



BIENNIAL PERFORMANCE AUDIT OF THE DEPARTMENT OF GENERAL SERVICES

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DECEMBER 6, 2023 AT 9 AM – PRESENTATION TO THE BOARD OF ESTIMATES

OUTLINE

1. Audit Objective and Scope
2. Identified Risks
3. Audit Methodologies
4. Background Information
5. Findings
6. Questions?

AUDIT OBJECTIVE AND SCOPE

- Evaluate the effectiveness of monitoring controls over fuel inventory and distribution.
- Fiscal Years 2022 and 2021
- Related division is the Fuel Systems group under Fleet Management
- Selected agencies are:
 - Baltimore City Fire Department (BCFD)
 - Baltimore City Recreation and Parks (BCRP)
 - Baltimore Police Department (BPD)
 - Department of Housing and Community Development (DHCD)
 - Department of Transportation (DOT)
 - Department of Public Works (DPW)



IDENTIFIED RISK FOR REVIEW

Two major risks were addressed in this audit:

- Operational risk
- Fraud risk



AUDIT METHODOLOGIES

- Obtained and reviewed policies and procedures that govern fueling operations
- Analyzed E.J. Ward and FASTER systems and reporting
- Interviewed key individuals from DGS and selected City agency fleet coordinators and chief financial officers
- Visited and observed online and manual fueling operations, site security, physical measurement of fuel remaining in tanks, and inventory reporting
- Judgmentally selected 28 monthly samples and 56 daily samples and tested effectiveness of daily and monthly reconciliations for underground and aboveground tanks
- Judgmentally selected 20 fuel cards and 92 WEX accounts to validate authorization, employment with City, deactivation of cards and accounts upon separation from current positions

BACKGROUND

The DGS:

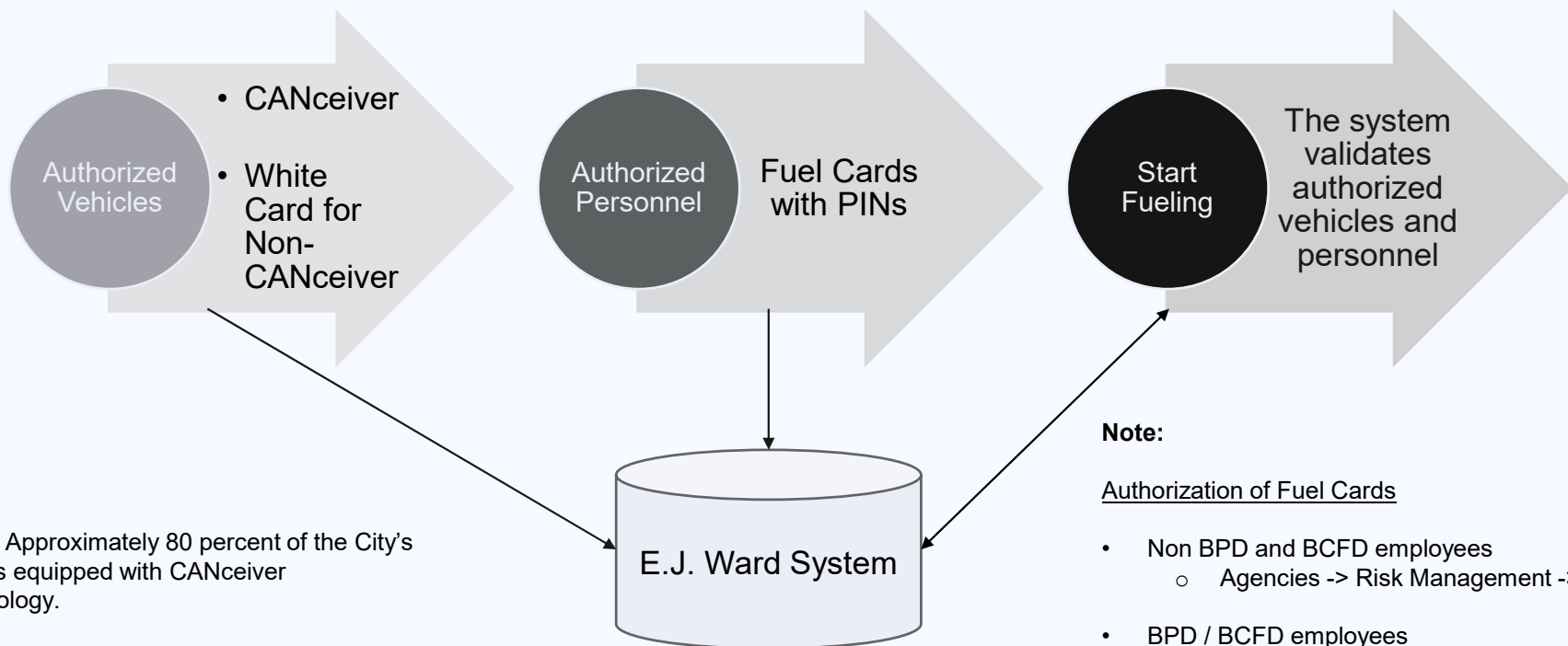
- Operates four online fuel stations (3 sites with underground tanks and 1 site with above ground tanks)
- Oversees fuel sites noted below

