



Management Review

Fuel Card Controls

Durham County Internal Audit Department

February 21, 2017



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James Hill
Wendy Jacobs
Manuel Rojas
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February 21, 2017

Mr. Wendell Davis,
County Manager

Dear Mr. Davis:

Internal Audit completed an engagement to review controls for off-site gasoline and diesel fuel purchases under the Go Energies Fuel Program, formerly known as the "GoGas Fuel Card Program." The program is administered by the Department of General Service's Fleet Coordinator. The engagement was authorized by the Audit Oversight Committee via approval of Internal Audit's Annual Audit Plan.

The fuel program has existed since 2009. It was originally administered in the Purchasing Division of the County's Finance Department. The operation moved to General Service's Fleet Coordinator in 2012 where it continues to be administered in coordination with departments that make fuel purchases. Approximately \$60,000 of fuel is purchased monthly using fuel cards. During November and December 2016, the months selected for review, users purchased on average, approximately \$17,000 per month at off-site public fuel stations.

Internal Audit's focus during this engagement was to determine if controls or procedures were in place to determine if vendor payments and invoices matched for off-site purchases. Our methodology was to obtain purchase receipts from departments and reconcile them with invoice information obtained from the Fleet Coordinator via the "Go Energies" system, the system the vendor uses to accumulate usage data, including invoices.

What we found:

We found that fuel users did not retain receipts nor reconcile invoices in a consistent manner. Of the 1,148 off-site vendor purchases made during the period November and December 2016, we were able to obtain 647 purchase receipts. The remaining receipts were either lost, misplaced, or not retained by some users. We were given various reasons for users not keeping receipts and reconciling invoices. The reasons generally centered on not being instructed to keep receipts and reconcile invoices.

Internal Audit reviewed and reconciled 112 of the 647 receipts and invoices. Because we did not find errors in the first 112 receipts, we suspended the reconciliations. Although we did not find errors in the receipts we reconciled, controls that are usually included in accounts payable processes were absent. The fundamental practice of reconciling vendor invoices with receipts before authorizing payment was not part of the process. Reconciliations assure that vendor payments are appropriate and provides an opportunity to review purchases that do not meet the general expenditure profile. For example, during the Internal Audit reconciliation, we identified purchases that appeared unusual. These were purchases for small quantities of less than five gallons of fuel. Based upon discussions with Department Heads where we identified such purchases, the seemingly unusual purchases had not been noticed or reviewed before they came to the attention of Internal Audit.

Internal Audit standards require auditors to be on the lookout for potential fraud during an audit engagement and take steps to inquire further if necessary. We asked Department Heads in the departments where small purchases occurred to provide us with the reasons for the purchases. The department heads provided information regarding the purchases such as the purchases occurred around the time of a gasoline shortage and according to the General Services Director, drivers were instructed to top off their tanks; therefore, some drivers made small purchases. In addition, we were told that during the shortage, there were instances when only a small amount was available before the tank shut down resulting in a small purchase.

Drivers in the Office of the Sheriff made about eight small off-site purchases and one car wash. We provided the purchase information to the Chief Deputy, explained our concerns, and agreed that the Sheriff's Office would investigate the purchases. We informed the Chief Deputy that we would report that we turned the purchases over to the Sheriff's Office for investigation.

Internal Audit believes best practices, which include reconciling purchases, should apply to the fuel program. These best practices should include written policies and procedures designed to strengthen the controls over the program. The County Finance and General Services Directors agreed. The two departments are

working together to draft policies clarifying processes for fuel card use and accountability.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Edwards", with a long horizontal flourish extending to the right.

Richard Edwards,
Internal Audit Director

CC: Claudia Hager, General Manager
Motiryo Keambiroiro, General Services Director
Brad Willman, Fleet Coordinator
George Quick, Finance Director
Deborah Booth, Deputy General Services Manager
Thurman Green, General Services Warehouse Manager