UT Southwestern
Medical Center

Fuel Card Audit

Internal Audit Report 22:69

**January 17, 2022**

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Background

UT Southwestern Medical Center (UTSW) deploys a fleet fuel payment card program through the Council on Competitive Government's (CCG) Retail Fuel Card contract, which provides state agencies and local governments the opportunity to realize savings on fuel purchases, maintenance purchases, and roadside assistance services. By utilizing fuel cards, UTSW has the ability to transmit all fuel purchases to one credit card provider for processing and billing to UTSW.

UTSW's Fuel Card Program is overseen by Accounting and Fiscal Services (AFS), which coordinates the assignment of US Bank-issued Voyager fuel cards to user departments via the AFS Program Coordinator and user departments' designated contact person. Fuel cards are assigned to individual vehicles, and the responsibility for fuel card usage analysis rests with the owning departments. Fuel card transactions captured at participating vendor locations are transmitted to the Voyager card issuing bank. The bank/provider invoices UTSW monthly, and payment is made through the PeopleSoft Accounts Payable process. The Program Coordinator also signs onto the US Bank system monthly to obtain a download of fuel card purchases for department distribution and reconciliation. Fleet Management from within the Facilities Maintenance Department manages the UTSW fuel budget and services fleet vehicles deployed to campus departments and for shuttle services.

As of August 2022, there were 224 active fuel cards assigned to 227 vehicles, which include the fleet of 224 UTSW-owned service vehicles and three short-term rental vehicles. The chart below shows the fuel card purchases for the past three fiscal years. The increased fuel spending noted in FY 2022 could be attributed to the reduced utilization of vehicles during the COVID-19 pandemic, higher demand from expanded shuttle routes to off-campus locations, and increased fuel pricing.

Annual Voyager Fuel Card Expenses
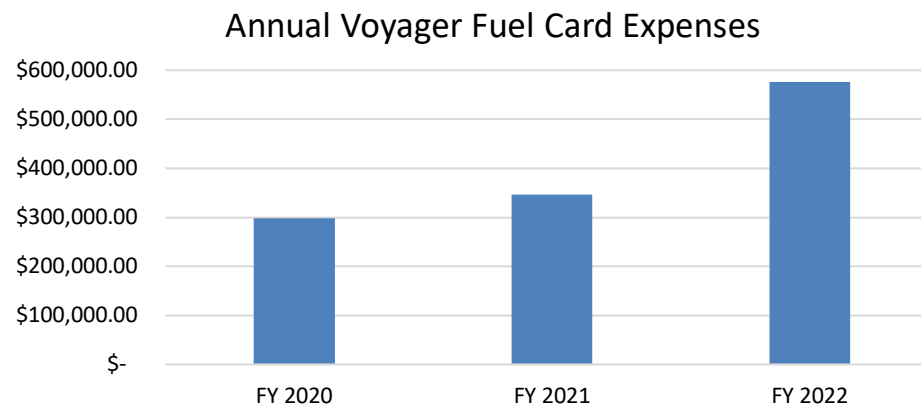
Executive Summary

Scope and Objectives

As part of the FY 2022 Audit Plan, the Office of Internal Audit Services completed a Fuel Card Audit to assess the current management of the Fuel Card Program, including the processes in place to reduce the risk of the program. The scope for the audit was September 1, 2021 through June 30, 2022. The audit objectives included:

- Proper fuel card issuance, distribution, and storage
- Fuel card reconciliation processes
- Fuel card review and monitoring activities
- Access to fuel cards and pin number data

Audit procedures included interviews with stakeholders, review of policies and procedures and other documentation, substantive testing, and data analytics. We conducted our examination according to guidelines set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Conclusion

AFS has developed fuel card guidelines and procedures, which include several important controls built within the Fuel Card Program. Opportunities for improvement include the implementation of formal Fuel Card Program governance and oversight structures, including an institutional policy and monitoring plan, enhancing fuel card user training and education on the rules and requirements of the Fuel Card Program, and strengthening the fuel card issuance and driver termination processes.

We acknowledge the assistance and cooperation received from management of AFS, Facilities Management and department owners during the audit.

Executive Summary

Included in the table below is a summary of the observations along with the respective disposition of these observations within the UT Southwestern internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (4)	Low (0)	Total (4)

Key observations are listed below:

#1 Fuel Card Program Policy – UTSW does not currently have a formal, institutional policy to ensure appropriate governance and oversight of fuel card activities across the institution and the current state of the program creates opportunities for varying processes to be carried out in the user departments, which ultimately increases the possibility for fraudulent fuel card activities.

#2 Fuel Card Program Monitoring –The current monitoring process does not sufficiently ensure compliance with institutional rules and requirements. A formalized and enhanced monitoring plan would be necessary to adequately address the risks of the Fuel Card Program.

