

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

921



FROM: Auditor-Controller

SUBMITTAL DATE:
June 19, 2014

SUBJECT: Internal Audit Report 2014-308: County Vehicle Fuel Usage Follow-up Audit, [District: All]: [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2014-308: County Vehicle Fuel Usage Follow-up Audit Report

BACKGROUND:

Summary

We have completed a Follow-up Audit of County Vehicle Fuel Usage. Our audit was limited to reviewing actions taken as of May 30, 2014, to correct findings noted in our original audit report (2010-003) dated June 7, 2010.

(Continued on page 2)

Paul Angulo, CPA, MA
County Auditor-Controller

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	Consent <input checked="" type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	

SOURCE OF FUNDS: N/A

Budget Adjustment: No

For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

APPROVE

BY: 7/8/14
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Benoit, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: July 15, 2014
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board

By: Deputy

Prev. Agn. Ref.:

District: ALL

Agenda Number:

2-11

Departmental Concurrence

- A-30
- Positions Added
- 4/5 Vote
- Change Order

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-308: County Vehicle Fuel Usage Follow-up Audit

DATE: July 2, 2014

PAGE: Page 2 of 2

BACKGROUND:

Summary (continued)

The original audit report contained six findings with 11 recommendations, all of which required corrective action and; therefore, were reviewed as part of the follow-up audit. For an in-depth understanding of original audit, please refer to Internal Audit Report 2012-015 at www.auditorcontroller.org.

This follow-up audit found that of the 11 recommendations

- 3 recommendations were implemented.
- 6 recommendations were partially implemented.
- 2 recommendations were not implemented.

Impact on Citizens and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

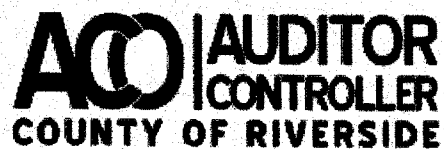
ATTACHMENTS:

A: County of Riverside Auditor-Controller's Office - Internal Audit Report 2014-308

Internal Audit Report 2014-308

**Countywide Vehicle Fuel Usage Follow-up
Audit**

Report Date: June 19, 2014



**Office of Paul Angulo, CPA, MA
County of Riverside Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



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AO | AUDITOR
CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
AUDITOR-CONTROLLER

June 19, 2014

Mr. Robert Howdysshell, Director
Purchasing/Fleet Services
2980 Washington Street
Riverside, CA 92504

Subject: Internal Audit Report 2014-308: County Vehicle Fuel Usage Follow-up

Dear Mr. Howdysshell:

We have completed the first Follow-up Audit of County Vehicle Fuel Usage. Our audit was limited to reviewing actions taken as of May 30, 2014, to correct the findings noted in our original audit report (2010-003) dated June 7, 2010.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The original audit report contained 6 findings with 11 recommendations, all of which required corrective action and; therefore, were reviewed as part of this audit. For an in-depth understanding of the original audit, please refer to Internal Audit Report 2010-002 at www.auditorcontroller.org.

This follow-up audit found that of the 11 recommendations:

- 3 recommendations were implemented.
- 6 recommendations were partially implemented.
- 2 recommendations were not implemented.

Detailed statuses of the findings and recommendations identified in the original audit are provided in the body of this report. We will follow-up on the 6 partially implemented and 2 not implemented recommendations in our Second Follow-up Audit of County Vehicle Fuel Usage within one year.

Internal Audit Report 2014-308: Countywide Vehicle Fuel Usage

We thank the Riverside County Office of the Purchasing/Fleet Services management and staff for their cooperation; their assistance contributed significantly to the successful completion of this audit.

Paul Angulo, CPA, MA
County Auditor-Controller



By: Mark Cousineau, CPA, CIA, CFE
Chief Internal Auditor

cc: Board of Supervisors
Executive Office

Internal Audit Report 2014-308: Countywide Vehicle Fuel Usage

Finding 1: Based on our observation of four fueling stations on September 24, 2009, and October 1, 2009 (each station was observed for approximately eight hours without interruption), weaknesses in the system's validation process were noted:

- Five employees entered employee ID numbers different from their own IDs in the system. One of the five IDs used belonged to a retired employee.
- One employee entered a vehicle ID different from the ID of the vehicle that was fueled.
- Two employees, each fueling a different vehicle, used the same Driver ID number.
- One employee did not reset the pump after fueling and let another employee continue to dispense fuel on a second vehicle. This occurrence is possible because the established system parameters allow fuel dispensed to exceed the vehicle's fuel tank capacity.

