INTERNAL AUDIT REPORT FOR

Fleet and Fuel Management
Department of Support Services
Audit Plan Year 2024

April 21, 2025

Gwinnett

GWINNETT COUNTY
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Background & Scope

Gwinnett County (the County) agencies and departments operate approximately 3,200 vehicles and related equipment to provide various services to residents. The Fleet Management Division (Fleet) within the Department of Support Services oversees vehicle procurement, maintenance, and compliance activities countywide. Their activities are governed by operational guidelines contained in the Fleet Management Policy (the Policy). County vehicles receive preventative maintenance every six months or 7,500 miles at a minimum. Fleet uses a workorder system, AssetWorks, to manage repairs. Fleet employees repair most vehicles at the County's repair center, but some may be outsourced depending on capacity or specialty. Fleet will sell vehicles via internet auctions when they meet surplus criteria per Policy. Salvage values are typically consistent with Kelley Blue Book (KBB) values. The County incurred approximately $24 million in repairs and received approximately $4 million in auction proceeds for 462 surplus vehicles during the audit period January 1, 2023, through August 31, 2024. Fleet also maintains 11 bulk fuel sites located throughout the County for operational efficiency. Access is limited to authorized employees and other local governmental personnel. Fuel may only be used for official job duties. The County also sells fuel to local municipalities and schools to support their operations. These purchases are governed by intergovernmental agreements. Local agencies typically reimburse the County at cost plus 5% administrative surcharge. They can access fuel at any site. Total fuel consumption for all entities was approximately $33 million or 11 million gallons during the audit period. Management's key objectives for fleet and fuel are as follows:

- Vehicle records are accurate for management reporting purposes.

- Repair and maintenance activities are authorized, economical, and comply with County guidelines.

- Disposals maximize value. Sales proceeds are safeguarded.

- Access to fuel sites is limited to authorized vehicles. Usage is substantiated and accurately billed to intergovernmental agencies.

The purpose of this audit was to evaluate the adequacy and effectiveness of management's control activities that are designed to achieve these objectives. Internal Audit (IA) conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Standards). The Standards require that we plan and perform the audit to identify and evaluate sufficient information to support engagement results. We interviewed employees, observed certain control activities, and reviewed business documents on a sample basis for the audit period. We believe the evidence provided a reasonable basis for our assessment. See **Exhibit A** for a summary of our audit procedures. The scope of this audit excluded driver safety, which was covered in a 2023 Risk Management audit.

Assessment

Management's control activities were generally adequate and effective in achieving key objectives. We evaluated the effectiveness of 14 key controls and made recommendations to improve the effectiveness of three controls. The recommendations are considered improvement opportunities of

existing controls and are not indicative of significant control weaknesses that would prevent management from achieving one or more of their objectives.

Recommendations

1. Unable to validate vehicle key fobs.

Employees access fuel with key fobs. The Fleet Section Manager provisions fobs within the fuel management system and assigns them to specific fleet vehicles before distributing to users. Drivers must obtain departmental approval to receive fobs for their work duties. Drivers scan their fobs at fuel pump readers, enter a unique ID number assigned to them, and input vehicle mileage to enable refueling. Departments are responsible for ensuring fob assignments remain valid. They must notify Fleet about any employment status changes such as transfers and terminations so that they can remove access privileges.

We could not obtain documented evidence that Fleet periodically sent employee fob assignments to departments for validation. Also, management's analysis of fuel consumption to detect anomalies was unreliable. Though fobs are linked to vehicles in AssetWorks, they are not associated with employee IDs in the system. Also, vehicle identification numbers (VINs) are not scanned at refueling. Users can share fobs or override required odometer readings which precludes reliable detection of misuse.

RECOMMENDATION
Fleet should periodically ask agencies and departments to validate employee key fob assignments. Deactivate fobs in AssetWorks for terminated employees or those who assumed other job responsibilities. In addition, Fleet should link fobs to employee user IDs and VINs in the fuel management system. Also, users should scan VINs at pumps to prevent the likelihood of refueling personal vehicles. This will improve the accuracy of fuel consumption reporting and prevent abuse. We also recommend departments use analytics by drivers to detect potential abuse.

Management Response
Fuel keys are assigned to vehicles, not employees. However, for an employee to utilize a fuel key they must be set up in AssetWorks as a user. Users are required to enter their assigned PIN at the fuel pump every time fuel is needed.

Fleet will provide user departments a list of active users monthly and request the department return the list identifying users to deactivate. Users should be deactivated for any of the following reasons:
- *Separated from the County and no longer an employee.*
- *Transitioned to another position within the department where the need to access fuel is no longer a part of their job responsibilities.*
- *Transferred to another department within the County. Users will need to reapply for access in their new department if fuel access is still required.*

Fleet acknowledges the inaccuracy that can occur at the fuel pumps since all information is required to be input manually and understands the concern for potential abuse to take place. The current fuel

management software utilized does allow for the scanning of vehicle VINs, however the fuel stations nor vehicles are equipped with the needed hardware. Fleet will research the feasibility of getting that feature implemented and provide the County Administrator's Office with their recommendation.

In the meantime, Fleet will run monthly department fuel usage reports to look for fueling and mileage anomalies in an effort to identify any fueling abuse taking place.