#3 Fuel Card Program Training & Education – Although the training currently provided to users may be sufficient to address the risks of the program (i.e., misuse of the fuel cards), without being documented, the ability to confirm that users were properly trained is limited. An effective training and education process is a required element to ensure compliance with institutional rules and requirements related to the Fuel Card Program.

#4 Utilization of Driver Cards – In addition to fuel cards, authorized users may utilize driver cards; however, the use of these cards is inconsistent with Fuel Card Program guidelines. By including two types of cards with separate controls and safeguards, it is more difficult to implement and carry out appropriate monitoring activities, which creates additional opportunities for fraudulent purchases.

Executive Summary

We would like to take the opportunity to thank the individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

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Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 **1. Fuel Card Program Policy** The UTSW Fuel Card Program does not currently have sufficient infrastructure or processes in place to ensure appropriate governance and oversight of fuel card activities across the institution. The current program creates opportunities for varying processes to be carried out in the user departments, which increases the possibility for inconsistent or unauthorized use of fuel cards. Although there are guidelines and procedural documents utilized by the Program Coordinator and user department key contacts, there currently is not a formalized institution-wide policy that governs the responsibilities and expectations of the key process owners. Additionally, the current guidelines do not have formal approval or endorsement by senior leadership, which creates a downward lack of adoption by user departments. Lastly, there is inconsistent adoption of varying policies and procedures at the user department level, which creates the opportunity for disparate processes in terms of fuel card usage rules and requirements. Examples of the disparate processes include allowance of different types of fuels, allowance of using fuel cards for non-fuel purchases, performance of monthly audits of fuel card usage, maintenance of receipts for the required three (3) years, and storage/safekeeping of the fuel cards.	Establish a Fuel Card Program governance structure that includes a formalized policy with supporting procedures. The governance structure could also include an official mechanism such as quarterly meetings to allow for the sharing of information regarding the program with user department key contacts. The current guidelines and procedural documentation should be leveraged to create a formalized, institution-wide policy to ensure compliance with institutional rules and requirements. The policy should include, at a minimum, responsibilities for key process owners (Program Coordinator, user department key contacts, fuel card users), segregation of duties between purchasers and reconcilers, documentation requirements for fuel card purchases, approved listing of items eligible for purchase with the fuel card, guidance on the appropriate safekeeping of the fuel cards, guidance on the process to reconcile the fuel card transaction receipts, guidance on the necessary monitoring activities to identify suspicious transactions, as well as consequences from unauthorized use or negligence.	**Management Action Plan(s):** Accounting and Fiscal Services (AFS) will work with the major Fuel Card user departments to update the current Fuel Card Guide to incorporate information and rules related to the fuel card usage, safeguarding of the cards, reconciliation requirements, monitoring of fuel card usage (including red flags to look for), and consequences for misuse. **Action Plan Owner(s):** Assistant Vice President, Accounting and Fiscal Services **Target Completion Date(s):** February 28, 2023

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
Risk Rating: Medium 🟡 2. **Fuel Card Program Monitoring** The Fuel Card Program does not currently have a formal monitoring process to ensure overall compliance with institutional rules and requirements. The current primary monitoring process is conducted by the key contacts within each user department when they perform a monthly reconciliation between the fuel card receipts provided by the card users and a fuel card transaction report from the issuing bank. Additional monitoring activities would be necessary to adequately address the risks of the Fuel Card Program, including identifying unusual transactions such as high-dollar transactions, purchases of non-approved items, frequent usage of the fuel cards, and utilization of fuel cards by terminated employees. To assess the monitoring mechanisms currently in place, sampled transactional testing was conducted to identify areas of opportunity. The following were identified within the current monitoring plan: • 48 of the 50 (96%) sampled transactions did not have all the required information written on the fuel receipt (AFS requires that the vehicle number, driver's name, and driver's phone number be written on the receipt). • 11 of the 50 (22%) sampled transactions were for unapproved fuel (Guidelines indicate that only "Unleaded" fuel should be purchased). • 7 of the 50 (14%) sampled transactions included purchases for non-fuel items, which	a. A formal monitoring plan should be implemented to mitigate the risks associated with the Fuel Card Program. Suggestions for the monitoring plan would include processes to identify potential high risks such as transaction dollars and volumes exceeding specific limits, transactions per day (frequent transactions), purchases made outside of normal business hours or weekends, or over the holidays. Other areas may include monitoring for non-matching fuel purchases and odometer reading (i.e., miles per gallon), missing documentation, or vehicle fuel consumption trending analysis results. b. Additionally, the monitoring plan should include procedures for ensuring the driver records are kept up to date and are consistent with PeopleSoft HCM.	**Management Action Plan(s):** a. AFS will work with the major Fuel Card user departments, including Facilities Management, University Police, Transplant Services, and Hospital departments to create and implement a formal monitoring process to be completed by user departments. AFS will provide oversight by reviewing department reconciliations during the UTS 142 reviews and performing spot checks of expenses. We will work with IT to determine if there is an opportunity to provide reports identifying high-risk trends. b. AFS will compare the driver listing to a termination listing provided by HR. **Action Plan Owner(s):** a. Assistant Vice President, Accounting and Fiscal Services **Target Completion Date(s):** a. May 31, 2023 b. January 31, 2023

