

**TAMPA POLICE DEPARTMENT
GASOLINE CREDIT CARD PROGRAM
AUDIT 07-04
FEBRUARY 13, 2008**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Roger Strout, Internal Audit Director

February 13, 2008

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Gasoline Credit Card Program, Audit 07-04

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on the Tampa Police Department's Gasoline Credit Card Program.

The Tampa Police Department (TPD) has already taken positive actions in response to our recommendations. We thank the management and staff of the TPD Fiscal Bureau for their cooperation and assistance during this audit.

Sincerely,

/s/ Roger Strout
Roger Strout
Internal Audit Director

cc: Stephen Hogue, Chief of Police
Darrell Smith, Chief of Staff
Ruby Gadson, Police Fiscal Manager

**TAMPA POLICE DEPARTMENT
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Not available to sign

Auditor

Not available to sign

Audit Supervisor

/s/ Roger Strout

Audit Director

**TAMPA POLICE DEPARTMENT
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INTRODUCTION

The Tampa Police Department (TPD) uses a credit card to purchase gasoline for their vehicles. These credit cards can be used at any Shell gasoline station. There were 1,136 cards issued as of July 9, 2007 and only three cards are coded to permit non-gasoline purchases. These cards are held by the Mayor, Police Chief, and the Assistant Police Chief. The City receives a 3% rebate on its gasoline purchases. The rebate is calculated on the monthly invoice after the fuel tax credits are deducted.

STATISTICS

	<u>FY07</u>	<u>FY06</u>	<u>FY05</u>
Gasoline Expenditures	\$2,957,459	\$3,000,006	\$2,255,253
Gallons Purchased	1,278,396	1,253,026	1,223,279
Average Price Per Gallon	2.31	2.39	1.84

Source: Tampa Police Department Fiscal Bureau

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY07 Audit Agenda. The objectives of this audit were to ensure that:

1. Gasoline purchases were for City of Tampa vehicles and for business purposes.
2. Adequate controls were in place over the credit card issuance and bill payment processes.

STATEMENT OF SCOPE

The audit period covered gasoline transaction activity that occurred from December 1, 2005, to May 31, 2007. Source documentation was obtained from the TPD Fiscal Bureau and District Offices. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's External Fuel Tracking System. We assessed the reliability of the data contained in the system and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity, or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. Due to the inherent risk associated with the program, we could not conclusively determine if all gas purchases were for City of Tampa vehicles and for business purposes.
2. Controls over the credit card issuance and bill payment process were not adequate.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the gasoline credit card program, they do present risks that can be more effectively controlled.

FEDERAL DIESEL TAX

There is a federal excise of 24.3 cents a gallon on diesel fuel which in accordance with Internal Revenue Service (IRS) regulations the City is exempt from paying. Although credit was given for federal taxes on gasoline, we noted that a credit for diesel purchases was not listed on the Shell monthly invoices we tested. Nor, was a refund requested.

Prior to January 1, 2006, under IRS regulations, credit card issuers for oil companies could not process the diesel tax exemptions for credit card purchase by exempt entities. It was represented by Shell's credit card representative that the City should have requested a refund of the diesel taxes paid from the IRS. The City has not filed a claim for refund of federal excise taxes paid on diesel fuel purchased for the period of October 1, 2000 through July 3, 2007. During this period, the Tampa Police Department purchased 104,190 gallons of diesel fuel. Using the tax rate of 24.3 cents per gallon, the diesel taxes paid totaled \$25,318. In accordance with IRS regulations, the City can only claim a refund for the past three fiscal years (i.e., 2005, 2006, and 2007 (through July 3, 2007)). For the period of October 1, 2004 through July 3, 2007, we estimate that the City is due a total refund of \$12,173 for taxes paid on 50,093 gallons of purchased diesel fuel.

For the period of January 1, 2006 to July 3, 2007 Shell's credit card processor was unable to provide the exemption on the City's monthly invoice due to a computer system limitation. Beginning with the August 3, 2007 invoice, the City has been receiving the diesel tax exemption.

RECOMMENDATION 1

TPD should consult with the legal department for filing a claim with the IRS for a refund of the past federal excise taxes paid on diesel fuel.

AUDITEE RESPONSE

The Police Department is committed to obtaining all allowable tax credits, refunds, and rebates. Due to the structure and complexity of the IRS Code, rules, and regulations concerning fuel credits and excise taxes (Publication 510 and 378), we will require further research with Shell and review by an appropriate Fuel Tax Attorney or consultants.

