



Streets and Maintenance (SAM) Fuel Card Audit A2020-08

Issued by the
Internal Audit Office
November 18, 2020

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Streets and Maintenance (SAM) Offsite Fuel Card Program. The Offsite Fuel Card Program allows City vehicles to be fueled at ALON gas stations. Based on the results of the audit, two findings were identified. The findings are considered significant.

Listed below is a summary of the findings identified in this report.

1. A review of the Streets and Maintenance Department's Offsite Fuel Card Program identified the following:
 - SAM does not have a comprehensive Policies and Procedures Manual for the Administrative or Usage Functions of the Offsite Fuel Card Program.
2. A review of the *Offsite Fueling Contract #2019-474* identified the following:
 - The Streets and Maintenance Department (SAM) does not verify or confirm that the fuel prices being charged by ALON Brands Inc. are correct.

Currently, SAM does not access or monitor the Oil Price Information Service (OPIS). This service is used to determine the weekly fuel price information for the El Paso area and confirms if ALON Brands Inc. is charging the correct prices for fuel.

For a detailed explanation of the finding, please refer to the body of this report.

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BACKGROUND

The Street and Maintenance Department provides the City of El Paso with street infrastructure maintenance and traffic engineering services designed to enhance and sustain the community's comprehensive transportation network. Other responsibilities include maintaining the City's fleet and facilities.

The Street and Maintenance Fleet Division oversees the City fleet, providing maintenance and repair to over 2,700 vehicles. This division is headquartered at the Municipal Service Center, 1059 Lafayette Drive, El Paso, Texas. In addition to providing a preventative maintenance program, the department prepares specifications to purchase all automotive equipment, manages the purchase, storing and distribution of fuels and automotive parts, and develops vehicle utilization and replacement policies.

The Fleet Division is an internal service department, billing other city departments for services provided. Repair facilities are located throughout the city to allow for convenient customer service and are staffed to provide full maintenance and repairs to the vehicles and equipment assigned to that location.

Fleet Division customers include all City Departments except Sun Metro and Airport. Types of vehicles and approximate number of each is as follows:

Cars, Vans, Pickups	Heavy Trucks	Patrol Cars	Garbage Trucks	Construction Items
1,591	493	293	132	153

Operating in excess of 20,000,000 miles per year.

(The data above was obtained from the Fleet Division webpage).

The annual fuel budget for Fiscal Year 2020 was \$5,674,500 and expenses were 4,406,760.

AUDIT OBJECTIVES

The objectives of the Streets and Maintenance Fuel Card Audit are to determine if:

- The Streets and Maintenance Department is adhering to the terms and conditions of the *Vehicle Offsite Fueling contract 2019-474*.
- The Streets and Maintenance Department has implemented adequate internal controls to limit exposure to unauthorized or inappropriate use of the Fuel Cards issued such as:
 - Fuel Card Policies and Procedures
 - Fuel Card security
 - Updated Fuel Card Database
- The Streets and Maintenance Department operates within fuel budgetary limits.

AUDIT SCOPE

Fiscal Year 2019 and 2020. Streets and Maintenance Fuel Card Administration within the Streets and Maintenance Department.

AUDIT METHODOLOGY

In order to achieve the audit objectives, we:

- Determined if any Fuel Card can be used to fuel any vehicle as long as the PIN (Personal Identification Number) is known.
- Determined if employees are required to use individual identifying PIN's when fueling a vehicle.
- Determined if Fuel Cards are assigned to individual employees and/or vehicles.
- Determined who assigns the Fuel Card PINs and the methodology.
- Determined if Fuel Cards issued to SAM have any type restrictions i.e. fuel type, fuel quantity, number of transactions or convenience store transactions.
- Determined if SAM has controls in place to help ensure the physical security of the Fuel Cards.
- Determined if SAM has controls in place to help deter abuse of the Fuel Cards.
- Determined if SAM has documented Policies and Procedures regarding the use of the Fuel Cards.
- Determined if SAM is accurately tracking the Fuel Cards they have issued.
- Determined if SAM is cancelling Fuel Cards (assigned to particular vehicles) when the vehicles are decommissioned or disposed of.
- Determined if SAM is cancelling Fuel Cards assigned to employees who are no longer employed by the City.
- Determined if SAM is monitoring citywide fuel usage for trends and exceptions.
- Determined if SAM is reviewing fueling transaction reports for discrepancies.
- Determined if SAM is verifying fuel prices paid, are based on prices quoted for El Paso as published weekly by OPIS (Oil Price Information Services).
- Determined if SAM is receiving detailed billing information on each transaction at least bi-weekly.
- Determined if SAM is ensuring the Fuel Cards received from Alon are restricted to fuel purchases only.
- Determined if differences exist between the Offsite Fuel Card fueling processes and procedures and the City Fuel Pump fueling processes and procedures.
- Compared the internal controls for each process and determine if they are adequate concerning minimizing risks and protecting assets.
- Determined if Streets and Maintenance Fleet Division's responsibilities, i.e. monitoring, billing and reporting differ between the two fueling processes.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that 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 our findings and conclusions based on our audit objectives.

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management budgeting and reporting.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

A strong system of internal controls requires that Policies and Procedures be written by management to establish criteria for executing routine or repetitive activities followed by an organization. The development and use of Policies and Procedures are an integral part of a successful quality system as it provides employees with the information and guidance to perform a job properly.

The Streets and Maintenance (SAM) Department does not have a comprehensive documented Policies and Procedures Manual to control risks regarding the Administration and Usage of the ALON Fuel Card Program (offsite).

