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FINAL CLOSE-OUT SECOND FOLLOW-UP AUDIT

OC Public Works County Fuel Card Administration

AS OF DECEMBER 31, 2012

Our Second Follow-Up Audit found that OC Public Works/OC Fleet Services implemented two (2) recommendations and one (1) recommendation is in process/closed for purposes of follow-up. Previously, one (1) recommendation was implemented and three (3) recommendations were partially implemented in our First Follow-Up Audit. 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: 1228-F (Original Audit No. 1029)

REPORT DATE: APRIL 19, 2013

Director: Dr. Peter Hughes, MBA, CPA, CIA Senior Audit Manager: Michael Goodwin, CPA, CIA Audit Manager: Lily Chin, CPA, CGMA

RISK BASED AUDITING

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

AlCPA 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









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

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

Dr. Peter Hughes Ph.D., MBA, CPA, CCEP, CITP, CIA, CFE, CFF, CGMA

Director Certified Compliance & Ethics Professional (CCEP)

Certified Information Technology Professional (CITP)

Certified Internal Auditor (CIA)

Certified Fraud Examiner (CFE)

Certified in Financial Forensics (CFF)

Chartered Global Management Accountant (CGMA)

E-mail: peter.hughes@iad.ocgov.com

Eli Littner CPA, CIA, CFE, CFS, CISA

Deputy Director Certified Fraud Specialist (CFS)

Certified Information Systems Auditor (CISA)

Michael Goodwin CPA, CIA

Senior Audit Manager

Alan Marcum MBA, CPA, CIA, CFE

Senior Audit Manager

Hall of Finance & Records

12 Civic Center Plaza, Room 232 Santa Ana, CA 92701

Phone: (714) 834-5475 Fax: (714) 834-2880

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



OC Fraud Hotline (714) 834-3608

Letter from Dr. Peter Hughes, CPA







Audit No. 1228-F April 19, 2013

TO: Ignacio Ochoa, Interim Director

OC Public Works

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Second and Final Close-Out Follow-Up Audit:

OC Public Works County Fuel Card Administration, Original Audit No. 1029,

Issued April 12, 2011

We have completed a Second Follow-Up Audit of OC Public Works – County Fuel Card Administration. Our audit was limited to reviewing, as of December 31, 2012, actions taken to implement the **three (3) recommendations** remaining from our First Follow-Up Audit report dated June 27, 2012. We conducted this Second Follow-Up Audit in accordance with the *FY 12-13 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our Second Follow-Up Audit are discussed in the OC Internal Auditor's Report following this transmittal letter. Our Second Follow-Up Audit found that OC Public Works implemented two (2) recommendations and one (1) recommendation is in process/closed for purpose of follow-up. Because the recommendations have been implemented and/or closed for follow-up, this report represents the final close-out of the original audit.

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 Internal Auditor's Report



Audit No. 1228-F April 19, 2013

TO: Ignacio Ochoa, Interim Director

OC Public Works

FROM: Dr. Peter Hughes, CPA, Director,

Internal Audit Department

SUBJECT: Second and Final Close-Out Follow-Up Audit: OC Public Works County

Fuel Card Administration, Original Audit No. 1029, Issued April 12, 2011

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Scope of Review

We completed a Second Follow-Up Audit of OC Public Works County Fuel Card Administration. Our audit was limited to reviewing, as of December 31, 2012, actions taken to implement **three** (3) **recommendations** remaining from our First Follow-Up Audit report dated June 27, 2012.

Background

Our original audit evaluated internal controls over OC Public Works (OCPW)/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 (4) 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.

Our First Follow-Up Audit found that OCPW implemented one (1) recommendation on internal recordkeeping of fuel card documentation and partially implemented three (3) recommendations on monitoring fuel cards, establishing policies and procedures, and policy direction on usage of county fueling stations.

Results

Our Second Follow-Up Audit found that OC Public Works **implemented two (2) recommendations and one (1) recommendation is in process/closed** for purposes of follow-up. Because the recommendations have been implemented and/or closed for follow-up, **this report represents the final close-out of the original audit.** The following is the implementation status of the original four (4) 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.

OC Internal Auditor's Report



<u>Current Status</u>: **In Process/Closed.** In our First Follow-Up Audit, OC Fleet Services was not able to review and update of <u>all</u> County Fuel Access Cards due to limited resources. 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, OC Fleet Services did not request active card information from the user departments/agencies to enable them to identify fuel cards that should be deactivated.

In our Second Follow-Up Audit, we found that OC Fleet Services has begun requesting active card information from user departments/agencies to identify fuel cards that should be deactivated. The review and update of fuel cards are in process of being completed.

OC Fleet Services management informed us this task may not be totally completed. The issue is that OC Fleet is being held responsible for fuel card management, and believes that responsibility is with the user agencies. According to OC Fleet Services, the County has a decentralized fleet management model. OC Fleet Services can only send out inquiries asking for assistance, and cannot compel departments to provide this information as OC Fleet Services has no authority over them. OC Fleet Services believe they are operating in accordance with the decentralized fleet management model.

Note: In a separate audit on Countywide Fleet Management (Audit No. 1028), one of recommendations was to address County policy and governance over fleet management; specifically, identifying the roles and responsibility of OC Fleet Services and the user departments for fleet management. Because OC Fleet Services is in process of implementing the recommendation, and is pending guidance from the CEO on fleet management policy, we consider this recommendation in process/closed for purposes of follow-up.

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.

<u>Current Status</u>: **Implemented.** In our First Follow-Up Audit, OC Public Works established the Fuel Card Usage policy, but had not yet communicated the policy to other user departments/agencies. Our Second Follow-Up Audit found that this policy (*Fuel Card Usage No. 1.4.406*) has been posted and made available countywide on the OC Fleet website. Similar to Finding No.1, OC Fleet Services is responsible for administering OC Public Works' fuel card users and has limited responsibility with no authority over fuel card usage by user departments/agencies. Because OC Fleet Services made the Fuel Card Usage policy available Countywide, we consider this recommendation implemented.

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.

OC Internal Auditor's Report



<u>Current Status</u>: **Implemented.** In the First Follow-Up Audit, OC Public Works/OC Fleet Services established the Fuel Card Usage policy on utilizing County fueling station and requiring written approval of upgraded fuel usage, but has not yet communicated the policy to other County user departments/agencies. In our Second Follow-Up Audit, we found that this policy has been posted and made available countywide on the OC Fleet website (see No. 2 above). Because the policy communicates requirements on fuel usage and use of County fueling stations, and is available Countywide, we consider this recommendation implemented.

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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** OC Public Works/OC Fleet Services created an email address for fuel card correspondence received from the department/agency's point of contact. The designated email address allows OC Fleet Services personnel to access and address matters related to fuel cards and also maintain a history of correspondence pertinent to fuel cards. Emails are organized by the department/agency's point of contact.

In addition, OC Fleet Services now maintains a fuel card log and files the requests by month. The log includes the date request was received, user name, request type, card number, and point of contact name. OC Fleet Services is also now adding comments in the 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 Second Follow-Up Audit. If you have any questions, please contact me directly, 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
Robert J. Franz, Interim County Executive Officer
Mary Fitzgerald, Director, OCPW Administrative Services
Randi Dunlap, Policy and Compliance Manager, OCPW/Central Quality Assurance
Tony Bernard, Manager, OCPW/OC Fleet Services & Procurement
Larry Stansifer, Manager, OCPW/Central Quality Assurance
Anthony Marquez, Manager, OCPW/OC Fleet Services
Foreperson, Grand Jury
Susan Novak, Clerk of the Board of Supervisors