

# Internal Audit Department

O R A N G E C O U N T Y  
6<sup>th</sup> Largest County in the USA

## FIRST FOLLOW-UP AUDIT

### INTERNAL CONTROL AUDIT OF OC PUBLIC WORKS COUNTY FUEL CARD ADMINISTRATION

AS OF APRIL 30, 2012

Our First Follow-Up Audit found OC Public Works/OC Fleet Services implemented one (1) recommendation and partially implemented three (3) recommendations. During the original audit, over \$3.8 million was spent using County Fuel Access Cards and Voyager Fleet Cards for the purchase of 1.3 million gallons of fuel, with the largest users being the Sheriff-Coroner and OC Public Works.

AUDIT No: 1130-C  
(Original Audit No. 1029)

REPORT DATE: JUNE 27, 2012

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Deputy Director: Eli Littner, CPA, CIA  
Senior Audit Manager: Michael Goodwin, CPA, CIA  
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#### RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010



American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management



2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays



2008 Association of Local Government Auditors' Bronze Website Award



2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'  
**Internal Audit Department**

*GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010*

*Providing Facts and Perspectives Countywide*

**RISK BASED AUDITING**

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To access and view audit reports or obtain additional information about the  
OC Internal Audit Department, visit our website: [www.ocgov.com/audit](http://www.ocgov.com/audit)



**OC Fraud Hotline (714) 834-3608**



## Transmittal Letter



**Audit No. 1130-C June 27, 2012**

**TO:** Ignacio Ochoa, Interim Director  
OC Public Works

**FROM:** Dr. Peter Hughes, CPA, Director  
Internal Audit Department

**SUBJECT:** First Follow-Up Internal Control Audit:  
OC Public Works County Fuel Card  
Administration, Original Audit No. 1029,  
Issued April 12, 2011

We have completed a First Follow-Up Audit of OC Public Works – County Fuel Card Administration. Our audit was limited to reviewing, as of April 30, 2012, actions taken to implement the **four (4) recommendations** from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 11-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the **OC Internal Auditor's Report** following this transmittal letter. Because not all recommendations were fully implemented during First Follow-Up Audit, we will be conducting a Second Follow-Up Audit approximately six months from the issuance of this report.

Each month I submit an **Audit Status Report** to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the **OC Internal Auditor's Report** on page 3.

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OC Public Works County Fuel Card Administration  
Audit No. 1130-C***

As of April 30, 2012

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# OC Internal Auditor's Report



Audit No. 1130-C

June 27, 2012

TO: Ignacio Ochoa, Interim Director  
OC Public Works

FROM: Dr. Peter Hughes, CPA, Director  
Internal Audit Department

SUBJECT: First Follow-Up Internal Control Audit: OC Public Works County Fuel Card Administration, Original Audit No. 1029, Issued April 12, 2011

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## Scope of Review

We have completed a First Follow-Up Audit of the OC Public Works (OCPW) – County Fuel Card Administration. Our audit was limited to reviewing, as of April 30, 2012, actions taken to implement the **four (4) recommendations** from our original audit.

## Background

Our original audit evaluated internal controls over OC Public Works/OC Fleet Services administration of County fuel cards and Voyager Fleet Cards. We audited internal controls over the issuance, activation, modification, deactivation and monitoring of fuel cards assigned to County employees and vehicles. During the original audit period, over **\$3.8 million** was spent using County Fuel Access Cards and Voyager Fleet Cards for the purchase of approximately **1.3 million gallons of fuel**, with the largest users being the Sheriff-Coroner and OC Public Works. The original audit identified four recommendations pertaining to OC Fleet Services' monitoring of fuel cards issued, establishment of policies and procedures, policy direction on usage of county fueling stations, and internal recordkeeping of fuel card documentation.

## Results

Our First Follow-Up Audit found that OC Public Works **implemented one (1) recommendation and partially implemented three (3) recommendations**. We believe the remaining recommendations are still appropriate and further efforts should be made to fully implement them. Based on our first Follow-Up Audit, the following is the implementation status of the four (4) original recommendations:

1. **Monitoring Fuel Cards Issued to Employees and Vehicles**

**(Significant Control Weakness)** OC Public Works/OC Fleet Services establish processes to periodically review and update its County Fuel Access Card and Voyager Fleet Card records to ensure they are tied to in-service vehicles and to current employees. This can be accomplished by reconciling OC Fleet Services' internal vehicle and fuel card reports, and by requesting user departments/agencies to review and update their fuel cardholder status and submitting the information to OC Fleet Services to update their records.

**Current Status: Partially Implemented.** To ensure fuel card records are accurately tied to current employees, OC Fleet Services now receives a separated employee listing from OCPW/Human Resources. OC Fleet Services reviews the list and deactivates any fuel cards that have been issued to the separated employees. OCPW uses a *Checklist for Separating Employees* as a reminder to collect fuel cards issued to the employees. Our Follow-Up Audit also noted that OC Fleet Services reviewed and updated all Voyager Fleet Cards in October 2011 when new Voyager cards were issued to all existing cardholders.