During the course of our audit, we further noted:

- A process is not in place to deactivate terminated employees' driver IDs in a timely manner.
- One hundred thirty (3.6%) of 3,639 vehicles with mileage readings had "miles billed" that did not equal "miles used," this condition signifies adjustments were made to correct prior odometer reading errors. Twenty-five of these corrections ranged between 2,000 to 13,000 miles.
- Four hundred sixty-eight (13.0%) of 3,583 vehicles reviewed had fuel usage greater than the average fuel consumption of vehicles within the same class by 25 percent or more. Since vehicle fuel efficiency is not monitored, questionable fuel usages are not reported to the departments for review and resolution.
- One driver's ID was used by several department employees.
- Seven of ten fueling stations did not have security cameras.

The control deficiencies we noted were mainly related to the following limitations in the current fuel system:

- The current system does not maintain an audit trail of changes to system data. Anyone who has access to the fuel system may set up new users and change system parameters. This internal control weakness is exacerbated because the fuel system is shared with TLMA and Waste Management and staff from both departments with system access may change system parameter settings as well.
- The current system does not allow assignment of security roles and segregation of duties. Some employees due to their assigned roles may need to fuel multiple vehicles in a single day (service technicians and motor pool personnel as examples). Since the

Internal Audit Report 2014-308: Countywide Vehicle Fuel Usage

system does not distinguish differences in roles, all fuel users are provided similar unlimited fuel access by default.

- User access to the fuel system is through a keypad allowing a user to manually enter any valid Driver ID (usually the same as Employee ID) and vehicle ID. Vehicle and assigned driver are not cross-validated and matched. Since these two data are readily obtainable, the system weakness could be easily exploited.
- The odometer reading is manually entered through a keypad: system parameters are set to allow for wide variances in odometer readings to limit the number of rejected fueling requests.
- A process is not in place for updating user data for changes in employee status such as departmental transfers and terminations.

Based on the results of our observation, review and analysis, the system and processes do not provide adequate assurance that unauthorized transactions are prevented or detected and accurate vehicle data are collected. As a result, the integrity of the vehicle data and transactions that are maintained by the current system are of major concern.

Recommendation 1.1: Improve the process for authenticating users and collecting vehicle data. System controls should adequately ensure that only authorized vehicles are dispensed fuel and accurate data are collected and processed. Evaluate if the current system could be upgraded to mitigate the internal control weaknesses noted. If the current system cannot be upgraded, a new system capable of automated vehicle identification and data gathering capabilities should be considered.

Current Status Recommendation 1.1: Partially Implemented.

The department implemented the Fuel Focus Automated Fuel and Fluid Management system in September 2013 to improve the process of authenticating users and collecting vehicle data. The Fuel Focus system consists of hardware and software that aid in capturing vehicle data such as real-time vehicle information, operator information, tank capacities, authorized fuels and fluids, fuel transactions and odometer readings. The system captures this information electronic so it removes the human element from a fuel transaction. A complete transaction records day, date, time, vehicle ID number, odometer reading, hour reading, gallons of fuel received, location and pump number, and employee ID number. As such, the system provides greater access to relevant vehicle data and fuel consumption information. The system consists of an island controller, Vehicle Identification Box (VIB), which is an antenna mounted on the vehicles, and hose ring attached to the fueling pump hose that reads information from vehicles VIB.

Currently, island controllers were installed at Rubidoux, Orange Street, County Circle, Murrieta, Perris, Cabazon, Hemet and Moreno Valley fueling stations. The department estimates the installation of island controllers at Indio, Palm Desert, Thermal and Blythe fueling stations by the end of June. There is no estimated date for the installation of an island controller at the Banning fueling station. Hose rings were installed on fuel pumps at Orange Street and Rubidoux fueling stations. VIBs were installed on six DPSS vehicles and twenty on county rental vehicles for a total of twenty-six vehicles that are fully operation and currently in a test phase of the system.

