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# Department of Administrative Services

## Voyager Card Audit

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**Audit Period: December 2014 through March 2015**

### Results Summary:

Objective	Conclusion
Creation and Modification of Cardholder Accounts	Major Improvement Needed
Monitoring of Payment Card Transactions	Major Improvement Needed
Verification of the Rebate Calculation and Allocation of the Rebate	Well-Controlled with Improvement Needed

\* Please refer to Appendix A for classification of audit objective conclusions.



## **Executive Summary**

### **Background**

The Department of Administrative Services' (DAS), Office of Fleet Management (OFM) manages the fleet credit card for multiple agencies to pay for fuel transactions. OFM is responsible for the acquisition, maintenance, management, analysis, and disposal of the state's 12,000+ vehicle fleet. The funding for these services is provided through charges to state agencies for the use of vehicles and DAS fleet services. OFM also administers a fleet management information system known as FleetOhio. FleetOhio is used to track all vehicle data for the state fleet and provides agencies and OFM with the ability to analyze operating costs. The fleet card allows users to make fuel and maintenance purchases and automatically uploads the data into FleetOhio. Maintenance and repair data can be uploaded into FleetOhio.

US Bank Voyager Fleet System is the state's fleet credit card vendor. Per US Bank's website, the US Bank Fleet Merchant Program allows customers to tap into the second largest fleet card program issued in the U.S. The Voyager Card allows customers to gain the coverage and brand flexibility of universal fuel cards, including access to a nationwide network of 230,000 gas and diesel locations. The Voyager Card can be set up with individual driver and vehicle controls, which allows fleet managers to customize each card and gain control over fleet fueling.

During the audit, OIA identified opportunities for DAS to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DAS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA staff was engaged to perform an assurance audit related to the controls over the agency's administration of fleet. This work was completed January through March 2015.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the creation and modification of cardholder accounts.
- Evaluate the design and effectiveness of controls over the monitoring of payment card transactions.
- Evaluate the design and effectiveness of controls over the verification of the rebate calculation and the allocation of the rebate to ensure that the rebate is maximized.



## **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

### **Observation 1 – Monitoring & Administration of the Fleet Card Program**

The State of Ohio Fleet Credit Card Policy and Control Procedures state:

- The Office of Fleet Management (OFM) will monitor, on a monthly basis, reports that show the amount of fleet credit cards an agency has on inventory, reports showing the transaction activity statewide, reports showing questionable transactions, and payment turn time reports.
- Each agency is responsible for designating a person or persons who will be responsible for reconciling each monthly invoice from the fleet credit card vendor to the Monthly Vehicle Logs. Each agency is required to retain Monthly Vehicle Logs, copies of all receipts (fuel and non-fuel), and any dispute forms.

Currently, there are 12,018 cards that are within the Fleet Card Program administered by OFM. OFM has procedures for monitoring the 721 cards utilized by DAS managed agencies, which covers about six percent of all outstanding cards. OFM receives monthly reconciliation packets for each card from the DAS managed agencies, and selects 20 percent of those cards to review the transactions to ensure compliance. OFM generates a list of managed cards and goes down the list giving each card a letter (A-E), and then reviews one letter per month.

OFM does not have a risk-based approach or methodology in place for selecting a sample, and does not track how often cards are reviewed. There are times that cards are selected that had no transactions during the month, and some cards are reviewed in consecutive months. Also, OFM does not have documented policies and procedures in place for conducting monitoring of the Fleet Cards.

Additionally, OFM does not conduct or have monitoring and review procedures in place for self-managed fleet agencies to ensure those agencies are in compliance with the State of Ohio Fleet Credit Card Policy and Control Procedures.

OFM obtains weekly fuel and non-fuel transaction reports from Voyager for all cards (managed and self-managed), and uploads the transactions into Fleet Ohio. Abnormalities such as: exceeded fuel tank size, incorrect fuel type, invalid equipment ID, or card/vehicle no longer in the system; are identifiable as these transactions are not able to be uploaded into Fleet Ohio and are



automatically placed on the Reject Report.

OFM's Information Technologist 2 reviews transactions on the Reject Report, contacts the cardholder if deemed necessary, but does not document the correspondence. The Information Technologist 2 notes the following: "not in system, retired, or reentered", then manually uploads the transaction into Fleet Ohio, and the reports are placed on OFM's shared drive. The Reject Reports are not discussed with or relayed to other OFM staff to ensure that allowable purchases were made, compliance is maintained, or appropriate actions are being taken.

