



**A Report to the
Audit Committee**

Mayor
John Cooper

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Audit of Unusual Fuel Transactions

December 5, 2019

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

December 5, 2019



Why We Did This Audit

The audit was initiated due to the volume of fuel transactions and because fuel supply represents a large portion of the Office of Fleet Management's budget.

The audit was also conducted to enhance the Office of Internal Audit's knowledge and utilization of analytical software.

What We Recommend

- There are no recommendations currently.

Audit of Unusual Fuel Transactions

OVERVIEW

The Metropolitan Government of Nashville and Davidson County purchases fuel for government vehicles and equipment across a multitude of departments and agencies. The Office of Fleet Management, division of the Department of General Services, is responsible for the acquisition, maintenance, and fuel supply of Metropolitan Nashville Government vehicles and equipment.

During calendar year 2018, there were 33 departments that purchased fuel through approximately 191,072 fuel transactions totaling \$6,492,227.

OBJECTIVE AND SCOPE

The objective of this audit was to determine whether fuel card transactions were supported by a valid business purpose relating to services provided by the Metropolitan Nashville Government.

The audit scope included fuel transactions processed from January 1, 2018 through December 31, 2018.

WHAT WE FOUND

All fuel transactions reviewed were supported by a valid business purpose. Instances were noted where fraudulent transactions had been identified, and the associated fuel cards were terminated.

GOVERNANCE

The Office of Fleet Management is a division of the Department of General Services and is overseen by an Assistant Director who reports directly to the Director of General Services. This organization structure was created in 2002 by Mayor Purcell's Executive Order 14 establishing the centralized Office of Fleet Management to own and manage a consolidated fleet.

The Metropolitan Nashville Code of Laws § 2.32.060 authorizes the Office of Fleet Management to adopt additional rules and regulations pertaining to use and operation of Metropolitan Nashville Government vehicles and equipment. To this end, the Department of General Services issued a series of administrative orders as policies and procedures pertaining to fleet acquisition, maintenance, fuel management, assignments, and disposal. Each department with assigned vehicles or equipment has a fleet coordinator that acts as the intermediary between the Office of Fleet Management and their department. Their responsibilities are also detailed in these administrative orders.

BACKGROUND

The Office of Fleet Management's fuel program provides all departments and agencies access to four Metropolitan Nashville Government owned bulk fuel sites and to commercial fuel sites where employees may obtain fuel for vehicles and equipment. Each agency approves which employees are permitted to obtain fuel for particular units. The agency then provides the Office of Fleet Management those individuals with unique personal identification numbers. For the bulk fuel sites, fuel keys are assigned to vehicles and equipment. Employees must use their personal identification numbers with the assigned keys to obtain fuel. These sites have cameras.

Wright Express Company fuel cards can also be assigned to vehicles and equipment. These fuel cards can be utilized at any vendor that accepts Wright Express cards. Employees must use their personal identification numbers and enter the vehicle's odometer reading to authorize a transaction at a commercial fuel vendor that accepts Wright Express cards. The advantage of buying fuel at a commercial vendor is efficiency because the employee does not have to drive to the nearest bulk fuel site.

Fuel is used by Metropolitan Nashville Government departments for vehicles and equipment to provide various services to the public, such as maintaining parks and green space, transporting prisoners, or assisting in disaster responses.

The Wright Express Company has controls in place to identify potential fraud. The company notifies the Office of Fleet Management when an unusual transaction takes place. The Office of Fleet Management then forwards the specific transaction to the applicable department for verification. The applicable fuel card is typically frozen at this time. The Office of Fleet Management reviews the department's response. If applicable, an affidavit is generated and sent to the Wright Express Company stating the card was not used by a Metropolitan Nashville Government employee. The fuel card is canceled and reissued.

The Office of Fleet Management also conducts analytical procedures to identify unusual transactions. Identified anomalies are then followed up with the individual departments. It was noted in interviews that various departments are placing a great deal of reliance on the Office of Fleet Management to monitor fuel transactions. Applicable administrative orders and policies place most of this responsibility

at the departmental level. Accordingly, the Office of Internal Audit plans to conduct future audits at the departmental level related to fuel card management.

Exhibit A - Amounts and Transactions Processed January 1, 2018-December 31, 2018

Department	Transactions	Amount
Police	96,558	\$ 2,662,036
Fire	29,121	1,487,970
Public Works	21,127	930,076
Water Services	18,201	600,837
Parks	7,193	281,740
Sheriff	8,926	219,570
Codes	2,670	72,162
Health Department	1,519	44,485
Public Library	781	36,124
MAC	864	35,599
General Services	1,051	28,766
OEM	332	16,091
Assessor of Property	616	15,714
Juvenile Court	505	14,180
State Trial Court	291	13,333
Others	1,317	33,543
	191,072	\$ 6,492,227

Source: Office of Fleet Management records

The Office of Internal conducted this audit, in part, to utilize and develop staff in the utilization of analytical software. Transactions considered higher risk areas were isolated. Specifically, transaction made outside states bordering Tennessee and transactions made on the same fuel card on the same day were extracted from the population. A sample was then selected and tested from this sub-set to ascertain if transactions were made in accordance with applicable administrative orders and policies.

OBJECTIVE QUESTIONS AND CONCLUSIONS

Were fuel transactions supported by a valid business purpose relating to services provided by the Metropolitan Nashville Government?

Yes. Departments were able to provide a valid business purpose for all reviewed transactions.

Supporting Objectives and Conclusions

a) Were fuel transactions from states not bordering Tennessee supported by a valid business purpose relating to services provided by the Metropolitan Nashville Government?

Yes. A review of 25 (\$1,589) transactions of fuel purchased in states not bordering Tennessee, from a population of 83 (\$4,752) transactions was conducted. Eighteen of the 25 were supported with a valid business purpose. The business purpose included things such as extradition trips, various training, and assisting in a national response to a hurricane disaster deployment.

Seven of the 25 transactions tested involved fraudulent transactions that had already been detected and corrected by the Wright Express Company and the Office of Fleet Management. The Wright Express Company identified six of the transactions and cancelled the applicable card. One transaction was identified as a potential problem in the Faster system at the Office of Fleet Management. It was discovered that this transaction had been made by someone other than the cardholder. Each of the seven fraudulent transactions related to purchases made outside the State of Tennessee. In each case, the card was cancelled and reissued.

b) Were fuel transactions from vehicles fueled multiple times per day supported by a valid business purpose relating to services provided by the Metropolitan Nashville Government?

Yes. A review of 24 transactions (\$1,413) of fuel was made for vehicles fueled more than once per day, excluding the Metropolitan Nashville Police and Fire Departments, from a population of 3,295 (\$208,391.40). Each transaction was supported by a valid business purpose. The business purpose included maintenance of Metropolitan Nashville parks and green space, transport of inmates to other facilities, and an emergency mission by the Office of Emergency Management.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

METHODOLOGY

To achieve the audit objectives, auditors performed the following steps:

- Interviewed key personnel at the Office of Fleet Management.
- Interviewed Agency Fleet Coordinators.
- Reviewed transactions that appeared unusual.
- Reviewed fueling errors identified by the Office of Fleet Management.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

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