SEGREGATION OF DUTIES

There is a lack of segregation of duties within the gasoline credit card processing functions. Specifically, one individual is responsible for performing the following tasks:

- Requesting credit cards from the vendor and distributing credit cards to employees
- Reconciling electronic fuel transaction data to the vendor invoice
- Correcting reconciliation errors
- Inputting invoice into ADPICS for payment
- Maintaining custody of temporary credit cards
- Canceling credit cards with the vendor for lost, stolen, terminated, or retired employees
- Destroying credit cards for terminated and retired employees

Proper internal controls require that one individual not have responsibility for all functions associated with a process. Doing so increases the risk that a fraudulent transaction could occur.

RECOMMENDATION 2

The duties of credit card issuance, reconciliation, and payment of the vendor invoice should be segregated.

AUDITEE RESPONSE

The Police Department agrees with this finding and recommendation. We have developed and implemented procedures to segregate the duties of credit card issuance, reconciliation, and payment of the Shell invoice.

The duties listed below have been transferred from the current Accounting Technician I for Shell to another Accounting Technician I.

- Requesting a new gas card from the vendor (Shell)
- Distribution of a new or temporary gas card
- Custody of the gas cards

The duties of reconciliation of monthly transactions and the preparation of ADPICS invoices will remain and continue to be performed by the current Accounting Technician I for Shell.

TEMPORARY CREDIT CARDS

The key to the drawer where temporary fuel credit cards are maintained was not kept in a separate secure location. Temporary gasoline credit cards and the petty cash box are stored in a locked desk drawer. The key to the locked drawer is kept in a separate unlocked drawer in the same desk. Consequently, when the desk is left unattended, an unauthorized individual could take the key and gain access to the credit cards and petty cash. Proper internal controls require that the keys be secured from unauthorized access.

RECOMMENDATION 3

The key to the drawer where the temporary credit cards and petty cash box are stored should be kept in a separate secure location.

AUDITEE RESPONSE

The Police Department agrees with this finding and recommendation. The temporary gas cards will be maintained and under the custody of another Accounting Technician I. The cards will be kept in a box under lock and key.

TRAVEL AUTHORIZATIONS AND OUT OF STATE FUEL PURCHASES

Our test of out-of-state fuel purchases disclosed 6 special orders authorizing travel which were approved by the Chief of Police or his designee during or after the actual travel dates. Approvals made subsequent to the actual travel dates were made within a week of the employee(s) return, except for one special order which was approved 8 months after the actual date of travel. Consequently, there is an increased risk that unauthorized travel and related expenses could occur when a trip is not approved prior to the departure date. Moreover, Section F (a)(2) of the City's Travel Manual states "The Authorized Traveler will obtain and complete the Request for Travel Reimbursement form prior to taking the trip."

RECOMMENDATION 4

Authorizations for travel should be made prior to the actual dates of travel.

AUDITEE RESPONSE

The Police Department agrees with this finding and recommendation. It is the policy of the Police Department, as well as the city, for written authorization for travel to be obtained prior to the actual dates of the travel. Exceptions are made for investigative purposes only. Any deviation from the department's policy will be accompanied by justification.

IMPOUND AND FORFEITURE VEHICLES

The vehicle number and odometer reading are required to be keyed in at the gas pump prior to fueling. Vehicle numbers 3600 and 3605 are generic numbers used by the Fleet Maintenance Division for the evaluation of impound and forfeiture vehicles. Thus, a vehicle make and model are not assigned to these numbers. It was represented that these numbers were to be used for fueling purposes only when a vehicle needed gas to be driven to the Fleet Maintenance Division to be evaluated. Our analysis disclosed 146 fuel transactions totaling \$5,736 were charged to vehicle numbers 3600 and 3605. If the City decides to retain an impounded or forfeiture vehicle, certain legal steps must be performed prior to the vehicle being used. Once the required legal steps are completed, the vehicle is assigned its own vehicle number and released to TPD. Until the legal process is complete, the vehicles are not to be driven.

Because vehicle numbers 3600 and 3605 do not have a vehicle make or model, any vehicle may be fueled when these numbers are used. The use of the evaluation vehicle numbers increases the risk of improper fuel purchases being made.

RECOMMENDATION 5

If a vehicle has not been assigned its own vehicle number and the Fleet Maintenance Division's evaluation vehicle numbers are used, the type of vehicle fueled should be annotated on the monthly fuel transaction log. The assigned vehicle numbers for impounded and forfeited vehicles retained by the City should be used when fueling these vehicles. To monitor fuel charges to the evaluation vehicle numbers, a separate monthly report of those transactions should be generated for each location and reviewed for propriety by supervisory personnel.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation. The assigned vehicle number for each vehicle should be used when fueling. Vehicle numbers 3600 and 3605 are used by Fleet Maintenance, 3600 for Impounds and 3605 for Forfeiture. The vehicle number 3600 will be deleted from our External Fuel Tracking System. The department will use 3605 for exclusive use of the Forfeiture Unit which will be for fueling vehicles going from the Impound Lot to Fleet Maintenance. This special assigned number will be closely monitored each month.

