

Special Report

Baltimore County Fuel Operations
Follow-up Review



Office of the County Auditor
Baltimore County, Maryland
March 2020



BALTIMORE COUNTY, MARYLAND

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March 16, 2020

Honorable Members of the County Council
Honorable John Olszewski, Jr., County Executive
Baltimore County, Maryland

We conducted a follow-up review of the actions taken by the Office of Budget and Finance to address the findings in our May 2013 Baltimore County Fuel Operations audit report. The audit report identified 5 findings and included a response from the Office communicating its planned actions to address the findings.

In conjunction with the follow-up review, the Office provided a Status Report (Appendix A), which outlined the implementation status of its actions and indicated that it had corrected all 5 findings as of June 30, 2017. In this regard, we performed certain procedures for the period July 1, 2017 to January 31, 2019 to evaluate whether the Office had corrected the 5 findings. During the review period, approximately 5.8 million gallons of fuel costing approximately \$12.8 million were dispensed at the County's 38 fueling stations. Our review disclosed that the Office had corrected 1 finding and partially (but not fully) corrected the 4 remaining findings. Exhibit 1 (page 4) identifies the Office's assessed implementation status for the 5 findings and the results of our review. Exhibit 2 (page 5) provides the May 2013 audit report findings and recommendations and our assessment of the implementation status and recommendations for the 5 findings.

The Office's response to this report is included as Appendix B.

We wish to acknowledge the cooperation and assistance extended to us by the Office of Budget and Finance, including its Vehicle Operations and Maintenance and Property Management Divisions, the Fire Department, and the Department of Public Works, during this review.

Our reports and responses thereto are available to the public and may be obtained online at "www.baltimorecountymd.gov/agencies/auditor" or by contacting the Office of the County Auditor, 400 Washington Avenue, Towson, Maryland 21204.

Respectfully submitted,

A handwritten signature in black ink that reads "Lauren M. Smelkinson". The signature is written in a cursive, flowing style.

Lauren M. Smelkinson, CPA
County Auditor

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Background

We conducted a follow-up review of the actions taken by the Office of Budget and Finance to address the findings in our May 2013 Baltimore County Fuel Operations audit report. The audit report identified 5 findings and included a response from the Office (for its Vehicle Operations and Maintenance (VOM) Division, the Fire Department, the Department of Public Works (DPW), and the Department of Recreation and Parks¹) communicating its planned actions to address the findings.

The Office of Budget and Finance provided a Status Report (Appendix A), which outlined the implementation status of its actions and indicated that it had corrected all 5 findings as of June 30, 2017. In this regard, we performed certain procedures for the period July 1, 2017 to January 31, 2019 to evaluate whether the Office had corrected the 5 findings. Our review disclosed that the Office had corrected 1 finding and partially (but not fully) corrected the remaining 4 findings.

Exhibit 1 (Summary - Implementation Status of the Office's Responses to Audit Findings) identifies the Office's assessed implementation status for the 5 findings and the results of our review. Exhibit 2 (Detail - Implementation Status of the Office's Responses to Audit Findings) provides the May 2013 audit report findings and recommendations and our assessment of the implementation status and recommendations for the 5 findings.

The Office's response to this report is included as Appendix B.

Fuel Operations

The Office's VOM and Property Management (PM) Divisions, the Fire Department, and the DPW are responsible for managing the County's fuel operations. In this regard, these agencies oversee the County's 38 fueling stations, which are used by certain County agencies, component units (i.e., Baltimore County Public Schools (BCPS) and the Baltimore County Public Library), and non-County entities (i.e., Baltimore County volunteer fire companies, the Baltimore County Revenue Authority, the Maryland Department of Human Resources (Social Services), Towson University, and trash haulers).

Of the County's 38 fueling stations, 21 are automated and 17 are non-automated and are managed as follows²:

¹ Subsequent to the May 2013 report, responsibility for the Department of Recreation and Parks' station was transferred to the Office's Property Management Division.

² Since our audit in May 2013, 9 non-automated stations were converted to automated stations (DPW and PM); 2 automated and 1 non-automated stations were closed and 2 automated stations were opened.