During testing of OFM's monitoring process and adherence to The State of Ohio Fleet Credit Card Policy and Control Procedures, the following exceptions were identified:

- Three out of three (100%) monthly reconciliation packets had missing receipts without a "purchase affidavit". One of the three had a purchase over \$500 dollars and didn't have the appropriate approval documentation (a purchase order and a work order). Per discussion with OFM, the transaction had a 'verbal approval'.
- One out of 25 (4%) cards did not have a monthly vehicle log included in the packet.
- Some of the receipts submitted were not legible.

Each agency is required to submit a monthly vehicle packet which includes the monthly vehicle logs and copies of all receipts. Per discussion with OFM, receiving all the required documentation in accordance with the 10 day policy has been a challenge and requires a lot of follow-up with the agencies.

Not sufficiently monitoring of Fleet Card expenses, documenting follow up from the Reject Report, and communicating results increases the risk of fraudulent or unauthorized purchases and noncompliance with policies and procedures.

Undocumented monitoring policies, procedures, and responsibilities over Fleet Cards may lead to inefficient, ineffective, or inconsistent reviews.

### Recommendation

DAS should consider requiring self-managed fleet agencies to incorporate monitoring procedures to include sampling transactions to trace receipts from the detailed transaction listing to ensure they match and are allowable purchases. DAS should periodically verify that self-managed fleet agencies are conducting sufficient monitoring of the fleet card transactions or consider including the population of self-managed fleet card transactions to DAS OFM's monitoring program.

Additionally, develop formal written policies and procedures that define the process, individuals' roles and responsibilities within the process for conducting reviews of the monthly vehicle packets, and reviewing/resolving issues on the Reject Report. OFM should consider the



following:

- Creating a list to track when each Fleet Card was last reviewed.
- Establishing a completeness checklist or monitoring program to follow when conducting reviews. The checklist should capture all required documentation and provide direction on missing and illegible items.
- Creating a risk-based sampling methodology that takes into account: mileage, dollar amount, past problems, number of transactions, etc. prior to selecting cards to be reviewed.
- Appoint an individual to look for pertinent anomalies and recurring offenders on the Reject Report and include these cards in the monthly monitoring reviews.
- Documenting contact correspondence, follow-up, and actions taken for transactions on the Reject Report.
- Communicating anomalies with appropriate OFM personnel. For example: retired cards and cards not in the system that have weeks of lag activity, and several gallons of fuel that exceed tank size, etc.
- Implementing other monitoring activities, such as a periodic supervisory review of completed monthly vehicle packets to ensure all documentation was obtained and the review was performed appropriately.
- Creating and enforcing repercussions, such as suspending accounts or sending notifications to management when agencies fail to submit monthly vehicle packets within the 10 day timeframe.

**Management Response**

- Update Fleet Card policy and Control Procedures to differentiate between program controls and agency requirements. May require the development of an additional policy.
- Develop procedures to monitor program control activities such as the procedure to set up new accounts, new users and monitoring of agencies.
- Assess the benefit of using a risk based methodology for reviewing transactions.

Risk*	Remediation Owner	Estimated Completion Date
High	Fleet Administrator	June 2016

**Observation 2 – Insufficient Tracking of Fleet Credit Cards**



Revised Code requires DAS to establish and operate a fleet management program. All state agencies must comply with statewide fleet management policies and procedures established by the director for the program.

The State of Ohio Fleet Credit Card Policy and Control Procedures state:

- The Office of Fleet Management (OFM) will coordinate new account setup with each agency. Agencies will submit all appropriate account setup forms to the OFM. The OFM must approve all new accounts.
- The OFM will make arrangements for the agency to have the ability to order and cancel cards online after the billing account has been established.
- Further, OFM will monitor, on a monthly basis, reports that show the amount of fleet credit cards an agency has on inventory.
- Agency fleet managers/coordinators are responsible for maintaining an agency's fleet card inventory.
- Upon receipt of the new fleet credit cards, agencies will carefully distribute new cards to drivers, having the driver sign a *receipt/acknowledgement form*. This form must be kept on file by the agency fleet manager/coordinator.
- Agency procedures should establish who, agency fleet manager/coordinator or driver, is responsible for destroying old fleet credit cards. If a driver is held responsible for destroying an old fleet credit card, the *receipt/acknowledgement form* should be revised to include verification of destruction.

OFM does not document the tracking on a monthly basis of fleet credit card inventory, nor do they maintain receipt/acknowledgement forms or documentation of issued and cancelled cards. In addition, OFM does not track or maintain a listing of the agencies that consistently miss mandated deadlines. Furthermore, OFM does not have a retention policy over maintaining card acknowledgement forms for issued or cancelled cards, and documentation on approvals.

Not consistently and completely tracking issued and cancelled Fleet Cards increases the risk of:

- Fraudulent, unnecessary, or unaccounted card accounts created,
- Cancellation requests not processed timely; and
- Fraudulent or unauthorized transactions.

