EVENTS & TRANSPORTATION

FLEET & TRANSIT

FUEL ACCOUNTABILITY

AUDIT REPORT #20-2207

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2019-20 audit plan, Audit & Advisory Services (A&AS) conducted an audit of Fleet & Transit (F&T) Fuel Accountability activities.

F&T is comprised of two operating units: Fleet Services (FS), a self-supporting service enterprise, and Transit Services, a subsidized service enterprise. F&T provides fleet management services, including supplying fuel, for approximately 1,050 UCLA vehicles, which include cars, 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.

F&T stores unleaded gasoline in twin 10,000-gallon underground storage tanks to fuel its vehicles. The unleaded fuel from the twin tanks is dispensed from four fuel pumps through eight nozzles 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 used to record gasoline received and dispensed. Fueling transactions are initiated using a vehicle fuel FOB issued to the campus department vehicle or equipment, and 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. The system will sound an alarm in the event of a leak in the tanks. Access to tanks is locked at all times, except when fuel is being delivered.

In addition to unleaded fuel, University vehicles also use compressed natural gas (CNG). 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 University-owned CNG vehicles (via the Clean Energy credit card), and to the 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. 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.

During fiscal year 2018-19, F&T purchased 408,369 gallons of unleaded gasoline and 12,122 GGE (gasoline gallon equivalent) of CNG. Total fuel expenditures were approximately $1.1 million for unleaded gasoline and $36,290 for CNG.

## Purpose and Scope

The primary purpose of the review was to ensure that Fleet & Transit’s organizational structure and controls, and the related systems and procedures surrounding fuel accountability activities are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. 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 Key FOBs and Fuel Key Cards
* Information Technology – System Access

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, F&T’s 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 implementing the following:

*Fuel Purchasing and Receiving*

* Backup personnel should be assigned and cross-trained to handle key fuel accountability functions/activities and duties should be adequately segregated to minimize errors and unauthorized transactions.
* Policies and procedures should be periodically reviewed and kept up-to-date to reflect current business practices related to key fuel operational activities, including but not limited to, purchasing and receiving, fuel card/FOB administration, annual inventory procedures, and compliance activities.

*Fuel Key FOBs and Fuel Key Cards*

* Management should continue its efforts to monitor fuel usage for unusual activities, errors, or unauthorized transactions and look into opportunities to enhance monitoring reports through data analytics and developing exception reports.
* Management should investigate the feasibility of incorporating enhanced security features for Voyager cards such as deactivating unissued cards (inactive status) or automatically disabling Voyager cards if they are lost or stolen.

*Systems Access – E.J. Ward System*

* Management should implement a procedure for the authorization and administration of user access to the E.J. Ward system that should include, but not be limited to authorizing, reviewing and removing user access. Policies should also be in place to ensure that shared accounts are not created. In addition, management should provide a backup for administering user access to the E.J. Ward system.

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 Falcon Fuel to provide unleaded fuel for the on-campus fueling station. The F&T Fuel & Special Projects Coordinator is responsible for monitoring fuel levels for the two 10,000-gallon underground unleaded fuel tanks and contacting Falcon Fuel 24 hours prior to a delivery being required. F&T personnel receive fuel deliveries from Falcon Fuel by unlocking the underground storage tank and running a pre-delivery fuel inventory tank meter reading. After delivery is complete, the tanks are locked and a post-delivery tank meter reading is generated. The delivery driver leaves a bill of lading and delivery receipt, which indicates the amount of fuel ordered and amount delivered. For each fuel delivery, the F&T Fuel and Special Projects Coordinator performs a reconciliation between the tank meter readings, and the invoice/bill received from Falcon, and also approves the invoice prior to payment processing.

A judgmental sample of 24 fuel purchase transactions were selected from the Campus Data Warehouse (CDW) for fiscal year (FY) 2018-19 and supporting fuel delivery documentation was obtained from F&T to ensure proper approvals prior to delivery and that data was accurately entered into the E.J. Ward inventory system. A&AS also assessed the adequacy of separation of duties around the fuel purchasing and receiving process and physical security over the unleaded fuel tanks.