<u>21 Automated Stations</u>	<u>17 Non-Automated Stations</u>
11 - VOM	16 - Fire
9 - DPW	1 - DPW
1 - PM	

Fuel Cards

VOM is responsible for issuing fuel cards to each County agency/component unit/non-County entity for use at both the automated and non-automated stations. A “vehicle and equipment” fuel card is assigned to a specific vehicle or piece of equipment (e.g., tractor, chainsaw), and a “gas can” fuel card is assigned to a specific County agency/component unit/non-County entity for its small equipment (e.g., leaf blower, weed eater). VOM uses a computerized fuel software system, which allows VOM to configure the fuel cards to prevent the unauthorized and improper use of fuel. As of January 17, 2019, VOM’s records listed a total of 5,579 issued fuel cards, including 5,451 vehicle and equipment and 128 gas can fuel cards.

Automated Stations

To dispense fuel at an automated station, a user is required to swipe a fuel card and to enter additional information (e.g., vehicle odometer reading) into a fuel pump. VOM’s fuel software system also tracks fuel usage and inventory levels of the automated pumps. During the review period, approximately 5.3 million gallons of fuel costing approximately \$11.6 million were dispensed at the 21 automated stations.

Non-Automated Stations

To dispense fuel at a non-automated station, a station employee is required to unlock or turn on a fuel pump. The fuel card user is required to document the fuel usage on a fuel ticket or on a fuel transaction log, which is to include the user’s name, fuel card number, odometer reading, and gallons dispensed. A station employee also performs (daily or every other day) a fuel inventory reconciliation to monitor fuel levels and usage of the non-automated pumps. During the review period, approximately 534,000 gallons of fuel costing \$1.2 million were dispensed at the 17 non-automated stations.

Billing

VOM uses a computerized billing software system and bills each County agency/component unit/non-County entity monthly for its fuel usage at 1) a pre-established rate per mile for County agencies that lease vehicles from VOM or 2) a per-gallon cost (plus surcharge if applicable) for all other County agencies/component units/non-County entities and gas can card transactions.

Exhibit 1
**Summary - Implementation Status of the
Office's Responses to Audit Findings**

Audit Finding	Status of	
1. VOM lacked adequate controls over fuel cards and its fuel card records were unreliable.	Corrected	Partially Corrected
2. The computerized fuel software system was not always effectively utilized to manage and control fuel usage.	Corrected	Partially Corrected
3. The review of fuel usage data was not adequate and resulted in duplicate billings.	Corrected	Partially Corrected
4. There were inadequate written policies and procedures for safeguarding fuel at the non-automated stations.	Corrected	Partially Corrected
5. Adequate segregation of duties was not established over fuel operations.	Corrected	Corrected

³ Status for each finding is based upon the Office's Status Report as of June 30, 2017 (Appendix A).

⁴ See Exhibit 2, "Detail - Implementation Status of the Office's Responses to Audit Findings."

Exhibit 2
**Detail - Implementation Status of the
Office's Responses to Audit Findings**

1. Audit Finding

VOM lacked adequate controls over fuel cards and its fuel card records were unreliable.

Audit Recommendation

We recommend that VOM use a standardized form for each fuel card request and maintain the approved form, including the assigned fuel card number, in accordance with its records retention policy. We also recommend that VOM review its fuel card records to determine if inactive cards should be deactivated and to deactivate cards issued to equipment that does not require fuel. We further recommend that VOM proactively monitor fuel usage, including reviewing monthly reports, to identify and resolve any questionable fuel usage activity.

Status Based on Auditor's Review - Partially Corrected

Our review disclosed that VOM requires a "Fuel Card Request Form" (except in certain authorized circumstances) from the responsible County agency, component unit, or non-County entity when a new or replacement fuel card is required, or when a fuel card is no longer needed. Each form includes the name and phone number of the County agency/component unit/non-County entity; date, requestor's name and signature; vehicle information including year, make, model, description, license plate number, vehicle identification number, mileage at request date, fuel capacity, and fuel type (gas or diesel); and the VOM-assigned fuel card number. VOM reviews the form to verify that the requestor is an authorized individual and then generates a new/replacement fuel card or deactivates the fuel card (if no longer needed). VOM is to retain the form in accordance with its records retention policy (i.e., 3 years). However, our review disclosed that VOM did not always comply with its records retention policy. Specifically, our review of 41 fuel card requests disclosed that 2 forms were not retained.