Observation	Recommendation	Management Response
may be available to drivers through institutional procurement processes. • 1 of the 50 (2%) sampled transactions did not have the required fuel receipt uploaded to PeopleSoft. Additionally, a review of the Fuel Card Program records was performed to assess if active driver records maintained by AFS matched PeopleSoft HCM, which is considered the source of truth for employee records: • 79 of the 692 (11.4%) drivers' records did not match their legal names in PeopleSoft HCM. This disparity in names could create confusion when ensuring the drivers' records maintained by AFS are kept up to date. • 5 of the 7 (71.4%) sampled records maintained by AFS were for drivers who had been terminated from UTSW, which reflects that the AFS records are not effectively maintained and kept up to date.		
Risk Rating: Medium 🟡 3. **Fuel Card Program Training & Education** Current Fuel Card Program guidelines and procedural documentation reference the requirement for all fuel card users to receive training administered by the Program Coordinator; however, the elements or details of the training provided aren't currently outlined or documented. An effective training and education process is required to ensure compliance with institutional rules and requirements related to the Fuel Card Program. Although the training provided to users may be sufficient to address	a. Develop a training and education process that includes all necessary guidance based on the updated institutional policy. The training process should include a formalized completion tracking step to ensure that all users receive appropriate training prior to receiving their fuel card. b. One best practice that should be considered is the implementation of a fuel card user acknowledgement step that serves as evidence that all fuel card users were provided appropriate training and	**Management Action Plan(s):** a. AFS will work with the IR Training team to develop a formal fuel card training process to ensure users receive required training prior to receiving authorization to use a fuel card. This fuel card training program will include such topics as clarifying allowable transactions for fuel cards and advise departments exactly what type of supporting documentation and transaction information is required for fuel card use.

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
the risks of the program (i.e., misuse of the fuel cards), without being documented, the ability to confirm that users were properly trained is limited. Moreover, the training contents aren't currently documented to serve as evidence. Furthermore, there is an opportunity for improvement in documenting the completion of the training by each of the fuel card users, which creates the potential for the training to not be completed prior to receiving a fuel card. The lack of documentation of training completions further compounds the potential for users to misuse the fuel cards.	understand their responsibilities in relation to the Fuel Card Program. c. Also consider leveraging Taleo to administer Fuel Card user training and incorporate with driver safety training to improve continued education and awareness.	b. AFS will require the departments to have users sign for a copy of the policy document as proof of training completion. c. We will leverage Taleo as well as augmenting fuel card training into other existing training programs. **Action Plan Owner(s):** Assistant Vice President, Accounting and Fiscal Services **Target Completion Date(s):** May 31, 2023
Risk Rating: Medium 🟡 4. **Utilization of Driver Cards** The process of utilizing fuel cards is performed inconsistently with Fuel Card Program guidelines and creates additional opportunities for fraudulent purchases. According to the Fuel Card Program guidelines and procedural documents, fuel cards are to be assigned to specific fleet vehicles with the corresponding vehicle ID printed on each fuel card. Each fleet vehicle is intended to be fueled by the matching fuel card. In addition, a second type of fuel card, Driver Cards, are assigned to specific drivers and are intended to be utilized for rental vehicles when fleet vehicles are unavailable. In reviewing the actively assigned fuel cards, it was determined that there were nine (9) drivers	Assess the current administration of dual cards to determine if alternative mechanisms could be leveraged to fuel rental vehicles while reducing the risk to the organization (i.e., replace Driver Cards with OneCards).	**Management Action Plan(s):** a. AFS will work with the Hospital and Facilities to address controls over rental cars and fuel card usage. b. Hospital Support Services has obtained approval for additional service vehicles in its FY23 Capital budget and will submit the equipment requisitions as needed. **Action Plan Owner(s):** a. Assistant Vice President, Accounting and Fiscal Services b. Assistant Vice President, Hospital Support Services **Target Completion Date(s):** a. January 31, 2023 b. Implemented

Detailed Observation and Action Plans Matrix

Observation	Recommendation	Management Response
who were assigned both Vehicle and Driver Card privileges, and testing procedures identified one (1) of the drivers was utilizing their Driver Card to purchase fuel for multiple fleet vehicles, which is not an approved practice per guidelines. Additional testing also revealed that an authorized Driver Card was being used to purchase fuel for multiple rental vehicles at unusually high frequencies. It should be noted that subsequent follow-up with stakeholders determined the Driver Card holder had a legitimate business need to refuel multiple rental vehicles at the same gas station due to their high-growth department not having enough fleet vehicles. This Department has plans to purchase additional vehicles from its approved capital budget.		

Appendix A – Risk Classifications and Definitions

As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

	Degree of Risk and Priority of Action	
Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	**Priority**	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the above pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.