Based on review, the following was noted:

1. Fuel Purchasing Test Work
* All 24 fuel purchase orders were accurate, complete, and had been approved prior to fuel delivery.
* Review of the sample of 24 "Inventory Report" receipts (two receipts were generated, one before and one after fuel delivery) showed that the receipts were date stamped, evidencing that Fleet Maintenance personnel took Veeder-Root tanks readings before and after the delivery.
* The 24 Bill of Lading and delivery documents accurately depicted the date, time, gross gallon amount, net gallon amount, customer name, customer address, and purchase order (PO) number. The documents also included the signature of fleet maintenance personnel that certified the acceptance of the fuel delivery.
* The UCLA Fleet and Transit Fuel Receiving forms are prepared by the Fuel & Special Projects Coordinator and used to enter fuel delivery data into the E.J. Ward system. A&AS verified that for the 24 sample transactions, the UCLA Fleet and Transit Fuel Receiving forms were complete, accurate, and had been approved. Test work included verifying the gallon totals, net gallon amounts delivered per invoice, variance (aka Deviation) numbers and percentages, and the name/signature of the Fleet Maintenance person who received the fuel. Standard deviations within 1% were verified for accuracy and there were no variances that were greater than 1%.
* The sample of 24 fuel delivery invoices were approved for payment processing as evidenced by the signature of the Fuel & Special Projects Coordinator. The approval date and correct full accounting unit (FAU) were also verified for completeness and accuracy.

There were no significant control weaknesses noted in this area.

1. Key Person Dependency / Separation of Duties

The F&T Fuel & Special Projects Coordinator is primarily responsible for handling key fuel operational activities, including but not limited to monitoring fuel inventory levels, fuel order requests, entering fuel data in E.J. Ward, fuel purchase reconciliations, fuel card/FOB administration, compliance monitoring, and various fuel tracking and monitoring activities. Significant reliance on one individual could expose the University to potential key person dependency risk since there is no formal backup-personnel assigned to handle responsibilities performed by the F&T Fuel and Special Projects Coordinator.

For one of 24 fuel deliveries tested, A&AS noted that there was inadequate separation of duties surrounding the fuel receiving process since the F&T Fuel & Special Projects Coordinator who requested the delivery also received and approved the delivery purchase and performed the reconciliation between the fuel tank meter readings and fuel delivery invoice. A&AS discussed the incident with F&T management who advised that only a limited number of staff are trained to handle deliveries and the individuals were not available to receive the delivery that day. However, as of January 2020, additional F&T staff members have been trained to receive fuel deliveries and enter key fuel information into the inventory system. Furthermore, F&T management advised A&AS that F&T personnel will enhance the Fuel Receiving form to include comments related to any special circumstances encountered during delivery, including a section for line of superintendent acknowledgement.

Recommendation: Backup personnel should be assigned and cross-trained to handle key fuel accountability functions/activities and duties should be adequately segregated to minimize errors and unauthorized transactions.

Response: Additional Fleet Maintenance employee training/cross-training has been implemented early in 2020 and employees identified. Additional fuel accountability/activity is now covered with 2 additional layers of back-up employees designed to fill-in and cover responsibilities when primary is not on site. This process is managed by the Fleet Superintendent.

1. Fuel Accountability Policies and Procedures

During the examination of fuel accountability procedures, A&AS noted that policies and procedures had not been updated since 2016. In addition, written procedures have not been established for compliance activities related to fuel accountability. During the course of the audit, written procedures were updated in February 2020 to reflect current practices.

Recommendation: Policies and procedures should be periodically reviewed and kept up-to-date to reflect current business practices related to key fuel operational activities, including but not limited to, purchasing and receiving, fuel card/FOB administration, annual inventory procedures, and compliance activities.