Our review also disclosed that in July 2014, VOM performed a review of its fuel card records. During its review, VOM deactivated fuel cards that lacked fuel transaction activity during the previous year or that were issued to equipment (e.g., trailers, snow plows, drills) that did not require fuel. However, our review disclosed that VOM did not perform any subsequent reviews of its fuel card records. Our review disclosed that of the 5,136 fuel cards deemed active during the review period, 624 fuel cards (588 vehicle and equipment and 36 gas can fuel cards) had no fuel transaction activity during the review period.

Additionally, our review disclosed that VOM has delegated the responsibility of monitoring fuel usage activity at the automated and non-automated stations to each County agency/component unit/non-County entity. In this regard, VOM sends a monthly fuel

usage billing report to each County agency/component unit/non-County entity, which then is responsible for reviewing fuel usage (by fuel card) and for detecting potential instances of fuel usage above ordinary levels (e.g., miles per-gallon, frequency of fill ups). However, our review disclosed that some experienced challenges because the fuel usage billing reports were often voluminous (some exceeding 100 pages) and were in “pdf” form, which prevented reports from being sorted (e.g., by vehicle type, type of fuel, gallons obtained, station, day), modified (e.g., to calculate miles per-gallon), or combined with other monthly fuel usage billing reports (e.g., to identify abnormal fuel usage in a particular month).

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that VOM:

- Ensure that all Fuel Card Request forms are retained in accordance with its records retention policy.
- Periodically (at least annually) review its fuel card records and deactivate fuel cards without fuel transaction activity during the previous year.
- Provide fuel usage billing reports in an electronic format (not “pdf”) so each County agency/component unit/non-County entity can more effectively review fuel usage (by fuel card) to detect questionable fuel usage activity.

2. Audit Finding

The computerized fuel software system was not effectively utilized to manage and control fuel usage.

Audit Recommendation

We recommend that VOM review the configuration settings in the computerized fuel software system and implement monitoring controls to ensure that instances of automated control overrides are appropriate and documented.

Status Based on Auditor’s Review - Partially Corrected

VOM uses a computerized fuel software system, which maintains the fuel card records and monitors and tracks fuel usage at the automated stations. VOM bills each County agency/component unit/non-County entity at 1) a pre-established rate per mile for County agencies that lease vehicles from VOM or 2) a per-gallon cost (plus surcharge if applicable) for all other County agencies/component units/non-County entities and gas can card transactions.

A fuel card is required to activate a fuel pump at an automated station. VOM configures fuel cards to prevent the unauthorized and improper use of fuel, including restricting the type of fuel (gas or diesel) and the amount (based on tank capacity for vehicle and

equipment fuel cards, or a limit (e.g., 10 gallons) for gas can fuel cards) of fuel to be dispensed.⁵ For County agencies that lease vehicles from VOM (billed per mile between fill ups), VOM also configures fuel cards to require the user to enter the vehicle odometer reading. The fuel software system calculates whether the odometer reading entered is within 1,000 miles of the last reading. If the odometer reading exceeds 1,000 miles of the last reading entered, then the fuel software system generates an error message on the fuel pump's display and fuel is not dispensed. VOM can override the fuel software system's error to dispense fuel, and VOM is required to document the override on a log.

However, our review of 227,608 vehicle and equipment fuel transactions generated by 1,697 individual cards of County agencies that lease vehicles from VOM (billed at a pre-established rate per mile) disclosed 13,851 transactions by 1,242 individual cards where the difference in odometer readings between fill ups exceeded 1,000 miles. Our review disclosed that this occurred because either the fuel card configurations were not properly set or because of an upgrade to the fuel software system, which only recorded those transactions that exceeded 1,000 miles in the system and allowed fuel to be dispensed. As a result, VOM had not performed/recorded any overrides during the review period. Our review also disclosed that VOM was not aware that the upgrade had modified the 1,000-mile test. Our review further disclosed 1,865 vehicle and equipment transactions generated by 598 individual cards where the user was not required to enter the odometer reading because configurations for fuel cards were not properly set.

