EVENTS & TRANSPORTATION

FLEET AND TRANSIT

FUEL ACCOUNTABILITY

AUDIT REPORT #17-2209

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2016-17 audit plan, Audit & Advisory Services (A&AS) conducted an audit of Fleet and Transit (F&T) Fuel Accountability activities.

F&T is a department comprised of two operating units: Fleet Services (FS), a self-supporting auxiliary enterprise; and Transit Operations, a subsidized service enterprise. Core services include vehicle procurement, monthly lease program, vehicle maintenance and repair services, vessel management, on and off campus fuel provision, compliance programs, BruinCar daily rental program, and the GoGreen clean fuel vehicle program to meet UC and California clean air mandates. F&T provides fleet management services, including supplying fuel, for approximately 1,085 UCLA vehicles which include trucks, vans, wagons, and low speed vehicles, as well as specialty vehicles for specific departmental applications such as ambulances, shuttle buses, street sweepers, utility carts, and trailers. F&T aims to provide convenient fueling options for campus vehicles at competitive prices to better meet daily fueling demands and to maintain University operations at all times.

FS stores unleaded gasoline in twin 10,000-gallon underground storage tanks to fuel its vehicles. The unleaded fuel from the twin tanks is dispensed through eight fuel pumps located at a fuel island adjacent to the FS office. The E.J. Ward system continues to serve as a fuel monitoring and perpetual inventory system by recording the gasoline received and dispensed. Vehicle fueling transactions are initiated using a data chip key system. Transaction data is transmitted from the fuel pumps to the E.J. Ward system.

Physical inventory of unleaded gasoline is monitored through the Veeder-Root fuel monitoring system. If anything unexpected happens within the tanks (i.e., wiring or the monitor breaks), the Veeder-Root System has a red flashing light that will come on to illustrate that something is wrong within the tanks. II Fuels, the fuel broker/unleaded fuel supplier for the University, monitors the Veeder-Root System by way of a modem. Critical alarms are sent to II Fuels if anything is wrong within the tanks or the system. If something is wrong with the Veeder-Root System, II Fuels sends over a repair company. II Fuels also inspects the Veeder-Root System and issues a certificate of compliance.

In addition to unleaded fuel, University vehicles also use compressed natural gas (CNG), diesel, and bio-diesel. There is a self-service CNG station, owned and operated by Clean Energy that is located adjacent to the FS yard. CNG fuel is available for the 51 University-owned CNG vehicles (via the Clean Energy credit card), and to the general public. An additional CNG station, owned and operated by F&T, is located within the perimeter of the Transit Yard and is used solely for fueling the BruinBus shuttles. Bio-diesel fuel is obtained directly from a vendor’s truck that arrives on-site weekly. Departmental customers can also use Voyager credit cards (which are issued and controlled by FS) to purchase unleaded, diesel, or CNG fuel when not in the vicinity of the campus. Also, Voyager credit cards can be used for vehicle maintenance in case of an emergency.

During fiscal year 2015-16, F&T purchased 435,212 gallons of unleaded gasoline, 14,270 gallons of diesel, 3,780 gallons of bio-diesel, and 106,594 GGE (gasoline gallon equivalent) of CNG. Total fuel expenditures were approximately $1.2 million.

## Purpose and Scope

The primary purpose of the review was to ensure that FS’ organizational structure and controls, and the related systems and procedures surrounding fuel accountability activities are conducive to accomplishing its business objectives. Where applicable, compliance with campus and University policies and procedures was also evaluated.

The scope of the audit included the following activities:

* Fuel Purchasing and Receiving
* Fuel Keys and Cards

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other auditing procedures considered necessary in achieving the audit purpose.

## Summary Opinion

Based on the results of the work performed within the scope of the audit, FS overall organizational structure and controls are adequate and effective in helping achieve its business objectives related to fuel procurement, and fuel keys and cards. However, business practices could be further strengthened by ensuring that mandatory reviewers read their Post Authorization Notices (PANs) in a timely manner.

The audit results and corresponding recommendations are detailed in the following section of the audit report.

Audit Results and Recommendations

Fuel Purchasing and Receiving

A purchasing agreement has been established between the University and II Fuels to provide UCLA FS unleaded fuel. Approximately 8,800 gallons of unleaded fuel are ordered on a weekly basis by FS. Receiving of unleaded fuel is usually done by one of the FS storekeepers. For each unleaded fuel delivery, a reconciliation is performed between the meter readings, and the invoice/bill of lading received from II Fuels. There is a reconciliation packet that is prepared and maintained for each fuel delivery by management.

A sample of 24 unleaded fuel purchase transactions were selected from the campus general ledger and documentation was obtained from management and reviewed to verify the existence of proper authorization, effective separation of duties, and adequacy of records. The 24 purchases were selected from the FS-Fuel Program account (721296-66070) for fiscal year 2015-16. Selections were made from each month during fiscal year 2015-16. The following were noted:

A. Purchasing

Audit testing and review of the documentation provided by management for all 24 unleaded fuel purchases indicated the following:

* Purchases were properly approved when placed.
* Invoices were properly approved for payment to the vendor.
* The pricing makeup for the fuel ordered contained the elements stated in the current blanket agreement with the fuel vendor II Fuels.
* Purchases were made against the appropriate FAU and the amount posted into the campus general ledger reconciled to the vendor invoices.

There were no significant control weaknesses noted in this area.