Due to limited resources in OC Fleet Services, the periodic review and update of all County Fuel Access Cards has not been performed. OC Fleet Services informed us they rely on the user departments/agencies to notify them of changes to user status on an ongoing basis. However, we did not see that OC Fleet Services requested active card information from the user departments/agencies to enable them to identify fuel cards that should be deactivated. Because OC Public Works took corrective action to update its internal process, but did not take measures to update fuel card records for the user departments/agencies, we consider this recommendation partially implemented.

Planned Action:

Each October, OC Fleet will forward each department/agency a list of their cards, assignees and vehicles requesting an update. OC Fleet will edit its database of cards accordingly.

## 2. **Policies and Procedures for County Fuel Cards (Control Finding)**

OC Public Works/OC Fleet Services establish written policies and procedures for their roles and responsibilities in administering County fuel cards, and evaluate the need for a Countywide policy for fuel card usage and monitoring requirements including validating the Voyager fuel charges to the original receipts. They should also ensure their department/agency fuel card Point of Contact list is complete and current.

Current Status: **Partially Implemented.** OC Fleet Services established a new departmental policy for Fuel Card Usage that addresses general information and guidelines for proper use of fuel cards, and also updated its Point of Contact list. However, the Fuel Card Usage is a departmental policy for OCPW and is posted on the OCPW Intranet Portal, which only OCPW employees can access. The Fuel Card Usage policy was not communicated to other County fuel card user departments/agencies, and a countywide policy has not been established. Because OC Public Works took corrective action in developing a new Fuel Card Usage policy, but has not yet communicated the policy to other user departments/agencies, we consider this recommendation partially implemented.

Planned Action:

OC Public Works Information & Technology (IT) has developed a countywide-accessible portal where countywide fleet policies and procedures will be posted. IT is making final changes and will begin testing in early FY 12-13. OC Fleet will implement and enforce policies as supported by County leadership.

## 3. **Fuel Requirements and Use of County Fueling Stations**

**(Control Finding – Efficiency/ Effectiveness)** OC Public Works/OC Fleet Services establish procedures and communicate to user departments/agencies that use of upgraded plus or premium unleaded fuel purchases be minimized whenever possible, and that County fueling stations be utilized whenever reasonably possible to obtain cost savings on fuel purchases.

Current Status: **Partially Implemented.** OC Public Works/OC Fleet Services established a new policy for Fuel Card Usage that was posted on the OCPW Intranet. In that policy, we noted there are now requirements for drivers to use regular unleaded fuel, diesel or CNG in County vehicles, and that written approval from user departments/agencies or OC Fleet Services is required for using upgraded unleaded fuel. The new policy also requires that drivers of County vehicles obtain their fuel from County fueling stations whenever possible.



However, we noted there was no formal communication of this new policy to other County user departments/agencies. Because OC Public Works took corrective action in developing a new Fuel Card Usage policy that addresses allowable types of fuel and use of County fueling stations, but has not yet communicated the policy to departments/agencies, we consider this recommendation partially implemented.

Planned Action:

OC Public Works Information & Technology (IT) has developed a countywide-accessible portal where countywide fleet policies and procedures will be posted. IT is making final changes and will begin testing in early FY 12-13. OC Fleet will implement and enforce policies as supported by County leadership.

#### 4. Recordkeeping of Fuel Card User Departments/Agencies

**(Control Finding – Efficiency/ Effectiveness)** OC Public Works/OC Fleet Services implement a systematic way of maintaining fuel card documents that is organized by user department/agency.

Current Status: **Implemented.** OC Public Works/OC Fleet Services created an email address for fuel card correspondence received from the department/agency point of contact. The designated email address allows OC Fleet Services personnel to access and handle matters related to fuel cards and also maintains a history of correspondence pertinent to fuel cards. Emails are organized by department point of contact.

In addition, OC Fleet Services now maintains a fuel card log and files the requests by month. The log includes date request received, user name, request type, card number, and point of contact name. OC Fleet Services is also now adding comments in Fleet Focus system when there is an update on fuel card, and a copy of the actual request is attached within Fleet Focus. Because OC Public Works took corrective action to improve its recordkeeping of fuel cards, we consider this recommendation implemented.

We appreciate the assistance extended to us by OC Public Works staff during our Follow-Up Audit. If you have any questions, please contact me directly or Eli Littner, Deputy Director at 834-5899, or Michael Goodwin, Senior Audit Manager at 834-6066.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Mary Fitzgerald, Director, OCPW Administrative Services  
Tony Bernard, Manager, OCPW/OC Fleet Services & Procurement  
Larry Stansifer, Manager, OCPW Administrative Services  
Anthony Marquez, Manager, OCPW/OC Fleet Services  
Juan Ochoa, Operations Manager, OCPW/OC Fleet Services  
Foreperson, Grand Jury  
Susan Novak, Clerk of the Board of Supervisors