Additionally, our review of 2,317 gas can fuel transactions generated by 76 individual cards disclosed 705 transactions by 36 individual cards with fuel card configurations that did not restrict the amount of fuel that could be dispensed. For example, our review disclosed one transaction where 94 gallons of fuel had been dispensed.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that VOM review the configuration settings in the computerized fuel software system to ensure that configuration settings have been implemented properly to prevent the unauthorized and improper use of fuel. We also recommend that VOM review the computerized fuel software system upgrade to ensure that the 1,000-mile test is operational and that overrides are documented and appropriate.

⁵ For the May 2013 audit, fuel cards were also configured to require Police Department personnel to enter an active police ID number; however, shortly after the audit, the Department discontinued this practice.

3. Audit Finding

The review of fuel usage data was not adequate and resulted in duplicate billings.

Audit Recommendation

We recommend that VOM and the County agencies managing the non-automated stations establish procedures to ensure the accuracy of fuel billings.

Status Based on Auditor's Review - Partially Corrected

Our review disclosed that VOM and the County agencies managing the non-automated stations (the Fire Department manages 16 stations and the Department of Public Works (DPW) manages 1 station) have established procedures to ensure the accuracy of fuel billings. However, our review disclosed that these procedures were not documented (VOM and DPW), were not always complied with (VOM, Fire, and DPW), and were not adequate (VOM).

In order for VOM to properly bill each County agency/component unit/non-County entity for fuel at the County's non-automated stations, VOM requires each fill up to be documented on a fuel ticket or a fuel transaction log, and to include the user's name, fuel card number, odometer reading, and gallons and fuel type dispensed. Employees at each station are responsible for compiling the fuel usage data into a Fuel Transaction Station spreadsheet (includes station number), which is provided to VOM (Fire - weekly and DPW - monthly). One VOM employee reviews the spreadsheets, removes any duplicate transactions (i.e., two transactions that include the same station number, fuel card number, odometer reading, and gallons and fuel type dispensed), and uploads the transactions into VOM's computerized billing software system. However, our review disclosed that VOM's procedures were not adequate because the procedures do not require the VOM employee's review to be evidenced. Our review also disclosed that procedures were not always complied with because the Fire Department submitted 7 duplicate fuel transactions to VOM, resulting in duplicate billings for fuel costing approximately \$250 for non-County entities (volunteer fire companies).

Additionally, VOM's billing software system generates an error report for any fuel transactions that were rejected during the fuel transactions upload (e.g., the fuel card number was not found in the system; odometer reading exceeded 6 digits). One VOM employee reviews and clears the errors listed on each report so that the billing software system can accept these fuel transactions. For the review period, the billing software system generated 582 errors (out of 25,837 total fuel transactions). However, our review disclosed that VOM's procedure to clear the errors was not adequate because the VOM employee deduced a fuel card to bill using the odometer reading for each transaction rather than having the Fire Department and DPW investigate/resolve the errors. For example, 514 of the 582 errors occurred because the fuel card number was not found in the billing software system. Errors could have occurred because 1) the Fire Department

and DPW may not have accurately documented each fuel card number (on the fuel ticket/fuel transaction log and/or the Fuel Transaction Station spreadsheet) or 2) the billing software system identified a fraudulent fuel card number that was used to obtain fuel.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that:

- VOM and DPW document their procedures to ensure the accuracy of fuel billings.
- VOM and Fire comply with their procedures to prevent duplicate billings.
- Fire and DPW comply with their procedures to accurately document each fuel card number on the fuel ticket/fuel transaction log and/or the Fuel Transaction Station spreadsheet.
- VOM establish adequate procedures that require all errors to be investigated (coordination between VOM, Fire, and DPW) to ensure that fuel is properly dispensed and billed.

4. Audit Finding

There were inadequate written policies and procedures for safeguarding fuel at the non-automated stations.

Audit Recommendation

We recommend that VOM oversee the process of establishing written policies and procedures to ensure that fuel at the non-automated stations is properly safeguarded. We further recommend that the written policies and procedures ensure that fuel variances are consistently investigated and documented, and that the physical access to fuel pumps is restricted when not in use.