Currently, there is no Policies and Procedures Manual that addresses the following Administrative Functions of the Offsite Fuel Card Program:

- Procedures regarding the assignment and issuance of the ALON Fuel Cards to user departments.
- Procedures regarding the cancelation of the ALON Fuel Cards due to loss or theft.
- Procedures regarding an inventory listing of issued ALON Fuel Cards.
- Policy determining whom in the user department is accountable for the issued ALON Fuel Cards.
- Policy regarding the ALON Fuel Card purchasing restrictions.
- Procedures for assigning security PIN codes to the ALON Fuel Cards.
- Procedures regarding ALON Fuel Card expenditure reconciliation, departmental billing and reporting.

Currently, there is no Policies and Procedures Manual that addresses the following Usage Functions of the Offsite Fuel Card Program:

- Procedures Manual available for User Departments to follow.
- ALON Fuel Card User Agreement that acknowledges the user’s understanding of the Offsite Fuel Card Program rules.
- Procedures regarding physical security of the ALON Fuel Cards for User Departments.
- Procedures regarding the User Department expenditure review and reconciliation process.

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- Procedures to identify the individual using the ALON Fuel Cards. The Cards and PIN Codes are assigned to a user department vehicle and not an individual employee. One vehicle may have multiple employees who fuel it using the one ALON Fuel Card and PIN code assigned to that vehicle.

Recommendation

The Streets and Maintenance Department should develop and document a comprehensive set of Policies and Procedures that address the following areas:

Administrative Functions for offsite fuel card program.

- Procedures regarding the assignment and issuance of the ALON Fuel Cards to User Departments.
- Procedures regarding the cancelation of the ALON Fuel Cards due to loss or theft.
- Procedures regarding an inventory listing of issued ALON Fuel Cards.
- Policy determining whom in the User Department is accountable for the issued ALON Fuel Cards.
- Policy regarding the ALON Fuel Card purchasing restrictions.
- Procedures for assigning security PIN Codes to the ALON Fuel Cards.
- Procedures regarding ALON Fuel Card expenditure reconciliation, departmental billing and reporting

Usage Functions for offsite fuel card program.

- Procedures Manual available for user departments to follow.
- ALON Fuel Card User Agreement that acknowledges the User's understanding of the offsite fuel card program rules.
- Procedures regarding physical security of the ALON Fuel Cards for User Departments.
- Procedures regarding the User Department expenditure review and reconciliation process.
- Procedures to identify the individual using the ALON Fuel Cards. The Cards and PIN Codes are assigned to a User Department vehicle and not an individual employee. One vehicle may have multiple employees who fuel it using the one ALON Fuel Card and PIN code assigned to that vehicle.

Once developed, the Policies and Procedures should be made available to all Users of the Offsite Fuel Card Program.

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Management's Response

Streets and Maintenance will develop a comprehensive External Fuel Card Policy and Procedure manual that details both the Administrative and Usage functions. Streets and Maintenance will require all end user departments to acknowledge and follow the External Fuel Card Policy and Procedure manual.

Responsible Party

Streets and Maintenance – Randy Garcia

Implementation Date

June 30, 2021

Finding 2

City of El Paso Strategic Plan:

- Goal 6.3 *Implement programs to reduce organizational risk.*
- Goal 6.6 *Ensure continued financial stability and accountability through sound financial management budgeting and reporting.*
- Goal 6.12 *Maintain systems integrity, compliance, and business continuity.*

The *Offsite Fueling Contract #2019-474* with ALON Brands Inc. is administered by SAM which facilitates the use of the ALON Fuel Cards. Per the contract: *All prices offered the City of El Paso must be based on the prices quoted for El Paso as published weekly by OPIS (Oil Price Information Service). The base price may fluctuate in accordance with the prices quoted in the most current OPIS Report. The amount bid, \$0.03 will be the supplier's fee. This amount will be added to the average rack price as quoted in the OPIS Newsletter and will remain constant for the term of the contract. Invoices will reflect the final price resulting from calculations indicated above.*

The Streets and Maintenance Department (SAM) does not verify or confirm that the fuel prices being charged by ALON Brands Inc. under the *Offsite Fueling Contract #2019-474* are correct.

Currently, SAM does not access or monitor the Oil Price Information Service (OPIS). This service is used to determine the weekly fuel price information for the El Paso area and confirms if ALON Brands Inc. is charging the correct prices for fuel.

Recommendation

The Streets and Maintenance Department should subscribe to the Oil Price Information Service (OPIS) so that is can periodically verify the fuel prices being charged the City of El Paso are correct.

Management's Response

Streets and Maintenance will properly procure subscription service for Oil Price Information Service (OPIS) so we can intermittently verify price being charged.

Responsible Party

Streets and Maintenance – Randy Garcia

Implementation Date

March 25, 2021

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit, which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Streets and Maintenance (SAM) Fuel Card Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with Generally Accepted Government Auditing Standards, we are required to conclude whether the Streets and Maintenance Department met the objectives of this audit. Based on our audit work, we have determined that:

1. The Streets and Maintenance Department did meet the objectives of the audit in the following areas:
 - They do abide by the terms and conditions of the *Offsite Fueling Contract 2019-474* regarding the use of ALON gas stations listed and purchasing fuel products only.
 - They did operate within their Fiscal Year 2020 fuel budgetary limits.

2. The Streets and Maintenance Department did not meet the objectives of the audit in the following areas:
 - They have not implemented adequate internal controls to limit exposure to unauthorized or inappropriate use of the ALON fuel cards by creating Policies and Procedures regarding the Administrative and the Usage Functions of the Offsite Fuel Card Program.
 - They do not verify or confirm that the fuel prices being charged by ALON Brands Inc. are correct under the *Offsite Fueling Contract 2019-474* by using the Oil Price Information Service (OPIS).

We wish to thank the Streets and Maintenance Department Management staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on file
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