Response: The fuel policies are now reviewed by the Fuel Coordinator and Fleet Superintendent semi-annually including updates and operational changes, developments, and process improvements. Additional updates were also made in alignment and compliance with regulation/legal changes, amendments, updates, and guidelines.

1. Physical Security over Fuel Inventory

Discussions were conducted with key F&T personnel to obtain an understanding of physical security procedures and controls surrounding fuel inventory (storage tanks) to ensure the adequate safeguarding of fuel. The COVID-19 stay at home orders prevented A&AS from inspecting and observing the physical security controls surrounding fuel inventory and deliveries. However, through discussions with management and examination of fuel inventory procedures A&AS was able to determine unleaded fuel inventory (storage tanks) are adequately safeguarded to prevent excessive and unauthorized dispensing of fuel by the following:

* Access to both twin fuel tanks maintain a standard padlock over each cap that dispenses fuel. Fuel tanks are unlocked before fuel deliveries and re-locked after fuel deliveries are complete. Keys to the padlock are restricted to key F&T personnel involved in the fuel receiving process and properly safeguarded.
* Cameras oversee the fuel island, and access to the cameras is restricted based on job responsibilities.
* Backup power supply is available to ensure that fuel management data is not lost in the event that the power goes out.
* Remote access via “Insite360” to the Veeder Root system is available to monitor fuel inventory levels. The system also sends out “Tank Delivery Required Warning” and other important notifications when necessary.

There were no significant control weaknesses noted in this area.

Fuel FOBs and Cards

Interviews were conducted with F&T management and staff to obtain an overview of the processes and controls over the assignment, usage, and accountability for Ward fuel FOBs and fuel cards for Voyager Fuel and Clean Energy. Inventory procedures and annual inventory count supporting documentation were examined for appropriateness and adequacy. Purchasing controls and restrictions were also evaluated for reasonableness based on operational needs.

1. Ward Fuel FOBs

Ward fuel FOBs are used by campus department personnel to purchase unleaded fuel from the on-campus fuel station. The fuel station is for the use of University vehicles and equipment only, and any other use is strictly prohibited. During the vehicle acquisition process, campus department personnel must compete and sign a Fuel FOB Assignment form prior to issuance of the fuel FOB by F&T. In addition, master fuel FOBs are also issued to authorized F&T personnel and used when a departmental vehicle does not have a vehicle FOB in their possession at the time of refueling (after the vehicle has been verified as an authorized University vehicle by F&T). Fuel FOBs are activated and disabled via the Events and Transportation website and the E.J. Ward Fueling system. The Events and Transportation website is utilized to assign fuel FOB numbers to newly created or recently replaced FOBs.

Blank (unissued) fuel FOBs are maintained in a locked cabinet within the Fleet Services office. The unissued fuel FOBs must be formatted at issuance and configured with a unique “key” number and specific information (YR/MK/MD) to the vehicle receiving the FOB in order to be enabled. Each fuel FOB is programmed in the E.J. Ward system to have certain purchasing limits/restrictions (e.g. maximum gallons dispensed per day, maximum travel distance between odometer readings) based on the vehicle type to minimize the risk of unauthorized fuel purchases. At the end of each fiscal year, an inventory of blank fuel FOBs is conducted by the Fuel & Special Projects Coordinator and the results are submitted to the Fleet Superintendent.

Annual fuel card inventory procedures and physical inventory count supporting documentation were assessed for adequacy and appropriateness. Discussions were held with F&T to assess the physical security of blank/unassigned fuel FOBS. A judgmental sample of five vehicles was selected for review to ensure that all fuel purchases associated with the vehicle during FY 2018-19 adhered to the purchasing limits/restrictions established for the vehicle in the E.J. Ward system.