Status Based on Auditor's Review - Partially Corrected

Our review disclosed that the Fire Department and the Department of Public Works (DPW) have established policies and procedures to ensure that fuel at the non-automated stations (16 and 1 station, respectively) is properly safeguarded. However, our review disclosed that policies and procedures to restrict physical access of fuel to authorized users were not documented (DPW), and the documented policies and procedures to monitor fuel inventory were not always complied with (Fire and DPW) or adequate (DPW) as follows:

- The Fire Department's policies and procedures to monitor fuel inventory require reconciliations (at least every other day) between fuel tank readings and fuel usage data (from fuel tickets or fuel transaction logs). The policies and procedures also require that each variance be investigated with a documented explanation.

However, our review disclosed that the Department did not always comply with its policies and procedures. Specifically, our review of 40 fuel inventory reconciliations disclosed 12 reconciliations with variances ranging from -0.1 to 26.4 gallons that either had no comment (7 reconciliations) or a comment that did not adequately explain the reason for the variance (5 reconciliations).

- DPW's policies and procedures to monitor fuel inventory require daily reconciliations between fuel tank readings and fuel usage data (from fuel tickets or fuel transaction logs). However, our review disclosed that DPW did not always comply with its policies and procedures. Specifically, our review of 3 fuel inventory reconciliations disclosed 1 reconciliation that lacked fuel usage data (from fuel tickets or fuel transaction logs) necessary to complete the reconciliation. Our review also disclosed that DPW's policies and procedures were not adequate because 1) fuel variances are not required to be investigated and documented and 2) documentation of a supervisor's review and approval of the daily reconciliations is not required.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that:

- The Fire Department and DPW comply with their policies and procedures to monitor fuel inventory.
- DPW establish adequate written policies and procedures to restrict physical access of fuel to authorized users, require all fuel variances to be investigated and documented, and require a supervisor to review and approve the daily fuel reconciliations.

5. Audit Finding

Adequate segregation of duties was not established over fuel operations.

Audit Recommendation

In order to segregate employee duties so that incompatible processes cannot be performed by one employee acting alone, we recommend that VOM and the County agencies managing the non-automated stations evaluate the responsibilities currently assigned to their employees to restrict an individual from having all or a combination of the following duties over a single transaction: initiation, custody, records maintenance, reconciliation, and authorization. We advised VOM, the Department of Public Works, and the Department of Recreation and Parks⁶ on accomplishing the necessary separation of duties using existing personnel.

⁶ Subsequent to the May 2013 report, responsibility for the Department of Recreation and Parks' station was transferred to the Office's Property Management Division.

Status Based on Auditor's Review - Corrected

Our review disclosed that prior to our follow-up review period, the County had automated 9 non-automated stations (8 - DPW and 1 - Property Management Division), which corrected the segregation of duties issues previously identified. Our review also disclosed that VOM and DPW (1 non-automated station) have segregated employee duties so that incompatible processes are not performed by one employee acting alone.

Review Recommendation

While the agencies have corrected the audit report finding, we recommend that the agencies continue to ensure that employee duties remain properly segregated to prevent incompatible processes from being performed by one employee acting alone.

Scope, Objective, and Methodology

We conducted a follow-up review of the actions taken by the Office of Budget and Finance to address the findings in our May 2013 Fuel Operations audit report. The audit report identified 5 findings and included a response from the Office (for its Vehicle Operations and Maintenance Division, the Fire Department, the Department of Public Works, and the Department of Recreation and Parks⁷) communicating its planned actions to address the findings.

In accordance with the Baltimore County Charter, Section 311, the objective of our review was to determine whether the Office had corrected the 5 audit findings.

Our procedures included reviewing the Office's Status Report, which outlined the implementation status of the Office's actions and indicated that it had corrected all 5 findings as of June 30, 2017. We also inquired of appropriate personnel, inspected documents and records, tested transactions, and performed other procedures that we considered necessary to achieve our objective. Our review was performed for the period July 1, 2017 to January 31, 2019. Data provided in this report for background or informational purposes were deemed reasonable but were not independently verified.

This review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Had we conducted an audit in accordance with generally accepted government auditing standards, other matters may have come to our attention that would have been reported.

Our reports on fiscal compliance are designed to assist the Baltimore County Council in exercising its legislative oversight function and to provide constructive recommendations for improving County operations. As a result, our reports generally do not address activities we reviewed that may be functioning properly.

⁷ Subsequent to the May 2013 report, responsibility for the Department of Recreation and Parks' station was transferred to the Office's Property Management Division.

