



County Controller

Richard J. Szulborski

Audit Manager

Anthony Sabino, CIA

Solicitor

Robert A. Nitchkey, Jr., Esq.

County Executive

Lamont G. McClure, Jr.

County Council

Kerry L. Myers, President
Ronald R. Heckman, Vice-President
John A. Brown
John Cusick
Thomas A. Giovanni
John P. Goffredo
Lori Vargo Heffner
Kevin Lott
Tara M. Zrinski

Performance Audit Report

**FUEL CARD
PROGRAM**

January 1, 2020 through
July 31, 2022

**Office of the Controller
County of Northampton
Pennsylvania**



RICHARD J. SZULBORSKI

CONTROLLER OF NORTHAMPTON COUNTY

NORTHAMPTON COUNTY COURTHOUSE
669 WASHINGTON STREET
EASTON, PENNSYLVANIA 18042

ANTHONY SABINO, CIA
Audit Manager

ROBERT A. NITCHKEY, JR., ESQ.
Solicitor

PHONE (610) 829-6617
FAX (610) 559-3137

January 9, 2023

Northampton County Commissioners
Lamont G. McClure, Jr., County Executive
County of Northampton, Pennsylvania

We have completed an audit of the County's Fuel Card Program as of July 2022.

The Executive Summary on page 1 summarizes the audit results, while the Audit Results section provides a detailed explanation.

We acknowledge the cooperation and assistance we received from the Procurement Division as well as all of the fuel card users and supervisors we contacted during the course of the audit. Their help was essential to the performance of this audit.

Management did not request an exit conference to discuss our findings and recommendations. Management's response is included in the Audit Results section of the report.

Very truly yours,

Richard J. Szulborski
County Controller

Paul L. Albert, CIA
Lead Auditor

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EXECUTIVE SUMMARY

The County's Fuel Card Program continues to be an efficient and economical method of purchasing fuel for County-owned vehicles. Drivers use special credit cards (fuel cards) that are accepted at almost all fuel stations nationwide. Fuel card purchases are exempt from federal and state fuel taxes.

Like other payment methods used by the County, internal controls are in place, both those built into the program by the vendor and those established by County personnel. Our audit evaluated those controls and found that for the most part, they are working well, however strengthening those controls would be beneficial. We did not identify any instances of fraud or abuse, although we did identify some wasteful practices. The best time to evaluate and question transactions is monthly as they occur, rather than a time in the future.

Finally, during the audit we recommended updating and expanding the fuel card instructions into more of a policies and procedures manual, to provide better direction for employees.

INTRODUCTION

General Information and Program Benefits

The County chose the WEX Sunoco Fleet Card (WEX) for their fuel card program. WEX was selected through a state contract, and the Procurement Division manages the fuel card program. Fuel for all County-owned vehicles is purchased using the WEX card.

The WEX card provides the County with many benefits. Primary among them is that WEX fuel card purchases are exempt from federal and state fuel taxes. The County saved \$33,614 in taxes during 2020, on 43,812 gallons of fuel purchased. That is a savings of 30.9% over the total purchase price. The combined fuel taxes save the County \$0.76 per gallon of fuel.

The WEX card also provides:

- A way to simplify and expedite fuel purchases for County vehicles.
- An efficient and comprehensive reporting platform that includes extensive transaction detail, a database of employees authorized to use the card and a listing of vehicles with their corresponding fuel card number.
- Ease of purchase at the pumps, automatically assigning the cost of purchases to the division the vehicle is assigned to.
- Wide acceptance at more than 90% of merchants nationwide.
- The ability to block all purchases other than fuel including repairs or incidentals.

Program Controls

WEX has many controls built into it and the Procurement Division added some of their own. These include:

- The WEX web-based application contains information on all County vehicles based on forms completed by supervisors and entered into WEX by Procurement. Every vehicle maintains its own unique WEX fuel card.
- WEX cards are assigned to vehicles instead of users. Therefore, there are substantially fewer cards issued, decreasing exposure to loss or abuse.
- Department heads must complete a form for each employee that has the need to use County vehicles. They forward the form to Procurement who enters the employee into the WEX system.
- A driver must enter the vehicle's mileage and their PIN into the pump when making a purchase with the WEX card. WEX uses the mileage to calculate the number of miles driven between fill-ups and the miles per gallon, while the PIN is the employee's five digit County ID number.
- Procurement runs a report from WEX monthly, that division supervisors use to review purchases coded to their divisions. For each transaction, WEX captures 73 fields of data, so there is a large database of information to choose from when designing the reports. Divisions return their signed reports to Procurement after reviewing the transactions.