PREMIUM UNLEADED GASOLINE

Our test work disclosed that employees were fueling their vehicles with premium unleaded gasoline (Octane level greater than 87). Standard Operating Procedure 609.6 states “Officers are authorized to use their fuel card to purchase unleaded gasoline (Octane level 87) for police vehicles and cruisers.” After excluding purchases for vehicles that require premium unleaded gasoline and purchases from two gas stations incorrectly coding regular gasoline as premium unleaded, approximately 25,718 gallons, costing \$68,619 was purchased. Of that cost, \$59,280 was applicable to fuel purchases for Ford Crown Victoria and Ford Taurus vehicles and 15 employees were responsible for 42 per cent of the purchases. According to the manufacturer guidelines, these vehicles require fuel of an Octane level of 87. Had regular unleaded gasoline been purchased, an average of \$3,039 could have been saved.

RECOMMENDATION 6

TPD personnel should remind officers of the policy that only regular unleaded gasoline is to be used in vehicles (unless specifically required by the manufacturer). TPD should consider adding this requirement on the internal Credit Card Agreement signed by the employee and their supervisor.

AUDITEE RESPONSE

The Police Department agrees with this recommendation. The use of higher Octane will be closely monitored. It is already the Department’s policy that lower Octane level (87) is to be used except for vehicles that require the higher Octane level. The other exception may be if unleaded gasoline (87) is not available from the stations. In those instances when regular unleaded gasoline is unavailable, the use of the premium must be noted on the monthly log.

GALLONS PURCHASED vs. FUEL TANK CAPACITY

We performed a test comparing the gallons purchased to the vehicle's fuel tank capacity allowing for an additional one gallon above the tank's capacity. For example, Ford Crown Victoria vehicles have a fuel tank capacity of 19 gallons, thus we selected transactions where the quantity purchased exceeded 20 gallons. Our test work disclosed 77 transactions where the gallons of fuel purchased exceeded the fuel tank capacity for the vehicle. Fifty-six of these transactions were applicable to Ford Crown Victoria vehicles where the gallons purchased, on average, were 5.5 gallons over the fuel tank's capacity. The purchase of fuel in quantities exceeding the fuel tank capacity questions the propriety of the transaction.

RECOMMENDATION 7

A monthly exception report should be created that lists the vehicles with fuel transactions where the quantity purchased significantly exceeds the fuel tank capacity for the vehicle. These transactions should be reviewed by the employee's supervisor and an explanation annotated on the report.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation. We will establish a tolerance (range) of Tank capacities for our vehicles, to eliminate officers responding to minute differences. A monthly exception report on Tank capacities will be created for review by the employee's supervisors, and explanation annotated on the report.

TERMINATED/RETIRED EMPLOYEES

Our test disclosed 2 of 67 terminated/retired employees had fuel transactions charged to their gasoline credit cards subsequent to the employee's termination/retirement date. Proper internal controls require City issued credit cards be obtained from employees upon their termination/retirement from the City and immediately destroyed to prevent subsequent use.

RECOMMENDATION 8

Procedures should be established to properly account for the receipt and destruction of employee gasoline credit cards upon termination/retirement of employment with the City.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation. The Department has a policy that all departmental issued equipment, materials, and supplies must be returned upon resignation, retirement, or dismissal. The procedures for Notice of Separation will be reviewed to notify the Range Master, Personnel and Fiscal Bureaus immediately.

VEHICLE NUMBER AND ODOMETER READINGS

The vehicle number and mileage must be entered prior to pumping gas. The Fleet Maintenance Division and the TPD Vehicle Coordinator uses the vehicle mileage recorded at the pump to schedule preventative maintenance. We noted many instances where the vehicle number and/or mileage were entered incorrectly.

RECOMMENDATION 9

TPD should periodically remind employees the importance of properly entering the vehicle number and mileage at the gas pumps. TPD should consider requesting the Technology and Information Department to modify the monthly fuel transaction logs to include error codes for Invalid Vehicle number and Invalid Mileage. This would alert supervisory personnel of employees who consistently enter the vehicle number or mileage incorrectly.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation and will monitor these errors in data entry or transmission department wide. We will request this exception report for invalid vehicle number and invalid mileage. TPD will request from the Technology Unit that the most optimum approach (analyst's time, effort and resources) be implemented.

NEW CREDIT CARDS

New credit cards were issued by the vendor in February 2007 due to the expiration of the previously issued cards. Rather than issue the same credit card number to the same employee with a different expiration date, the vendor issued credit cards with new numbers. Some of these new credit card numbers were previously assigned to former TPD employees. As a result, there were many problems that occurred with the reconciliation of the downloaded fuel transactions to the vendor's invoice.