Appendix A

The Office of Budget and Finance's Status Report

Audit Finding #1 - VOM lacked adequate controls over fuel cards and its fuel		Implementation Status of Office's
Audit Recommendation #1:	Office's Response to Audit Recommendation #1:	
We recommend that VOM use a standardized form for each fuel card request and maintain the approved form, including the assigned fuel card number, in accordance with its records retention policy. We also recommend that VOM review its fuel card records to determine if inactive cards should be deactivated and to deactivate cards issued to equipment that does not require fuel. We further recommend that VOM proactively monitor fuel usage, including reviewing monthly reports, to identify and resolve any questionable fuel usage activity.	The Office of Budget and Finance, Vehicle Operations and Maintenance Division (VOM) will perform an inventory certification with fuel users to get a complete accounting of the fuel cards outstanding. The Office of Budget and Finance will develop a set of standard policies and procedures to be followed by all responsible parties involved in the control and use of County fuel. A standardized form to be used when a fuel card is issued, replaced, or deactivated will be included with these policies and procedures. A log of fuel card transactions will be maintained by VOM personnel. An inactive card will be forwarded to VOM where it will be documented as to its deactivation and disposal. Fuel reports will be monitored by either VOM or each agency as needed for questionable fuel usage. The frequency of this monitoring will be dependent upon the expected benefit versus the cost associated in doing so.	<p>Taken - A standardized form was created and is used for nearly every vehicle. There are circumstances where this form may not be used. Ex. 1 - the Police department has a standardized form (Form 121) that has to be signed by a sergeant or higher to obtain a replacement card. Ex. 2 - When the County schools or another County agency purchases and places in services a large quantity or vehicles. Ex. 3 - When VOM owned vehicles are placed in service for the first time. Ex. 4 - Form generated by EM software that provide required information.</p> <p>Taken - With the July 2014 upgrade to the Gasboy software VOM utilized the opportunity to deactivate old unused fuel card. VOM utilized reports in Faster to reduce the vehicles that needed to be uploaded into the Gasboy system. These reports displayed vehicles/units that did not receive fuel within the year prior to the new Gasboy system. Vehicles fitting that criteria was removed from the upload.</p> <p>Taken - Monthly reports are sent to fuel user agencies detailing mileage or fuel transactions. This information is reviewed by user agency for any discrepancies.</p>

⁸ Office's planned actions were/are:

- (1) **Taken** - audit finding has been corrected (include the specific action(s) taken and the implementation date(s));
- (2) **In-progress** - audit finding has been partially corrected (include the specific action(s) taken and the implementation date(s) and the action(s) to be implemented and the expected date(s)); or
- (3) **Not taken** - audit finding has not been corrected (explain why no actions have been or will not be taken).

Audit Finding #2 - The computerized fuel software system was not always		Implementation Status of Office's
Audit Recommendation #2:	Office's Response to Audit Recommendation #2:	
<p>We recommend that VOM review the configuration settings in the computerized fuel software system and implement monitoring controls to ensure that instances of automated control overrides are appropriate and documented.</p>	<p>The Auditors disclosed various instances where fuel was dispensed despite fuel card configuration setting restrictions which the number of transactions appears to be extracted from a series of computer data analysis. Without going through the details of confirming the number of transactions, the Office of Budget and Finance does recognize that configuration settings were bypassed. Also, while there is an inherent risk to inappropriate fuel associated with some of the override situations, we feel that they do not represent a significant risk. As noted in the discussion note process, a sizeable portion of the disclosed transactions were for diesel fuel which is billed by the gallon and not charged by the mile. Also, the use of the Police ID number is used for tracking purposes only.</p> <p>As recommended, a two-step process will be initiated:</p> <p>1) The Office of Budget and Finance will assess the original system software setup for possible configuration settings changes. 2) VOM will implement a process whereby all overrides are logged which will include the date and time of the override, fuel card number, user name and the reason for the override. VOM will monitor the override log to ensure user compliance with standard procedures for fueling and to determine if specific restrictions are set appropriately for each fuel card.</p>	<p>Taken - A log has been created to track overrides. There have been no overrides. Less than 1% of vehicle transactions have been allowed to get fuel with an incorrect odometer. A software update is now available and we anticipate its installation during the summer months. Each fuel site has to be visited for updating the software. With the update, new reports will be available for better reporting.</p>

