

WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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MEMORANDUM

To: Theford L. Shanklin, Director

From: Michael E. Sizemore *MES*

Subject: **ADDITIONAL FOLLOW-UP REVIEW OF THE SPECIAL REPORT OF THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION GAS MILEAGE INTERNAL CONTROL STUDY FOR THE PHH BILLING PERIOD 2/7/2003 - 6/30/2003**

Date: May 4, 2007

In accordance with the request of the Post Audit Subcommittee following the January 2007 Interim Meeting, you instructed us to perform additional followup work regarding the implementation of recommendations contained in the special report of the West Virginia Department of Environmental Protection Gas Mileage Internal Control Study for the PHH Billing Period February 7, 2003 through June 30, 2003. Our previous follow-up indicated the State of West Virginia has engaged a new fuel card vendor - Automotive Rentals, Inc. (ARI); however, the West Virginia Department of Environmental Protection (WVDEP) still had not implemented fully the recommendations made in the previously mentioned Internal Control Study. In addition, we made additional recommendations to the WVDEP regarding the ongoing weaknesses over gasoline card usage which our previous followup disclosed. Specifically, our current followup shows the following:

FINDING #1 - WEAK INTERNAL CONTROLS OVER GASOLINE CARD USAGE

The WVDEP currently processes ARI's invoices for fuel and vehicle maintenance without sufficient oversight procedures in place to ensure appropriate usage of State fuel cards. WVDEP staff responsible for controlling and monitoring the use of State vehicles and gasoline cards believe the system in use by the Department at the time of our prior report was generally sufficient to accomplish the Department's internal control objectives. We did not agree with that assessment at the time of the original study and we believe the features of the current system now used by the WVDEP with respect to the new fuel vendor, ARI, has significant weaknesses in internal controls, primarily because the WVDEP is not utilizing on a routine basis the management reports made available to them by ARI. These Fleet Management Reports include the Fuel Report; Odometer History Report; and, the Service History Report. Instead, the WVDEP only plans to use these available Fleet Management Reports on an "exception" basis.

We believe the WVDEP should use the Fleet Management Reports from ARI to monitor and control the usage of State fuel cards, use of State vehicles and to aid in the audit of the monthly invoices from ARI for fuel purchases and vehicle maintenance charges to ensure such usage was for State business.

CURRENT STATUS

The WVDEP has requested ARI to design an exception report specifically for their use. This exception report will include: purchases made on weekends; instances of three or more purchases in a single day; purchases of either Premium or Plus Unleaded gas; instances where calculated fuel mileage per tank was less than 10 miles-per-gallon or greater than 50 miles-per-gallon; and, purchases of any items other than fuel. In addition, the WVDEP has formulated formal, written procedures for the audit of vehicle fuel invoices. Under these procedures, the WVDEP Fleet Manager will make exception reports available to WVDEP Divisions and Offices which will highlight "red-flag purchases" over a three-month period. Each of these reports will be reviewed by a designated person who will ascertain and document the reasons for the unusual purchases.

Post Audit Division Comments:

The designated exception report should be useful to the WVDEP in controlling the use of State fuel cards. The draft of the audit procedures appear to include sufficient steps to document the WVDEP is controlling the use of State fuel cards assigned to employees and conducting appropriate followup of instances where purchases appear to be unusual in nature.