- An annual inventory of WEX cards conducted by Procurement and division supervisors.

Training

After Procurement registers an employee in WEX, they send an instruction sheet to the supervisor who made the request, and they in turn review the instructions with the employee and give them the sheet.

Fuel Card Activity

The table below illustrates fuel card activity in 2020 by division. Some divisions have significantly more vehicles and activity than others, depending on need.

<i>Division</i>	<i>Number of Vehicles</i>	<i>/----- Purchases -----/</i>		
		<i>Total Number</i>	<i>Total Amount (Net of Taxes)</i>	<i>Percent of Total</i>
<i>Sheriff</i>	31	1,256	\$25,808	33.2%
<i>Parks & Recreation</i>	12	249	10,747	13.8%
<i>District Attorney</i>	9	386	9,574	12.3%
<i>Children, Youth & Family</i>	9	290	7,230	9.3%
<i>Bridges</i>	3	101	4,640	6.0%
<i>Emergency Management</i>	6	134	4,017	5.2%
<i>Coroner</i>	4	128	3,166	4.1%
<i>Gracedale</i>	10	102	2,658	3.4%
<i>Jail</i>	6	70	1,978	2.5%
<i>Weights & Measures</i>	3	35	1,673	2.1%
<i>Remaining 11 Divisions</i>	21	221	6,324	8.1%
	114	2,972	\$77,815	100.0%

PURPOSE AND SCOPE

We audited the County's fuel card program to determine the adequacy of internal controls, the economy and efficiency of the program, and compliance with County regulations.

The following components of internal control were considered significant to the audit objectives, and were therefore assessed, and as appropriate based on risk, tested:

- The adequacy of existing policies and procedures.
- The execution of a recent fuel card inventory accounting for all cards.
- Whether the information on the list of vehicles within WEX is accurate.
- The completeness of the monthly reconciliation reports performed by division supervisors.
- Whether there were any indications of fraud, abuse or waste in fuel card transactions.

We conducted our testing on purchases occurring during the period January 1, 2020 through December 31, 2020. Other testing included information that was available in 2021 and current through July 31, 2022.

Our tests did not include an examination of the WEX computer system, as this system does not belong to the County. We accepted all reports used in this audit as accurate.

METHODOLOGY

Our methodology included:

- Interviewing the Procurement Manager and Fuel Card Administrator.
- Identifying and assessing applicable policies and procedures. There are no laws and regulations pertaining to the fuel card program.
- Documenting internal controls and other significant areas that may require additional testing, analysis or research.
- Identifying and reviewing applicable parts of the State's contract with WEX.
- Researching the internet to identify other government audits of WEX to find problem areas that they incurred.
- Performing tests of transactions and other areas based on risk.

Our review included an assessment of internal controls in the audited areas. Any significant findings related to internal controls are included in the Audit Results section of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

AUDIT RESULTS

Section A – Internal Controls

1. Unusual Transactions

OBSERVATION

During 2020, there were 2,977 WEX card transactions, spread across 20 divisions. To analyze these transactions for possible fraud or wasteful spending, we used ACL (Audit Command Language), a software application for data analysis. It saves time when analyzing large quantities of data, and increases the quality and reliability of the audit work done.