Audit Finding #3 - The review of fuel usage data was not adequate and		Implementation Status of Office's
Audit Recommendation #3	Office's Response to Audit Recommendation #3	
We recommend that VOM and the County agencies managing the non-automated stations establish procedures to ensure the accuracy of fuel billings.	As noted in response #1, the Office of Budget and Finance is in the process of developing standard written policies and procedures related to the use and control of County fuel at the non-automated stations. The policies and procedures will require supervisory review of the fuel reports before they are sent to VOM for billing and tracking purposes. Also, while an error rate of less than one tenth of one percent (205 duplicate billings out of 219,211 transactions reviewed) is an acceptable range, users will be reminded of their responsibility to provide accurate fuel readings.	Taken - VOM automated seven (7) highways shops, to better control the use of County fuel (specifically Diesel). Fire Department fuel sites remain non-automated. Fuel transactions are sent to VOM by a Lieutenant or higher.
Audit Finding #4 - There were inadequate written policies and procedures for		Implementation Status of Office's
Audit Recommendation #4:	Office's Response to Audit Recommendation #4:	
We recommend that VOM oversee the process of establishing written policies and procedures to ensure that fuel at the non-automated stations is properly safeguarded. We further recommend that the written policies and procedures ensure that fuel variances are consistently investigated and documented, and that the physical access to fuel pumps is restricted when not in use.	As noted in response #1, the Office of Budget and Finance is in the process of developing standard written policies and procedures related to the use and control of County fuel at the non-automated stations. The policies and procedures will include instructions on required documentation of fuel variances above specified amounts and on fuel pump access.	Taken - Non automated stations are locked when not in use. Users have to enter station and request key from personnel on site to obtain fuel. Equipment number and quantity obtained is recorded.

Audit Finding #5 - The Bureau had not established written policies and procedures for the repair of snow removal contractors' trucks and equipment or for contractors' usage of County fuel in extenuating circumstances.		Implementation Status of Office's
Audit Recommendation #5:	Office's Response to Audit Recommendation #5:	
<p>In order to segregate employee duties so that incompatible processes cannot be performed by one employee acting alone, we recommend that VOM and the County agencies managing the non-automated stations evaluate the responsibilities currently assigned to their employees to restrict an individual from having all or a combination of the following duties over a single transaction: initiation, custody, records maintenance, reconciliation, and authorization. We advised VOM, the Department of Public Works, and the Department of Recreation and Parks on accomplishing the necessary separation of duties using existing personnel.</p>	<p>The Office of Budget and Finance, in conjunction with the other County agencies, will review various duties and available personnel to ensure that incompatible processes are properly segregated to the fullest extent possible. We recognize that full and complete segregation of duties is not considered cost effective due to staffing limitations. We consider other checks and balances to be in place where full and complete segregation of duties is not attainable (e.g. supervisory review and authorization).</p>	<p>Taken - VOM trained a new employee to oversee automated fuel system, posting of fuel transactions and closing of fuel cards... New fuel cards are created at VOM HV location.</p>

Appendix B

The Office of Budget and Finance's Response



JOHN A. OLSZEWSKI, JR.
County Executive

EDWARD P. BLADES, *Director*
Office of Budget and Finance

March 16, 2020

Ms. Lauren M. Smelkinson, CPA
Office of the County Auditor
Baltimore County, Maryland
Courthouse, Room 221
Towson, MD 21204

Dear Ms. Smelkinson:

We are providing this letter in connection with your follow-up review of the May 2013 Baltimore County Fuel Operations audit for the purpose of evaluating whether the Office of Budget and Finance had corrected the 5 audit findings for the period July 1, 2017 to January 31, 2019. Enclosed please find the Office's response, which covers its Vehicle Operations and Maintenance and Property Management Divisions, the Fire Department, and the Department of Public Works.

Thank you for the opportunity to participate in this review.

Sincerely,

A handwritten signature in blue ink, appearing to read "E. Blades", is written over a horizontal line.

Edward P. Blades
Director

1. Audit Finding

VOM lacked adequate controls over fuel cards and its fuel card records were unreliable.