Recommendation 1.2: Develop and implement procedures for promptly updating driver data for employment status changes such as departmental transfers and terminations.

Current Status Recommendation 1.2: Partially Implemented.

The department receives monthly employee termination lists from the Human Resources department since January 2013. The list is used to update operators in the Fuel Focus Management System. However, we tested six of the sixteen months and identified 50 of the 753 employees on the lists were terminated but, still remained in the Fuel Focus Management System as active operators.

Recommendation 1.3: Develop county standards for managing county vehicle fuel usage. Implement procedures for monitoring and reporting vehicle fuel usage to county departments, including a process for resolving issues requiring corrective actions.

Current Status Recommendation 1.3: Partially Implemented.

The department is updating their web-based Fleet Anywhere (FA) integrated enterprise system to run reports for the departments. The web-based system has many options for reports. Reports developed will depend on what fuel usage information is valuable to specific departments. Reports will be created and loaded on the website and only authorized individuals will have access to the reports. Currently, the department is waiting on the Riverside County Information Technology (RCIT) department to approve the security protocol of the website.

Recommendation 1.4: Install security camera/s to monitor activity at each fueling station.

Current Status Recommendation 1.4: Partially Implemented.

The department has added security cameras to five fueling stations since the audit. Currently, security cameras are installed at Rubidoux, County Circle, Murrieta, Cabazon, Hemet, Moreno Valley, Blythe and Indio fueling stations. No estimated date was provided for installation of security cameras at the other 4 locations. Installation of security cameras at the remaining four locations depends on available funding.

Finding 2: Board Policy A-62 (Credit Card Use), effective April 14, 2008, prohibits county employees from maintaining and using fuel credit cards other than the county-awarded fuel credit cards. Certain departments continue to maintain and use their own fuel credit cards, purchasing over 600,000 gallons of fuel during the one-year period of September 1, 2008, through August 31, 2009. Fuel purchased through these cards is not recorded in the county's fuel system; as a result, a number of vehicles' fuel data are actually understated. This affects the county's ability to effectively monitor fuel usage and, possibly, obtain the most favorable fuel price.

Recommendation 2: Coordinate action with the Executive Office and department management to centralize the administration of all Voyager fuel cards through Fleet Services. These include Voyager fuel cards that are currently maintained by the departments on their own account. This will ensure that all fuel usage can be properly and centrally recorded, monitored, and reported by Fleet Services.

Internal Audit Report 2014-308: Countywide Vehicle Fuel Usage

Current Status Recommendation 2: Partially Implemented.

Certain departments continued to maintain and use their own fuel credit card. In addition, the department has not coordinated with the Executive Office and Department Management to centralize the administration of all Voyager fuel cards through Fleet Services. However, credit card use was reduced by approximately 38% due to the opening of the Thermal fueling station in August 2011 and Palm Desert fueling station in August 2010.

Finding 3: Odometer readings entered by drivers at Voyager and CFN fueling pumps are not system-validated and contain excessive errors and omissions preventing Fleet Services from using the data to monitor fuel usage. This internal control weakness is exacerbated especially for CFN transactions because CFN cards are issued to drivers and not linked to specific vehicles. At times, CFN transactions cannot be identified to specific vehicles such as when vehicle ID entry is omitted or erroneous.

Recommendation 3.1: CFN credit cards should be linked to specific vehicles rather than employees.

Current Status Recommendation 3.1: Not Implemented.

CFN cards are still assigned to individuals and not to the vehicle. Specific departments want the control of knowing who lost the card if lost. If card was assigned to a vehicle, it would be more difficult to determine who lost the card.

Recommendation 3.2: Develop and implement procedures to use Voyager and CFN transactions data for monitoring fuel usage. In order to facilitate this, validate odometer readings and other vehicle data off-line before uploading them to Fleet Services' system. This off-line validation is necessary since real-time validation of Voyager and CFN transactions is not doable using the existing system. In conjunction, notify departments of exceptions noted during validation and reinforce the need for drivers to input accurate data.

Current Status Recommendation 3.2: Partially Implemented.