2. Inconsistent oversight of vehicle pool usage.

Some departments use a pool of available vehicles rather than individual vehicle assignments. The Policy, Section 2.5.5, states Agency Heads and Department Directors must periodically review vehicle pool usage to validate appropriate use. However, it does not prescribe form, content, or frequency of reviews. We walked through several review procedures performed by departmental liaisons and found an assortment. Some lacked precision to validate appropriate use. For example, a liaison relied on comparisons of budget to actual fuel costs to evaluate appropriate use. IA also found the vehicle mileage prompt at fuel pumps may be overridden. Therefore, vehicle mileage used to assess appropriateness may be inaccurate.

RECOMMENDATION

Fleet should improve guidelines for reviewing vehicle pool usage. A comparison of actual mileage and fuel consumption by key fob and vehicle type to an acceptable average or standard, for example, may better validate appropriate use or detect anomalies. Fuel capacity and usage can vary significantly depending on vehicle type and business objectives. We understand the operational challenges of securing accurate mileage readings in AssetWorks and cost-benefit concerns, but an effective solution may be to focus on frequent overrides. Correct the AssetWorks mileage to reduce system alerts and then reduce ability to override system reasonableness checks. Also, consider the cost effectiveness of a fleet management software with GPS tracking capabilities to monitor fleet location and mileage.

Management Response

The Fleet Management Policy is currently being reviewed and updated with an outside consultant, due to be complete in July of 2025. Motor pool usage and guidelines will be updated as a part of this review, along with department training and an implementation plan.

In the interim, Fleet Management will seek to understand the capabilities of limiting mileage overrides at the fuel pumps and implement that change in the system, if available. Requiring users to correctly input the current vehicle mileage will aid in identifying fueling anomalies, identifying potential abuse.

3. Could not confirm criteria used for vehicle and motorized equipment sales.

The Fleet Division Director may categorize vehicles as obsolete or surplus when they meet or exceed at least two of the following criteria: accumulated repair costs exceed 80% of purchase price, replacement parts are no longer available, cumulative mileage exceeds standards, or vehicle costs become prohibitive. Surplus vehicles are generally replaced and sold to the public though public auctions and the internet. Disposals must be approved by the County Administrator (CA) and

Fleet. According to the Purchasing Ordinance, the Board of Commissioners (BOC) must also approve vehicle dispositions if their original costs exceeded $10,000.

We selected a judgmental sample of 30 vehicles sold during the audit period and reviewed supporting documentation to validate compliance with disposal criteria. Fleet maintained Fixed Asset Disposal (FAD) forms to support disposals. However, the documentation did not clearly specify which disposal criteria applied. Also, while the CA and BOC may have approved the sales, documentation was not readily available.

RECOMMENDATION

List disposal criteria on FAD forms and check the applicable one(s) for approval. Fleet should ensure evidence of approvals are kept per retention guidelines in FileNet or AssetWorks for third party inspection.

Management Response:
As recommended above, Fleet will ensure disposal criteria previously approved is accurately listed on each Fixed Asset Disposal form when submitted by the user department. FAD forms will then be scanned and uploaded to the vehicle record in AssetWorks, along with the asset record in SAP.

Other Considerations

IA observed opportunities to improve certain business activities based on practices that may, in our opinion, produce good outcomes. The advisory comments are for consideration only, and management is not required to provide written responses or corrective action plans. The advisory comments are as follows:

- Personal use of fleet vehicles, particularly those assigned as unrestricted use, may be a taxable noncash fringe benefit to employees per the Internal Revenue Service (IRS). Fleet, Human Resources, and the Legal Department should evaluate IRS requirements, operations, and documentation (log) standards for applicability.

- Routine vehicle maintenance promotes safety and vehicle efficiency. Fleet sends required vehicle repair notices to agencies and departments, but there is no oversight to enforce compliance. Management should review vehicle repair histories on a cycle basis to ensure departments adhere to required repair schedules.

- Fleet does not set sales price minimums on website portals to ensure online sales meet or exceed KBB values. Online sales below KBB should be routed for supervisory approval.

Exhibit A: Summary of Audit Procedures

IA performed the following procedures to evaluate the adequacy and effectiveness of control activities:

- Completed walkthroughs of key processes for fleet and fuel management to identify key controls. Also, reviewed applicable policies and procedures for compliance purposes.

- Inspected physical security at a County fuel site without exception.

- Observed Fleet's verification procedures during a fuel drop at a County fuel site. Verified accuracy of calibration techniques without exception.

- Reviewed Finance's August 2024 reconciliation of fuel consumption for accuracy and completeness. Compared fuel prices to market standards with no material differences.

- Analyzed individual driver fueling activity, using fuel site and WEX data, during the months of July and August 2024 to check for reasonableness of fuel costs (number of times obtaining fuel in one day and total cost of fuel activity in a month). Inquired with management regarding outliers (**Recommendations 1 and 2**).

- Reviewed Finance's 2023 biennial audit of fixed assets for coverage of fleet inventory.

- Physically checked VINs and obtained supporting documentation to validate County possession of a judgmental sample of 30 vehicles. Ensured data accuracy and consistency in SAP and AssetWorks.

- Reperformed three-way match (purchase order, goods confirmation, and invoice) for two vehicle purchases initiated during the audit period without exception.

- Selected a judgmental sample of 30 vehicle sales completed during the audit period. Vouched sales to supporting documentation, and inquired with management about price controls (**Recommendation 3**).

- Selected a judgmental sample of 30 work orders completed during the audit period. Compared repair costs to asset characteristics to assess economics of repairs. Compared results against policy thresholds for replacement of vehicles.

We believe the sample sizes and selection methods provided sufficient evidence for our evaluation.