



# Department of General Services – Biennial Performance Audit FY21-22

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## Objective

The Department of Audits (DOA) conducted a Biennial Performance Audit of the **Department of General Services (DGS)** covering Fiscal Years Ended June 30, 2022 and June 30, 2021.

The objective of the performance audit was to evaluate the effectiveness of DGS's monitoring controls over City fuel inventory and distribution.

## Background

The DGS Fuel Systems group (Fuel Systems) is responsible for acquiring and dispensing fuel for all City vehicles and equipment. The DGS operates four fuel stations and oversees 16 additional fuel sites.

There are fuel tank monitors that provide data on the amount of fuel that is available, dispensed and purchased at all four of Fuel Systems sites and at seven of the sites they oversee. Fuel Systems uses this information to order fuel for those locations. The remaining nine sites Fuel Systems oversees communicate their refueling needs and how much fuel they need ordered, directly to Fuel Systems.

## Finding I

The DGS does not have a citywide process for agencies to monitor fuel usage to identify anomalies and inconsistencies and reduce the risk of misappropriated fuel.

The DGS charges each agency with fuel monitoring responsibility but does not give agencies the necessary tools to monitor fuel usage in a way that would allow them to detect anomalies in fuel usage. The result is that the City cannot detect misappropriated fuel or fuel not used for the intended purpose.

Without formal, established responsibilities in place that agencies must follow, proper monitoring of fuel usage cannot be done. The City does not have uniform guidance for user agencies for what they should be looking for and the methodology and tools to identify inconsistencies.

## Recommendation I

We recommend the Director of DGS work with agencies to identify key monitoring controls for fuel usage and identifying anomalies.

The Director should also develop uniform guidance for agency Fleet Coordinators for fuel usage monitoring and provide appropriate training.

## **Finding II**

Key controls to identify inventory (fuel) decreases are not effective at certain fueling sites.

Although DGS established Standard Operating Procedures (SOPs) for fueling sites to perform a daily and monthly reconciliation of fuel inventory, these reconciliations are not consistently performed at all fueling sites.

In addition, DGS does not perform periodic site visits to independently verify fuel inventory and validate whether the SOPs for daily and monthly reconciliations are implemented and operating as designed. In some cases, personal at some of the fueling sites were completely unaware of the reconciliation procedures written in DGS's SOPs for daily and monthly reconciliation of fuel inventory.

Validating inventory balances by performing daily and monthly reconciliations not only tells personal when to order more fuel, it also helps identify missing fuel. A lack of controls to ensure inventory is being properly measured and accounted for, limits the effectiveness of investigations into anomalies in fuel inventory -- including misappropriation of fuel.

## **Recommendation II**

We recommend the Director of DGS train Site Supervisors and Fuel Attendants in charge of tracking daily fuel inventory to clarify the SOPs for daily and monthly fuel inventory reconciliation.

DGS should also establish and implement a SOP for periodic (such as monthly) DGS independent surprise visits at fueling sites to verify fuel inventory and validate that standard procedures are implemented and operating as designed.

## **Finding III**

In terms of employee fuel cards, authorization, deactivation, and emergency card inventory controls are not working effectively to properly monitor and restrict card use to City employees for City business.

DGS does not maintain all documentation for fuel cards to prove authorization. Additionally, DGS does not deactivate employees' accounts (PIN) immediately after employees leave their positions (retire, terminated, and transfer). Also, an independent employee in DGS does not validate whether transactions for emergency fuel cards are valid transactions.

Without effective controls over PIN and card inventory, misuse of fuel cards and the risk of misappropriation of fuel is increased. For example, we found a fuel card assigned to an employee, who retired in 2022, had transactions subsequent to the employee leaving the City. We identified 31 transactions between April 27, 2022 and January 18, 2023 for 445.49 gallons of gas totaling \$1,963.05.

## **Recommendation III**

We recommend the Director of DGS:

- Provide reports to agencies that detail card activities that include but are not limited to employee names, number of gallons used, and associated dollar amounts;
- Periodically (monthly, quarterly, semi-annually, or annually) generate a user report and ask agencies to confirm the validity of those users;
- Establish and implement a formal process that requires agencies to notify DGS of employee separations to deactivate employee PINs;
- Establish and implement formal (written, approved, dated) citywide policies and procedures for the second and third bullets above; and
- Establish and implement a periodic (e.g. monthly) independent review process for emergency fuel cards and formally document (written, approved, and dated) the process.

#### **Finding IV**

Security cameras are not deployed at all sites.

Certain manual fuel sites do not have cameras to deter and aid in investigating suspicious activities. Specifically, three of the nine sites, or 33% of the sites we visited do not have cameras although they have other physical security measures including Fuel attendants observing the fuel pumps, locked entrances, secured perimeters, and locked pumps. All three sites with without cameras were manual sites; unlike online sites, these manual sites do not require fuel cards and employee PINs to dispense fuel.

A lack of cameras at manual sites limits the effectiveness of investigations related to anomalies including misappropriation of fuel.

#### **Recommendation IV**

We recommend that the Director of DGS consistently deploy cameras at all fueling stations.

#### **Finding V**

The City paid for the fuel of two municipal golf courses that are independently operated and managed by a non-profit organization.

Since 1985, the Baltimore Municipal Golf Corporation (BMGC) has independently run the City's five municipal golf courses including fuel inventory management and fuel purchases – prior to that the City operated these municipal golf courses.

However, from fiscal years 2017 to 2023, DGS paid for fuel purchases incurred at two of these municipal golf courses. As per the agreement between the City and BMGC, the City transferred all operating costs to BMGC including fuel expenses. However, DGS personnel were unaware that BMGC was responsible for their own fuel costs and continued to pay the invoices for these two golf courses. For seven fiscal years, we identified the City paid \$49,458 (18,591 gallons) in fuel charges for two of the five golf courses.

#### **Recommendation V**

We recommend the Director of DGS improve monitoring of fuel invoices to verify DGS pays for fuel purchases applicable to the City only.

## **Conclusion**

Our audit revealed that the DGS controls used to monitor fuel usage, inventory balances, charges, and changes in employee access (e.g., authorized activation and timely deactivation of fuel cards) to fueling systems require a great deal of improvement. Specifically, DGS does not currently:

- Have a citywide process for agencies to monitor fuel usage to identify anomalies;
- Validate whether SOPs for daily and monthly inventory recordation and reconciliation are applied across all fuel sites;
- Maintain all documentation for fuel cards to prove authorization; deactivate fuel cards timely after employees separate from positions (retire, terminated, and transfer); and effectively restrict the use of emergency fuel cards for City of Baltimore business only;
- Confirm whether operable cameras are installed at all fueling locations; and
- Verify that all fuel costs are for City operations.

Without these control measures in place, management cannot possibly manage inventory and distribution or detect misappropriated fuel.

The Director of DGS has agreed to implementing the recommendations in this report.