Agencies	Manual Sites	Online Underground	Online Aboveground
Baltimore City Public Schools (BCPS)	None	1	None
BCRP - Parks	2	None	1
DPW - Water and Wastewater	2	1	3
DPW - Solid Waste	None	None	1
Mobile Trucks ¹	None	None	5

Notes: ¹ BCFD, DOT, DPW Solid Waste - Quarantine Road Landfill (two tanks), and DPW Water and Wastewater.

Source: DGS

FUELING PROCESS WITH FUEL CARDS AT ONLINE FUELING STATIONS



Note: Approximately 80 percent of the City's fleet is equipped with CANceiver technology.

Note:

Authorization of Fuel Cards

- Non BPD and BCFD employees
 - Agencies -> Risk Management -> DGS
- BPD / BCFD employees
 - BPD / BCFD -> DGS

BACKGROUND (CONTINUED...)

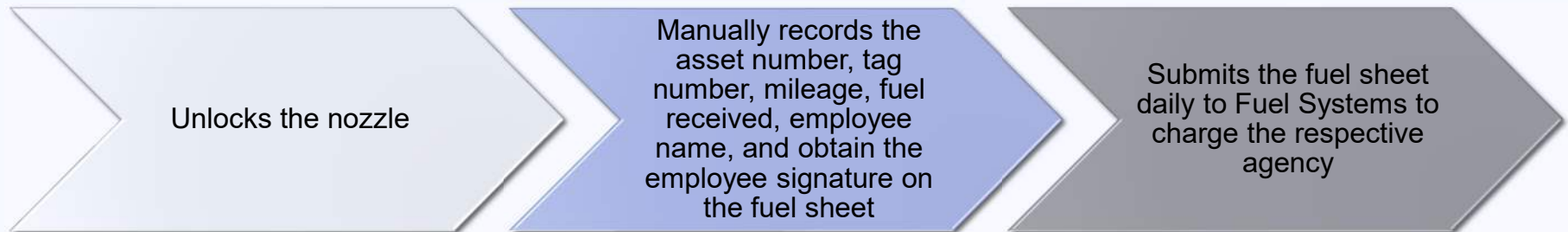
Annual Cost and Gallons of Fuel

Fuel Type	FY 2021		FY 2022	
	Cost	Gallons	Cost	Gallons
Unleaded	\$3,569,817	1,808,427	\$5,276,876	1,689,507
Diesel	\$2,356,869	1,422,070	\$4,519,069	1,421,250
Total	\$5,926,686	3,230,497	\$9,795,945	3,110,757