B. Receiving

Based on the sample of 24 unleaded fuel purchases selected above, testing and review of the documentation provided by management indicated the following:

* Delivery of the unleaded fuel was physically received by one of the FS storekeepers. When unleaded fuel deliveries are made, one of the FS storekeepers needs to be present to unlock the underground storage tanks.
* Fuel measurements were taken by an FS storekeeper on each storage tank immediately prior to and after the delivery. A record of the report was maintained to ensure accuracy of what was delivered and to keep track of fuel dispensed by customers during the delivery.
* Delivery documentation was signed by both the unleaded fuel driver and an FS storekeeper.
* Variances between what was ordered and received were less than 1%.
* The amount of fuel gallons invoiced was based on the net amount of gallons received.

A review of the 24 fuel purchases was performed to evaluate whether payments to II Fuels were made in a timely manner. Based on our review of all 24 purchases, payments had been made timely.

In addition, A&AS conducted a visual inspection of the twin 10,000-gallon underground storage tanks to determine whether the fuel in the tanks is adequately secured.

There were no significant control weaknesses noted in this area.

C. Post Authorization Notifications (PANs)

Based on A&AS review of the 24 fuel purchase selections noted earlier, it was disclosed that 21 PANs (88%) went unread by a mandatory reviewer(s) between 6 and 27 days.

According to UCLA Financial Policy, “Principles of Financial Accountability” (III, Sec. 2), a reviewer “must review all transactions within two working days of receipt.” Maintaining compliance with the policy by conducting timely PAN reviews helps to ensure that transactions are properly authorized and their purpose is appropriate.

Recommendation: Management should identify the reasons why such a large percentage of the sampled PANs reviewed went unread for a longer time frame than allowed by the UCLA Financial Policy. Upon identifying the reasons for the noncompliance, management should take appropriate measures to ensure that all mandatory reviewers read their PANs in a timely manner.

Response: We concur. Multiple mandatory reviewers are assigned to each Events & Transportation (E&T) account in keeping with the practice established in consultation with Administration Financial & Administrative Services. These reviewers include both the manager of the respective unit and the E&T Budget and Finance Manager. This assignment continues to ensure that at least one of the mandatory reviewers is reviewing each transaction within two business days. With regard to Fleet and Transit, mandatory reviewers have developed personal schedules pertaining to the review of PANs to further ensure compliance.

Fuel Keys

Fuel key inventory procedures and inventory count supporting documentation were assessed for appropriateness and adequacy. Also, interviews were conducted with FS management to obtain an overview of the processes and controls over fuel key assignment, usage, and accountability.

In addition, observations were performed to assess the physical security of unassigned fuel key inventory. Further, individual and bulk fuel purchase transaction information, reconciliation procedures, and approvals were reviewed to ensure adequacy, accuracy, and timeliness.

1. EJ Ward Fuel Keys

A sample of 15 Fuel Key Assignment forms were reviewed to verify that assignment and issuance information on file was complete and contained proper approvals. Also, purchasing controls and restrictions for the 15 selections were assessed for reasonableness based on operational needs.

The EJ Ward Fuel Key Assignment form functions as transfer/assignment of the fuel key to a specific vehicle. The fuel key stays with the vehicle, even though multiple employees within the department may end up driving the vehicle at any given time regardless of which particular employee has signed the assignment form. A valid driver’s license is requested by FS from the employee picking up the assigned EJ Ward Fuel Key.

EJ Ward Fuel Keys are only issued to vehicles that are used in the general vicinity of the campus since they can re-fuel from the FS fuel pumps.

If the EJ Ward System suffers a power failure, the fuel island terminal is equipped with a back-up power supply. The terminal will continue to collect transaction data normally for a maximum of 500 transactions. When power is restored to the server, it will automatically upload the collected data from the terminal.

During this review it was noted that the EJ Ward System is currently being upgraded to a new version. A&AS will conduct appropriate audit testing of the EJ Ward System application controls during the next audit cycle.

There were no significant control weaknesses noted in this area

Fuel Cards

Fuel card inventory procedures and physical inventory count supporting documentation were assessed for adequacy and appropriateness. In addition, interviews were conducted with FS management to obtain an overview of the processes, controls, usage, and accountability over Voyager and Clean Energy Fuel Cards.

Observations were performed to assess the physical security of unassigned fuel card inventory. Additionally, fuel card purchase transaction information and reconciliation procedures, and related supporting documentation were reviewed to assess their adequacy, accuracy, and timeliness. The following was noted:

1. Voyager and Clean Energy Fuel Cards

A sample of 15 Voyager Fuel Card Assignment Forms and 14 Clean Energy Assignment Forms were reviewed to verify that assignment and issuance information on file was complete and contained proper approvals. Purchasing controls and restrictions for the 15 Voyager selections were also evaluated for reasonableness based on operational needs.

Voyager Fuel Cards function like a restricted credit card. Voyager Fuel Cards are issued to campus vehicles that are operating beyond the general vicinity of the campus. There are approved Voyager fueling stations all across the United States. Voyager provides various control features (gallons per day, swipes per day, per day dollar limits, decline of unallowable items, PIN numbers, etc.). Voyager also provides customer service 24-hours per day/7 days per week, online management and administration tools, reports, and monthly billing on a per vehicle basis with relevant purchase details.

Clean Energy Fuel Cards also function as a credit card, but are only issued to departmental vehicles that use natural gas. Departmental vehicles that are issued Clean Energy Fuel Cards typically fill up at the self-service CNG station located adjacent to the FS yard. This CNG station has two types of dispensers for use: 3,000 PSI (pounds per square inch) and 3,600 PSI. Cars equipped to receive 3,600 PSI typically can travel longer distances than cars with 3,000 PSI.

In the event a Voyager Fuel or a Clean Energy Fuel Card fails to work properly at the point of sale machine or is lost/misplaced, a replacement card is ordered through the designated Voyager Fuel Card or Clean Energy Fuel Card representative. The original card is subsequently cancelled.

There were no significant control weaknesses noted in this area.

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