Audit Recommendation

We recommend that VOM use a standardized form for each fuel card request and maintain the approved form, including the assigned fuel card number, in accordance with its records retention policy. We also recommend that VOM review its fuel card records to determine if inactive cards should be deactivated and to deactivate cards issued to equipment that does not require fuel. We further recommend that VOM proactively monitor fuel usage, including reviewing monthly reports, to identify and resolve any questionable fuel usage activity.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that VOM:

- Ensure that all Fuel Card Request forms are retained in accordance with its records retention policy.
- Periodically (at least annually) review its fuel card records and deactivate fuel cards without fuel transaction activity during the previous year.
- Provide fuel usage billing reports in an electronic format (not “pdf”) so each County agency/component unit/non-County entity can more effectively review fuel usage (by fuel card) to detect questionable fuel usage activity.

Response to Review Recommendation

- The Office agrees with the review recommendation. The Office (VOM) will either monthly or when vehicles go to auction, deactivate VOM owned vehicles fuel cards. The Office will also annually request a list of closed vehicles/equipment from EOM and deactivate these cards
- The Office agrees with the review recommendation although the reviews findings was less than 5% discrepancy. The Office will continue to retain records as per the records retention policy.
- The Office disagrees with the review recommendation. The Office currently can, and does provide billing reports to other agencies in other user friendly formats upon request. We will provide agencies a reminder that the other formats are available.

2. Audit Finding

The computerized fuel software system was not effectively utilized to manage and control fuel usage.

Audit Recommendation

We recommend that VOM review the configuration settings in the computerized fuel software system and implement monitoring controls to ensure that instances of automated control overrides are appropriate and documented.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that VOM review the configuration settings in the computerized fuel software system to ensure that configuration settings have been implemented properly to prevent the unauthorized and improper use of fuel. We also recommend that VOM review the computerized fuel software system upgrade to ensure that the 1,000-mile test is operational and that overrides are documented and appropriate.

Response to Review Recommendation

- The Office agrees with the review recommendation. The Office will work with GASBOY (computerized fuel software system) to correct the 1,000 mile discrepancies. An update/upgrade was installed in April 2019. A new checkbox in GASBOY appears will correct the problem.

3. Audit Finding

The review of fuel usage data was not adequate and resulted in duplicate billings.

Audit Recommendation

We recommend that VOM and the County agencies managing the non-automated stations establish procedures to ensure the accuracy of fuel billings.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that:

- VOM and DPW document their procedures to ensure the accuracy of fuel billings.
- VOM and Fire comply with their procedures to prevent duplicate billings.
- Fire and DPW comply with their procedures to accurately document each fuel card number on the fuel ticket/fuel transaction log and/or the Fuel Transaction Station spreadsheet.
- VOM establish adequate procedures that require all errors to be investigated (coordination between VOM, Fire, and DPW) to ensure that fuel is properly dispensed and billed.

Response to Review Recommendation

- The Office agrees with the review recommendation. The Office (VOM) will attempt to document the procedures that are needed for accurate fuel billings.
- The Office agrees with the review recommendation. The Office actively tries to prevent duplicate billings.
- The Office agrees with the review recommendation. The Office will refer this finding to Fire and DPW
- The Office agrees with the review recommendation. The Office (VOM) will send all fuel posting errors back to the user agency to be investigated.

4. Audit Finding

There were inadequate written policies and procedures for safeguarding fuel at the non-automated stations.

Audit Recommendation

We recommend that VOM oversee the process of establishing written policies and procedures to ensure that fuel at the non-automated stations is properly safeguarded. We further recommend that the written policies and procedures ensure that fuel variances are consistently investigated and documented, and that the physical access to fuel pumps is restricted when not in use.

Review Recommendation

While partial progress has been made on the audit report finding, we continue to recommend that:

- The Fire Department and DPW comply with their policies and procedures to monitor fuel inventory.
- DPW establish adequate written policies and procedures to restrict physical access of fuel to authorized users, require all fuel variances to be investigated and documented, and require a supervisor to review and approve the daily fuel reconciliations.

Response to Review Recommendation

- The Office agrees with the review recommendation. The Office will discuss this finding with Fire and DPW and actively work with them to comply with all policies related to the monitoring of fuel inventory.
- The Office agrees with the review recommendation. The Office will actively work with DPW to establish written policies to restrict fuel to authorized users only and documented daily fuel reconciliations at sites with evidence of supervisory review.

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