Source: DGS

FUELING PROCESS AT MANUAL FUELING STATIONS

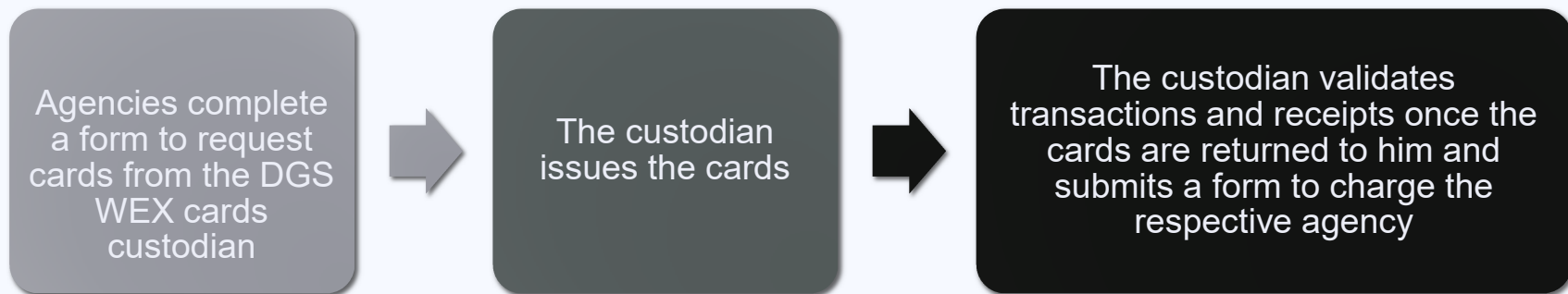
Fuel attendant:



WEX CARDS



EMERGENCY WEX CARDS (POPULATION = 10)



FUEL AND WEX CARDS POPULATION

Agencies	Fuel Cards ¹		WEX Cards ²	
	Number	Percentage	Number	Percentage
BCFD	1,672	21	52	34
BCPS	394	5	0	0
BCRP	249	3	0	0
BPD	2,122	26	87	56
DOT	617	8	0	0
DPW	2,080	26	11	7
Others	969	12	4	3
Total	8,103	100	154	100

Notes: ¹ The information is based on the data as of July 27, 2023.

² The information is based on the data as of September 13, 2023.

Source: DGS

FINDING I

- **Caption** - The DGS Has Not Established a System of Monitoring Fuel Usage and Identifying Anomalies.
- **Condition** - The DGS delegates monitoring responsibility to agencies; however, DGS did not give necessary tools to agencies to monitor fuel usage and identify anomalies.
- **Effect** - The City cannot detect misappropriated fuel or fuel not used for the intended purpose.
- **Cause** - There is no formally established responsibility for agency Fleet Coordinators. Specifically, the City does not have uniform guidance for user agencies for what they should be looking for and the methodology to identify anomalies.

FINDING I (CONTINUED...)

Recommendation I - We recommend the Director of DGS:

- Work with agencies to identify key monitoring controls for fuel usage and identifying anomalies;
- Establish those identified controls in the Ward system; and
- Develop uniform guidance for Fleet Coordinators for fuel usage monitoring and provide training.

FINDING II

Caption - Key Controls to Identify Inventory Shrinkage Are Not Effective at Certain Fueling Sites.

Condition - The DGS has established Standard Operating Procedures for daily and monthly reconciliation of fuel inventory. However, these reconciliations are not consistently performed at all fueling sites.

- **Manual sites** - Three of six manual sites do not stick tanks to measure the fuel inventory and convert the result to total gallons, nor do these sites perform monthly reconciliations.
- **Online-aboveground sites** – All six online-aboveground sites perform daily reconciliations; however, four of six sites do not perform monthly reconciliations. The remaining two aboveground sites, formerly underground sites, continue doing monthly reconciliations as instructed by DGS.
- **Online-underground sites** – All five online-underground sites perform daily and monthly reconciliations. However, these sites investigate after two consecutive months of material variances between the ending book balance and the physical inventory balance.
- **Testing Results for Daily and Monthly Reconciliations** - Significant exceptions and inconsistencies among online-aboveground sites and online-underground sites were noted.
- **Independent Surprise Site Visits** - DGS does not perform periodic site visits to independently verify fuel inventory and validate whether the Standard Operating Procedures for daily and monthly reconciliations are implemented and operating as designed.

FINDING II (CONTINUED...)

- **Effect** - The validated inventory balance resulting from daily and / or monthly reconciliations **prompts responsible personnel to order fuel**. Also, it **helps identify missing inventory**. A lack of controls to identify inventory shrinkage limits the effectiveness of investigations related to anomalies including misappropriation of fuel.
- **Cause** - According to the personnel at the manual sites that we visited, they were unaware of the reconciliation procedures written in DGS's Standard Operating Procedures for daily and monthly reconciliation of fuel inventory.

FINDING II (CONTINUED...)

Recommendation II - We recommend the Director of DGS:

- Train Site Supervisors and Fuel Attendants in charge of tracking daily fuel inventory from fuel dispensing facilities to clarify the Standard Operating Procedures for Daily Inventory Control and Monthly Inventory Control are applicable to **all** fueling sites; and
- Establish and implement Standard Operating Procedure for periodic (such as monthly) DGS independent surprise visits at fueling sites to verify fuel inventory and validate whether standard procedures are implemented and operating as designed.