RECOMMENDATION 10

In the next Invitation to Bid, TPD should consider adding a specification requiring that expired credit cards for active card holders be reissued a new card with the same credit card number but with a revised expiration date. In addition, TPD should request the vendor not to reassign credit card numbers assigned to previous TPD employees.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation. This requirement will be added to our bid specifications for future proposals.

CREDIT CARD AGREEMENTS

Employees and their supervisors are required to sign an internal Shell Credit Card Agreement. A new agreement is signed each time a credit card is issued to an employee. The agreement outlines the terms and conditions for the use of the fuel credit card as follows:

- Fuel to be purchased is for city authorized business only
- Fuel is for city vehicles only
- Immediate reporting of lost, stolen, or misplaced credit card
- Administrative fee of \$10 to be charged for lost, stolen or misplaced card
- Any unauthorized use, misuse or abuse may result in loss of credit card privilege, disciplinary action and/or both

Our test of 34 card holders disclosed 6 cardholders did not have a current Shell Credit Card Agreement on file. Consequently, cardholders are not reminded of the terms and conditions for the use of the fuel credit card.

RECOMMENDATION 11

A procedure should be established to ensure that a signed Shell Credit Card Agreement is on file for all cardholders.

AUDITEE RESPONSE

The Police Department agrees with the finding and recommendation. The department will establish a procedure to ensure that a signed Shell Credit Card Agreement is on file for all cardholders.



CITY OF TAMPA

Pam Iorio, Mayor

POLICE DEPARTMENT

Stephen Hogue
Chief of Police

April 18, 2008

TO: Stephen Hogue
Chief of Police

FROM: Michael C. George
Assistant Chief of Police

SUBJECT: Shell Credit Card Fuel Audit

Sir,

I have reviewed the Internal Audit 07-04, addressing the Tampa Police Department Gasoline Credit Card Program. The scope of the audit covered all gasoline transactions from December 1, 2005 to May 31, 2007. During this time period there were approximately 145,636 transactions.

A review of the statistical data indicated that gallons used increased by 2.4% from 2005 to 2006 and 2.0% from 2006 to 2007. This increase may be significantly attributed to a 7.1% increase in Extra Duty hours in 2006 and a 10% increase in 2007. Extra Duty vehicle usage billing increased by 1,220 vehicles in 2006 and 1,271 vehicles in 2007.

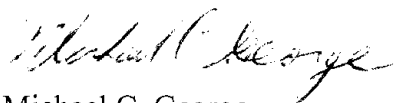
Four audit areas need additional discussion and review as follows:

- I. Impound and Forfeiture Vehicles: The audit identified 146 transactions where the vehicle number 3600 or 3605 was used for a total of \$5,736.00. These two numbers were designated to identify a vehicle being fueled that did not have a City of Tampa vehicle assigned to it. Examples of this would be rental vehicles utilized for investigative purposes and vehicles that have been forfeited to the City of Tampa but not yet assigned a number. It was customary in the past to utilize a forfeited vehicle and never get a City vehicle number, as the duration of use was a very short period of time. The police department now gets a vehicle number for all cars utilized for service and has deleted the number 3600 from its authorized vehicle number.

- II. Premium Unleaded Gasoline: The audit identified that 25,718 gallons of premium gas was purchased for vehicles that can utilize regular gasoline. Approximately \$3,000.00 could have been saved if regular gas was utilized. Five employees were identified that made 36 or more premium purchases during the 18 month audit period. The officers were in violation of SOP 609.6 and discipline was administered.
- III. Gallons purchased in excess of Crown Victoria fuel tank capacity: Fifty-Six transactions were identified where amount of gas purchased exceeded tank capacity. Seventeen of those transactions were attributed to filling up of training vehicles from our academy. These vehicles are out of service vehicles that are not assigned a city vehicle number and are used exclusively for driving pad training. Eight transactions were TRT personnel using their assigned vehicle number instead of using the TRT van number during fill up. Five transactions were Marine Officers filling up the TPD Marine Patrol boat. Sixteen transactions were Street Anti Crime officers filling up undercover vehicles that did not have a City vehicle number or the officers did not know the vehicle number. In these cases, the officers utilized their assigned vehicle number. A department directive has been issued ordering that proper vehicle number must be used when obtaining gasoline and if an emergency exists, an explanation must be documented on the gas receipt and monthly reconciliation report.
- IV. Terminated/Retired Employees: Audit identified that gas cards of 2 terminated/retired employees were used post employment. Communications Manager Robert Luke left his card with the Acting Manager and it was utilized one time for refueling. Officer Birt resigned on 06-05-06 and records indicate his card was used to fill his previously assigned car on 06-06-06. It should be noted that the mileage entered was consistent with all mileage entered for that vehicle. It is possible that his card was left in his vehicle and utilized by another driver.

A Department directive has been distributed addressing the audit findings.

Respectfully submitted,



Michael C. George
Assistant Chief of Police