Voyager credit card purchases are downloaded from the Voyager website into Fuel Focus. As such, Voyager credit card purchases detail is available for fuel monitoring. CFN data is received electronically. However, to format the file for downloading into the Fuel Focus system would be time consuming. As such, the CFN electronic file is used for billing purposes and not fuel monitoring. However, the information is included in the monthly briefing book that is provided to Vehicle Operations unit but, it is not used for fuel monitoring. The department receives monthly vehicle mileage reports from the specific users of the CFN credit cards. As such, documentation is available to validate CFN credit card transactions prior to downloading the data into Fuel Focus, if data was downloaded into the system. We reviewed all vehicle mileage reports since June 2011 and we identified missing reports. As such, we consider this finding partially implemented.

Finding 4: CFN transactions totaling \$18,144 for the period April 1, through April 15, 2009, were uploaded to FuelForce and processed twice resulting in duplicate billings to the departments. This was corrected in January 2010 after an internal audit. Fuel dispensed for the first six months at a newly opened fueling facility was not billed until the seventh month when

Internal Audit Report 2014-308: Countywide Vehicle Fuel Usage

the omission was discovered by Fleet Services IT staff. Existing internal controls did not prevent or detect these occurrences timely.

Recommendation 4: Develop and implement procedures to ensure that fuel transactions are processed timely and accurately.

Current Status Recommendation 4: Implemented.

The department implemented billing procedures to ensure fuel transactions are processed timely and accurately. We reviewed twenty-three months of CFN billing transactions from July 1, 2013 to May 31, 2014 and we did not find any duplicate CFN billing transactions. We also noted that all fueling facility were included in monthly billings.

Finding 5: Flex-fuel vehicles are rarely fueled with E85; thus, the county is not achieving the goal of having acquired these flex-fuel vehicles to help improve air quality. Although the price of E85 fuel is lower than gasoline, the cost of operating a vehicle with E85 fuel at current prices is higher because E85-fueled vehicles get 20 to 30 percent fewer miles per gallon. The higher cost, considering the present economic situation, could potentially deter users from switching to E85. Its expanded use may need to be supported by a countywide initiative and/or board directive.

Recommendation 5: Sponsor an amendment to Board Policy D-2 (Use and Purchase of County Vehicles) to include clear guidelines regarding the use of E85 fuel.

Current Status Recommendation 5: Not Implemented.

The department provided a draft of an updated Board of Supervisors Policy number D-2. However, it did not contain guidelines concerning the use of E85 fuel. The department stated that they do not want to include E85 usage guidelines because the Air Quality Management District (AQMD) does not approve of E85 fuel usage. In addition, we noted that only the Blythe fueling stations has operational E85 fueling pumps. As such, E85 fueled vehicle operators have limited opportunities to use E85 fuel.

Finding 6: A separate vehicle type is not established in FleetFocus system for hybrid and other alternative fuel vehicles to facilitate effective monitoring of these new vehicle classes. Gas/electric hybrid vehicles' current fuel efficiency ranges between 35 MPG and 50 MPG compared to gas only-fueled vehicles' 10 MPG and 25 MPG; combining these vehicles under one group precludes reporting of a meaningful statistical data useful for monitoring.

The vehicles' fuel types are coded in the system which is valuable in identifying hybrids and other alternative fuel vehicles. In the course of reviewing the fuel type codes, we noted 10 vehicles were coded as flex-fuel vehicles but they are not, 35 flex-fuel vehicles were not coded as such, and seven vehicles had invalid Vehicle Identification Number (VIN). (These errors were provided to Fleet Services and have been corrected.)

Recommendation 6.1: Establish separate vehicle type for hybrid vehicles and E85-fueled vehicles. These vehicles differ in technology and fuel efficiency that tracking them separately will facilitate better fuel monitoring.

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Current Status Recommendation 6.1: Implemented.

Eight different fuel types are recorded in the Fuel Focus database to include fuel types to identify hybrid and E85 fueled vehicles. These fuel types can be used to analyze and monitor specific types of vehicles.

Recommendation 6.2: Improve the procedures for setting up new vehicles in the system to ensure the accuracy of vehicle data.

Current Status Recommendation 6.2: Implemented.

The department has adequate procedures for recording new vehicles in the Fuel Focus database. The procedures include loading the fuel type for each vehicle record.