FINDING III

- **Caption** - Authorization, Deactivation, and Emergency Card Inventory Controls Are Not Working Effectively to Restrict Use to City Employees for City Business.
- **Conditions** – The DGS:
 - I. Did not maintain all documentation to support authorization of fuel and WEX cards selected for review.
 - II. Does not deactivate employees' accounts (PIN) immediately after employees are separated from their positions.
 - III. Does not **independently** validate whether transactions for emergency WEX cards are valid transactions.

FINDING III (CONTINUED...)

I. Missing Documentation to Evidence Authorizations

Type	Reviewed	Missing documents (Number)	Missing documents (Percent)
Fuel Cards	20	3	15
WEX Cards	42	6	14

FINDING III (CONTINUED...)

II. Separated Employees Listed as Active in Fuel Management Systems

Types	Samples	No of Active PINS*	Subsequent Activities As of October 13, 2023
Fuel Cards	20	1 (5 Percent)	Separation date was in FY 2016. None noted.
WEX Cards – Old System	92	10 (11 Percent)	<p>Separation dates are between December 1, 2014 and June 30, 2022. All PINs were active until July 2023.</p> <p>One employee’s account had 31 transactions between April 27, 2022 and Jan 18, 2023 for 445.49 gallons totaling \$1,963.05. The employee retired in early April 2022.</p>
WEX Cards – New System	92	13 (14 Percent) <ul style="list-style-type: none"> • 4 – PINs are active and cards were assigned • 9 – PINs are active but cards were not issued 	<p>None noted.</p> <p>Both PINs and physical cards are required to fuel vehicles at retail gas stations. However, active PINs for former employees indicate that the key control of creating and managing PINs is not working effectively.</p> <p>Note: *Analysis is based on the data provided to auditors in September 2023.</p>

FINDING III (CONTINUED...)

- **Effect** - Without effective controls over PIN and WEX card inventory, misuse of fuel cards / misappropriation of fuel is increased.
- **Causes** -
 - The City's separation checklist requires agencies to collect fuel and WEX cards upon employee separation. However, according to DGS, they are not notified by agencies.
 - DGS does not provide detailed transaction reports by employee, which could have identified the inclusion of separated employees. Agencies currently receive a monthly summary report of total gallons and cost.

FINDING III (CONTINUED...)

III. Emergency WEX Cards

- The DGS custodian is making sure agency transactions are valid.
- There is no independent DGS employee review to confirm there are no personal transactions or fuel usage.

FINDING III (CONTINUED...)

Recommendation III - We recommend the Director of DGS:

- Provide reports to agencies that detail card activities that included but are not limited to employee names, number of gallons, 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 WEX cards and formally document (written, approved, and dated) the process.

FINDING IV

- **Caption** - Security Cameras Are Not Deployed at All Manual Sites.
- **Condition** –
 - Three of nine sites, or 33 percent of sites visited do not have cameras.
 - Other physical security measures including Fuel attendants observing the fuel pumps, locked entrances, secured perimeters, and locked pumps are present.
- **Effect** - Unlike automated sites, these manual sites do not require the use of fuel cards and PINs to dispense fuel. A lack of cameras at manual sites limit the effectiveness of investigations related to anomalies including misappropriation of fuel.
- **Recommendation IV** - We recommend the Director of DGS consistently deploy cameras at all fueling stations.

FINDING V

- **Caption** - The City paid for two municipal golf courses that are independently operated and managed by a non-profit organization.
- **Condition** – Since 1985, the Baltimore Municipal Golf Corporation (BMGC) independently runs the municipal golf courses including fuel inventory management and fuel purchases. However, from FYs 2017 to 2023, DGS paid for fuel purchases incurred at two municipal golf courses. As per the agreement between City and BMGC, it transferred all operating costs to BMGC including fuel expenses.
- **Effect** - Auditors identified the City paid \$49,458 (18,591 gallons) for two of five golf courses between FYs 2017 and 2023.
- **Cause** - DGS personnel were unaware that BMGC was responsible for their own fuel costs and continued to pay the invoices for Mount Pleasant and Pine Ridge 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.



Questions?