## Recommendation

Create and maintain an independent global list of the fleet card population (managed and self-managed fleet) in order to reconcile Voyager's card population. Maintain a list of the agencies' designated Fleet Card Administrators/Coordinators and each designated backup coordinator.



Establish a periodic review process over the listing of coordinators and require agencies to communicate any changes and/or turnover.

Maintain documentation of issued and cancelled cards and implement procedures for tracking issued and cancelled cards. Periodically, compare the self-managed fleet inventory and the active fleet cards (for each agency) to ensure the cards are being cancelled timely and effectively.

Create or update policies and procedures to reflect newly implemented processes and include a record retention policy, with timeframes for OFM to maintain forms and documentation for issued and cancelled cards. Consider verifying that self-managed fleet agencies are maintaining appropriate documentation and are in compliance with the State of Ohio Fleet Credit Card Policy and Control Procedures.

**Management Response**

- Establish a periodic review process to identify the agency fleet card coordinator.
- Establish an annual process for comparing the fleet inventory to the vehicle inventory.
- Publish a record retention schedule for fleet card records.
- Update and revise procedures for the tracking and handling of cards.

Risk*	Remediation Owner	Estimated Completion Date
High	Fleet Administrator	June 2016

**Observation 3 – Rebate Potential Not Maximized**

The State of Ohio Fleet Credit Card Policy and Control Procedures state, “Agencies that consistently fail to process invoices within 10 days risk having the account cancelled.”

The Department of Administrative Service’s (DAS) Office of Fleet Management (OFM) receives rebates based on its Voyager Fleet Card expenditures. Rebates are increased based upon total volume of expenditures and file turn days, which represent the timeliness of payments. File turn days are calculated by taking the sum of the daily accounts receivable balances for the rebate period divided by the total sales for the same period, inclusive of the beginning and ending dates. The results are applied to the speed of payment matrix listed in the Voyager Card contract.

OFM has a process in place to review the rebate calculation for reasonableness. However, the rebate review process is not documented.

In addition, OFM discontinued use of an Agency Timeliness Scorecard after Fiscal Year 2012.



This scorecard tracked the timeliness of each agency paying their monthly bill. OFM does not have a specific report they use to track the timeliness of monthly payments. Also, OFM does not cancel accounts or impose repercussions if an agency consistently fails to process invoices within 10 days.

Furthermore, the majority of the current early pay incentives outlined in the Voyager Card contract are not achievable under the current monthly billing cycle.

Not tracking timeliness of payments could result in OFM not identifying agencies that consistently pay late, which may lead to not achieving the maximum rebate.

## Recommendation

Consider reintroducing the Agency Timeliness Scorecard or a similar tool that would be effective to track the timeliness of each agency paying their bill. It may also be effective to enforce repercussions for agencies that are consistently late making payments in order to achieve timeliness of payments.

If reports cannot be obtained from current or future vendors, work with the OAKS Business Intelligence (BI) team to create standard reports of Voyager Card transactions. These reports should include; agency names, transaction dates, and payment dates, to assist with identifying late paying agencies. Consider utilizing the Agency Timeliness Scorecard to identify and publish a listing of late paying agencies. Enforce penalties, shut cards off, and/or create other repercussions for cards that are not paid timely. Document the procedures for reviewing the rebate calculation and include the following items:

- Detailed explanation of how to perform each step, so that an individual unfamiliar with the process would be able to complete the recalculation;
- Identification of the reports utilized in the process and how to obtain/run those reports, including the systems used, report names/numbers, and references to example screenshots;
- Numbered steps in the process, so the example screenshots can be easily referenced;
- Identification of the position (title) responsible for performing each step;
- Location where documentation should be maintained, such as on a shared drive; and
- Definitive time lines within the procedures.

Procedures should be reviewed on a regular basis by management and updated as needed.

Work with the Office of Budget and Management's (OBM) Requirements and Configuration Management (RACM) group to obtain a daily file of transactions. Discuss the possibility of receiving a daily file with the current vendor.



In the event that the current vendor cannot process the request for a daily file, in the next Request for Proposal (RFP) for a fleet card vendor, consider evaluating whether:

- The vendor has infrastructure in place to facilitate an upload of a daily file of transactions into the State’s accounting system (OAKS). This will assist OFM in achieving more realistic timely payment goals.
- The vendor can provide monthly reports of transactions by each agency, in order to review timeliness of payment.

**Management Response**

- Design and publish Fleet Card Payment Report.
- Implement a tracking and escalation process for payments beyond 10 days.
- Convert desk notes to formal procedures for reviewing fleet card rebates.
- Evaluate the feasibility and cost effectiveness of receiving a daily billing file.

Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Fleet Administrator	December 2015

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

**Classification of Audit Observations**

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee