline the authority to issue or terminate employee PINs. Audit testing identified 33 nonactive (termed) employees that had active fuel PINs; no WEX user activity was identified by these nonactive users during the audit period.

Public Works does have employees sign and acknowledge a fuel key usage agreement, however the agreement does not specifically mention the WEX card. A WEX usage acknowledgement agreement would provide documentation of the employee's understanding of WEX card allowable usage.

RECOMMENDATION:

Public Works should establish formal policies and procedures to govern its fuel program. The policies and procedures should create controls that address fuel card access, terminations and allowable uses. Employees that are assigned PINs should sign user agreements that specifically address the WEX fuel card program and its allowable usage.

DISCUSSION POINT AND RECOMMENDATION (2): PUBLIC WORKS AND SPD WEX CARD LIMITS

The WEX program has various preventative controls that can be activated at the administrator level such as transaction, dollar and quantity limits on fuel products. There are daily alert reports that can alert administrators in instances where there are more than three transactions in a day, transactions where quantities pumped are greater than fuel capacity of the asset or where the total transactions cost is greater than \$150.

Currently Public Works does not have any limits setup in the WEX program. SPD has a daily limit of \$500 and 5 transactions per day.

RECOMMENDATION:

Public Works should evaluate their current needs of the WEX fuel cards and determine if preventative controls over card limits or daily spend alerts should be established to strengthen controls over the program.

AUDIT OBJECTIVE #2

BACKGROUND

Mansfield Oil provides fuel to the City's 12th street fuel barn at agreed upon rates that are tied to Oil Price Information Service (OPIS) indices. These rates typically allow for fuel prices lower than fuel stations and allow the City to benefit through reduced fuel expenditures. The reduced fuel rates at 12th street is the primary reason for minimizing WEX card usage.

Public Works use of the WEX fuel card during the audit period was minimal, with 87% of card transactions occurring when the City's fuel barn was not available. Fuel transactions are being monitored at the administration and department level. No unauthorized transactions were identified.

SPD can use the WEX fuel card for emergencies or other police activity. SPD can and does issue vehicles to SPD employees and has General Order 303.00 Assignment of Department Vehicles, to regulate this issuance. SPD vehicles can be used on duty, as transportation to and from work (not to be driven more than 45 miles outside City limits, except for official business purposes), as well as transportation to and from training throughout the state. SPD fuel transactions are monitored at the administration and division level.

DISCUSSION POINT AND RECOMMENDATION (3): SPD WEX USAGE

Audit testing identified SPD WEX card transactions for premium gasoline for vehicles that do not require premium fuel and refueling within 2 miles of the 12th street City fuel barn. Premium fuel can be \$0.30 - \$0.60 higher per gallon as compared to regular gasoline. Fuel purchased at the City fuel barn can range from approximately \$.01 to \$0.40 less expensive per gallon, depending on fueling location.

It may not be practical for SPD to refuel at the City fuel barn due to a number of authorized factors.

RECOMMENDATION:

Determine if instances of SPD employees using fueling stations in close proximity to the City fuel barn could be reduced and cost savings recognized. For vehicles that do not require premium fuel regular gasoline should be purchased when available.

Audit Conclusions

Public Works and SPD do monitor WEX card activity and there are safeguards in place that reduce the risk of unauthorized purchases and restrict purchases to authorized users. However, items were identified above that may improve the effectiveness of controls and provide an opportunity for costs savings to the City. While none of the observations identified or indicated potential fraudulent activity, Public Works and SPD should determine if the recommendations above provide the opportunity to strengthen controls and mitigate risk over the WEX card program.

We would like to thank SPD and Public Works for providing their time and assistance during the audit.

Audit Observations and Recommendations

#	Subject	Priority	Observation	Recommendation	Concur Yes/No	Management Response	Committed Action Item Due Date
1	Public Works Policies and Procedures for WEX Card Program	Low	Public Works has not established formal policies and procedures to govern its WEX fuel card program. Public Works does have employees sign and acknowledge a fuel key usage agreement, however the agreement does not specifically mention the WEX card.	We recommend Public Works establish formal policies and procedures to govern its WEX fuel program. The policies and procedures should create controls that address WEX fuel card access, terminations and allowable uses. Employees that are assigned PINs should sign user agreements that specifically address the WEX fuel card program and its allowable usage.	Yes	Fleet manager has created a fuel key/WEX Card usage and PIN authorization form along with instructions that will be put into place immediately. The form will set the policy for how and when the key or WEX card will be used and also require the user and supervisor signature.	Immediately
2	Public Works WEX Card Limits	Medium	Public Works does not have dollar or quantity limits setup in the WEX program.	We recommend Public Works evaluate their current needs of the WEX fuel cards and determine if preventative controls over card limits or single transaction limits should be established to strengthen controls over the program.	Yes	WEX card authorizations will have limits set on daily transactions and also daily expenditure cost limits. Fleet manager is currently in the process of getting authorization from WEX and a password so that those safeguards can be put into place. Changes will be made immediately upon receiving authorization from WEX.	30-Jan-19
3	SPD WEX Card Usage and Potential Cost Savings	Low	Audit testing identified SPD WEX card transactions for premium gasoline for vehicles that do not require premium fuel and refueling within 2 miles of the 12 th street City fuel barn. Premium fuel can be \$0.30 - \$0.60 higher per gallon as compared to regular gasoline. Fuel purchased at the City fuel barn can range from approximately \$.01 to \$.40 less expensive per gallon, depending on fueling location.	We recommend for vehicles that do not require premium fuel regular gasoline should be purchased when available. We recommend determining if instances of SPD employees using fueling stations in close proximity to the City fuel barn can be reduced and a cost savings recognized.	Yes	SOP 719 and the Annexes to be updated regarding acceptable premium fuel purchases as well as purchases in close proximity to City fuel barn.	30-Dec-18

Exhibit A: Audit Priority Classification System

Internal Audit utilizes the following classification scheme applicable to internal audit recommendations and the appropriate corrective actions:

Priority Level ¹	Description	Implementation Action ³
High	Fraud or serious violations are being committed or have the potential to occur, security issues, significant financial or non-financial losses are occurring or have the potential to occur. ²	Immediate
Medium	A potential for incurring moderate financial or equivalent non-financial losses exists. ²	Within 60 days
Low	A low priority observation indicates that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control however operation or administrative process may be improved if certain additional changes are implemented.	60 days to 6 months

¹ The City Auditor and Clerk is responsible for assigning internal audit recommendation priority level categories. A recommendation that clearly fits the description for more than one priority level will be assigned the higher priority level.

² For an audit recommendation to be considered related to a significant financial loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved, or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-financial losses would include, but not be limited to, omission or commission of acts on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens.

³ The implementation time frame indicated for each priority level is intended as a guideline for establishing target dates. Determining proposed action dates is the responsibility of the Charter Official(s) over the area(s) or function(s) audited.

NOTE: Please note that this exhibit is a standard form which appears in every audit and is meant to be utilized to aid management in understanding the seriousness or potential seriousness of an audit observation. A "High" or "Medium" priority rating assigned to an audit observation should not be construed to mean that fraud or wrongdoing is, in fact, occurring but rather fraud or wrongdoing has the potential to occur in the absence of adequate internal controls.