A&AS also leveraged data analytics to verify that fuel FOB purchase transactions were associated with a valid University vehicle by comparing all E.J. Ward fuel records for FY 2018-19 to the Vehicle Inventory Report. Based on the review, A&AS identified some vehicles that had unleaded fuel transactions but were not associated with a valid University vehicle per the Vehicle Inventory Report listing provided by F&T. The majority of these transactions were related to master fuel FOBs that require F&T personnel to manually enter information in the E.J. Ward system when fueling vehicles that cannot locate their fuel FOB at the time of refueling. A judgmental sample of five vehicles was selected for further investigation with F&T and the following was noted:

* For one instance, management was unable to determine whether the vehicle number was associated with a valid University vehicle. The vehicle had two separate transactions (on 9/12/18 and 12/21/18), totaling 46 gallons.
* For three instances, F&T indicated that fuel was appropriately dispensed to a campus department vehicle using the master Fuel FOB but F&T personnel incorrectly entered the vehicle number in the E.J. Ward Fuel system.
* One instance was related to an Enterprise Rent-A-Car rented through the Bruin Car rental program and fuel dispensing was deemed appropriate.

F&T indicated that various fuel usage reports are periodically reviewed to identify unusual activity and help detect errors or authorized transactions.

Recommendation: Management should continue its efforts to monitor fuel usage for unusual activities, errors, or unauthorized transactions and look into opportunities to enhance monitoring reports through data analytics or developing exception reports.

Response: Process improvements have been implemented by the Fuel Coordinator, Fleet Superintendent, and F&T General Manager regarding fuel monitoring, tracking, usage, and unauthorized transactions. Fuel reports are sent to the F&T General Manager on a weekly basis for performance management and oversight. Anomalies identified during weekly performance audits are investigated and resolved. The Fuel Coordinator also provides additional documentation/tracking of details regarding any anomalies.

1. Voyager Fuel Cards

Voyager Fuel Cards are issued to campus vehicles that operate beyond the general vicinity of the campus and function like a restricted credit card. There are approved Voyager fueling stations all across the United States. Voyager provides various control features (gallons per day, card swipes per day, per day dollar limits, 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.

F&T retains approximately 1,700 Voyager Fuel cards and assigned cards are under the control of the issued campus department. Unassigned and/or back up cards are kept in a locked storage bin in the Fleet Services office. Each fuel card is programmed to have a maximum monthly dollar and daily swipe limits established based on the vehicle type to minimize the risk of unauthorized fuel purchases in the event the card is lost or stolen. At the end of each fiscal year, the Fuel & Special Projects Coordinator conducts an inventory of assigned and unassigned cards and the results are submitted to the Fleet Superintendent.

Voyager Fuel card issuance and annual inventory procedures, and physical inventory count supporting documentation were assessed for adequacy and appropriateness. Discussions were held with F&T to assess the physical security of blank/unassigned fuel cards. Data analytics was also leveraged to review fuel card purchase transaction information for FY 2018-19 to assess the adequacy of purchasing controls to ensure that transactions are valid and appropriate.

Based on the review, the following was noted:

* The majority of fuel purchases were within maximum monthly dollar and daily swipe limits established for each card and associated with a University vehicle; however, A&AS identified one vehicle (#4812) in which total fuel purchases for November 2018 was $1,529, exceeding the monthly dollar limit of $1,000. In addition, A&AS identified three vehicles (#4486, #4907, and #4999) that had two fuel purchases that occurred on the same day, which exceeded the one daily swipe limit established for the vehicle. F&T Management explained that Voyager fuel card purchase limits are set to “soft” and campus drivers are allowed to request an exception to exceed thresholds when a limit is reached with proper authorization (typically requested through a call with Voyager with unique PIN verification).
* Voyager cards are shipped to the University in an active (enabled) state and unissued cards are stored in a locked storage bin in the Fleet Services office. As a result, there is an increased risk of unauthorized fuel purchases charged on Voyager cards in the event cards are lost or stolen. Currently, there are approximately 1,278 unassigned Voyager cards within Fleet Services custody that are active/enabled and ready for use.

Recommendation: Management should investigate the feasibility of incorporating enhanced security features for Voyager cards such as deactivating unissued cards (inactive status) and automatically disabling Voyager cards if they are lost or stolen.