Based upon our analysis of transactions, we found:

- a. Forty-five times the same employee purchased fuel more than once a day. In all cases, the gasoline was purchased with the same WEX card belonging to the same vehicle. Additional analysis of the time interval between purchases and the number of miles driven was sufficient to believe that in the majority of cases, the purchases were appropriate. Nine of the 45 purchases noted above were suspicious because the transactions occurred within an hour of each other. Explanations for these purchases, to the best recollection of the card users, were:
 - Three employees stated that the pump must have shut off early and then they had to start another transaction to fill the tank.
 - Three employees stated that the second purchase was to fill gas cans for equipment.
 - Two employees noted that the second purchase was for Diesel Exhaust Fluid, otherwise known as DEF Blue, which is required for all diesel vehicles to improve emissions.
 - A truck equipped with two gasoline tanks had both filled at the same stop.
- b. A different type of fuel was purchased for the same vehicle; i.e. unleaded vs diesel, 11 times. Three of those purchases were for one gallon of fuel or less. Of the remaining eight, explanations for these purchases, to the best recollection of the card users, were:
 - Three purchases were made with the WEX card assigned to ATV's and other equipment that does not have a license plate. Therefore, with different types of equipment, different types of fuel is not unusual.
 - Three employees stated that the pump must have recorded the transaction incorrectly, that they had no reason to purchase that type of fuel for the vehicle they were using.

- One employee stated that the second purchase was to fill gas cans for equipment.
 - One concluded that the same WEX card may have been used to fuel two different County vehicles. Since each vehicle is assigned a unique fuel card, there is no reason why this should occur.
- c. There were 20 purchases of plus or supreme unleaded for vehicles that normally used regular unleaded, indicating possible wasteful spending.
- d. There was one non-fuel transaction, a car wash, which the WEX card should have denied.

Procurement sends a monthly report to divisions that shows their WEX card activity for that month. Division supervisors or designated employees then reconcile the transactions to receipts from the pumps, and review the report for unusual transactions. For the reconciliation sheets we reviewed, it would have been difficult or impossible for supervisors to spot some of the exceptions we found either because of how the report was sorted or the absence of certain data fields that would have allowed a more thorough review. This is especially true for divisions that have high activity.

RECOMMENDATION

The monthly review of WEX card activity is an excellent control to detect questionable purchases shortly after they occur. This allows immediate follow-up with the employee to resolve any questions. We recommend that Procurement make some changes to the report and provide instructions for additional items that supervisors should look for. These changes and instructions were provided to Procurement and should be incorporated into their WEX card manual, if accepted. It includes data fields to add and subtract from the report, and a specific way to sort the transactions. Supervisors could then review their monthly reports for all the areas that we tested in the audit.

MANAGEMENT RESPONSE

Kathryn L. Anderson, C.P.M., Purchasing Manager

We concur.

Recommendations provided will be incorporated into WEX Manual. Additionally, the monthly download will be revised and sorted as suggested.

2. Monthly Review of Purchases

OBSERVATION

We reviewed forty monthly reconciliation forms from 2020, at least one from each division that had WEX card activity during the year. We wanted to verify that there was proof of reconciliation and that there were notations made for any questionable transactions. We found:

- A supervisor, approving the transactions, signed all of the reconciliation forms. Some supervisors put checkmarks next to each transaction, agreeing them to the gas pump receipts.
- There were four purchases of a higher-level fuel octane for vehicles that normally ran on regular unleaded. There were no notations on the forms indicating that the unusual purchases were noted or questioned.
- There were four purchases of unleaded fuel for vehicles that normally used diesel fuel.

As noted in the previous finding, the monthly reconciliation forms are management's opportunity to review fuel purchases charged to their division, and to question any that seem unreasonable. Signing the form and returning it to Procurement verifies their approval of all the transactions.

RECOMMENDATION

Procurement should encourage management in the divisions that have fuel cards to embrace the opportunity to review fuel card purchases, and call into question any that seem unusual. The highlighting of questionable purchases and noting explanations directly on the report provide Procurement with the knowledge that issues were researched and resolved.

MANAGEMENT'S RESPONSE

Kathryn L. Anderson, C.P.M., Purchasing Manager

We concur.

Language will be added to the monthly summaries sent to all using departments that all purchases should be reviewed to identify any questionable purchases and if found, explanations should be provided directly on the approved summaries returned to Procurement.

3. WEX Vehicle List

OBSERVATION

To verify the accuracy of the vehicle information in WEX, we agreed that vehicle list to the vehicle list maintained by the Department of Administration.