Response: Additional measures have been implemented and sustained by the Fuel Coordinator regarding the security of voyager fuel cards, specifically in the areas of deactivating/disabling and the documentation of fuel card inactivity, vehicle decommission, and/or unauthorized use, as well as secure storage of documentation. Unauthorized use cases are escalated to the Fleet Superintendent & F&T General Manager for appropriate follow-up with the identified user/affected department management team.

1. Clean Energy Fuel Cards

Clean Energy Fuel Cards are issued to University departmental vehicles that use natural gas and function as a credit card. 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.

F&T retains approximately 140 Clean Energy Fuel cards and assigned cards are under the control of the issued department. Each fuel card is programmed to have a maximum 50-gallon dispensing limit per transaction to minimize risk of unauthorized fuel purchases in the event the card is lost or stolen. Two cards are maintained for each CNG powered vehicle in the event the primary card fails or is unavailable. Unassigned and/or back up cards are kept in a locked storage bin in the Fleet Services office. At the end of each fiscal year, the Fuel & Special Projects Coordinator conducts an inventory of assigned and unassigned cards and the results are submitted to the Fleet Superintendent.

Clean Energy fuel card issuance and inventory procedures, and physical inventory count supporting documentation were assessed for adequacy and appropriateness. Discussions were held with F&T to assess the physical security of unassigned fuel cards FOBS. Data analytics was also leveraged to review fuel card purchase transaction information for FY 2018-19 to assess the adequacy of purchasing controls to ensure that transactions are valid and appropriate. Based on the review, all fuel purchases for FY 2018-19 were associated with a campus department and fuel dispensed was within the 50 gallon per transaction limit established for each fuel card.

There were no significant control weaknesses noted in this area.

E.J. Ward System User Access

Key discussions were held with Fleet and Transit (F&T) to obtain an understanding of the authorization, administration and review of user access to the E.J. Ward system. E.J. Ward is a fuel management information system used by F&T to track data on receiving, dispensing, and monitory fuel activities. Access rights are granted solely by the F&T Fuel & Special Projects Coordinator based on job responsibilities. New user access to the E.J. Ward system is approved by F&T management on an as needed basis. There are three access roles in E.J. Ward: System Administrator, Fuel Delivery and Front Counter. Access roles are related to administrative duties, receiving fuel deliveries, and the ability to modify records to the E.J. Ward system.

The listing of all 10 user accounts was obtained from F&T management to determine the appropriateness of the user’s access based on job classification and responsibilities. Nine of the 10 user profiles were deemed appropriate.

The following issues were noted:

* A sufficient written procedure does not exist to ensure the authorization and administration of user access to the E.J. Ward system.
* One account logon titled, “Front Counter Profile,” was a shared account with Front Counter role access that had been part of the older version of the E.J. Ward system. The previous system did not have the capability to create unique user logons. Once the E.J. Ward system was upgraded, individual accounts were created for all users. Once the individual logons were created, the “Front Counter Profile” was not used by anyone. Per A&AS recommendation, the account was disabled.
* There is only one user who has the System Administrator role and is authorized to administer user access to the E.J. Ward System.

Recommendation: Management should implement a procedure for the authorization and administration of user access to the E.J. Ward system, which should include, but not be limited to authorizing, reviewing and removing user access. Policies should also be in place to ensure that shared accounts are not created. In addition, management should provide a backup for administering user access to the E.J. Ward system.

Response: A user access procedure has been put in place, and the process is followed by the Fleet Fuel Coordinator to authorize/revoke user access where appropriate. Prior to revoking access, the Fleet Fuel Coordinator notifies the Fleet Superintendent to ensure consistency and accuracy. The Fleet Fuel Coordinator also ensures that shared account access is not created by following established processes for documentation, tracking, and monitoring of account access. Additionally, the Fleet Fuel Coordinator has a trained backup for implementing user access, system monitoring, and revoking/removing user access in the event the primary is off-site. The Fleet Superintendent is also available to step in and perform the above described duties in the event the primary and backup are both off-site.

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