Administration maintains a listing of County vehicles primarily for insurance purposes. Notification to both offices is required for vehicles purchased, sold, traded-in or transferred. After reconciling the two lists, we found:

- Ten vehicles that were on one list but not the other. Further research determined that Administration's list was correct. WEX was updated to reflect a vehicle that was previously sold. In addition, a vehicle traded-in was removed and the newer replacement vehicle was added. Both vehicles had the same license plate number.
- There were ten differences involving license plate numbers and vehicle identification numbers, seven differences with WEX and three with the Administration list. Corrections were made to both lists.

WEX maintains a vehicle listing because those vehicles are assigned fuel cards, and the listing is a way for WEX to know which divisions the vehicles are assigned and how to allocate fuel purchases. Ideally, the annual fuel card inventory will identify differences like those noted above.

RECOMMENDATION

Periodically, Procurement should agree the two vehicle listings and updates should be made to the lists as appropriate.

MANAGEMENT'S RESPONSE

Kathryn L. Anderson, C.P.M., Purchasing Manager

We concur.

Procurement will conduct an annual inventory with using departments to verify that vehicles and license plates are current. This listing will then be compared with the listing in Administration used for insurance purposes.

Section B – Policies and Procedures

1. Updating Fuel Card Manual

OBSERVATION

A County-wide fuel card policies and procedures manual does not exist. Drivers registered with WEX receive a sheet titled “How to Use the Sunoco Gasoline Card”; however, those are limited instructions, not a comprehensive manual. Some of items missing from the instruction sheet are:

- The overall purpose of the program.
- The process for obtaining fuel cards for new vehicles and deactivating cards for vehicles the County no longer have.
- Procedures for registering and removing employees from the WEX system, as the needs arise. Only registered WEX users may use the fuel card.
- The objectives and procedures for performing an annual fuel card inventory.
- The objectives of performing the monthly reconciliation of purchases and the procedures to accomplish them.
- The process of monitoring fuel card savings.
- Procedures for obtaining the annual rebate from the Pennsylvania Department of Liquid Fuels for taxes paid on out-of-state fuel purchases.
- Miscellaneous duties performed by Procurement, registered users or supervisors.

Written policies and procedures provide detailed instructions to all those who are involved in the program and are an excellent training tool for employees new to the program. They document expectations of management and provide a benchmark for management to monitor performance. Procedures detail the actions management wants employees to take to accomplish the program’s objectives. They provide guidance to both current and future users of the program.

RECOMMENDATION

Procurement management should develop, distribute and post on the County’s Intranet a manual that describes policies governing the fuel card program and the procedures needed to accomplish the program’s goals. As with all manuals, at least annually, Procurement should review the manual for completeness and accuracy, and update as necessary. Procurement should then notify users of the manual of the changes, so they could review them online. With a new policies and procedures manual for the program, Procurement may want to require existing and new users to sign a Cardholder Agreement, as is done with the P-card, acknowledging that they read the manual and will abide by it.

Prior to the completion of the audit, Procurement produced and distributed to WEX card users, an updated fuel card manual. They should also post it to the Intranet, update it at least annually and consider requiring users to sign a Cardholder Agreement.

MANAGEMENT'S RESPONSE

Kathryn L. Anderson, C.P.M., Purchasing Manager

We concur.

Procurement will post a manual to the County's Intranet.

ISSUES RESOLVED DURING FIELDWORK

1. Terminated Employees

OBSERVATION

As part of our analysis using ACL, we compared a list of active employees as of 5/31/21, to the list of active users in WEX. We found there were 119 terminated employees still active in WEX. We again compared the two lists, this time as of 6/15/22, and the number of terminated employees increased to 157.

It is important to keep the information in WEX up-to-date and accurate, because that determines who may make purchases and with what vehicles. The risk that a terminated employee will have access to and use a WEX card is low, because the cards are stored in County vehicles. However, an active employee could possibly use the ID number of a terminated employee to mask the identity of a person making an unauthorized purchase.

RECOMMENDATION

Periodically, Procurement should review the information in WEX for accuracy. In this case, they should follow the same procedures used with the P-Card, with WEX. Agreeing a listing of terminated employees to the active users in WEX on a quarterly basis, would identify terminated employees and make the process more manageable.

CORRECTIVE ACTION TAKEN

In July 2022, Procurement used the list of terminated employees that we provided them, and removed the users from WEX.