

ULSTER COUNTY COMPTROLLER'S OFFICE

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Wright Express Gas Card Program Review

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

Background

While not as volatile as in previous years, the cost of vehicle fuel remains one of the largest operating expenses public sector fleets must manage. Over the past few years, municipalities have faced increasing costs, decreasing staff, and tighter budgets making efficient and effective management of certain expenses all the more important. One of those expenses is fuel. As fuel costs continue to fluctuate, management must constantly find ways to maximize efficiencies and keep expenses under control.

In Ulster County, Public Works Department's Central Garage Division is assigned the responsibility for managing the County's fleet and garage operation, providing fleet management, and maintenance and repairs, of approximately 591 vehicles.



An effective fleet management system is integral to maximizing efficiencies and savings. The County's Fleet Management is tasked with preparing technical financial analyses and projections, monitoring fleet costs and overseeing the operation and utilization of a fleet maintenance program. All of these responsibilities can be significantly aided with the use of an efficient fleet software program.

Prior to April 2013, Ulster County managed fuel consumption for both diesel and gasoline products through eight County owned and operated fuel locations with the assistance of GasBoy, a fleet management and electronic and mechanical fuel dispensing system. Each site consists of two aboveground storage tanks (one for unleaded fuel, one for diesel) that dispense fuel through the use of gas cards issued to individual County employees. Management states that card use prompts for manual entry of a unique assigned vehicle number before dispensing can occur. In circumstances where County employees were in the field, they would have to purchase fuel out of pocket and later submit receipts for reimbursement.

The demand for more accessibility for County fleet users, software and hardware systems quickly approaching obsolescence, and the pending end-life of the County fuel storage tanks, led County administration to explore improved options that better suited County needs. Due to equipment size (i.e. County plows, backhoes, and other excavating equipment) and their corresponding fuel needs, Ulster County administration choose to keep diesel fuel product on site at all eight locations.

In April 2013¹ Ulster County fully implemented a new fleet fuel program through the use of New York State's awarded bid to Wright Express Financial Services Corporation ("WEX"). This new contract allowed for fleet control purchases in the field and provides real time comprehensive information and analysis tools to properly manage operations and reduce costs.

The WEX program enables employees to purchase fuel for County vehicles at any participating commercial gas station throughout the nation. WEX operates through a credit card which is exclusively assigned to each County owned asset. Management states each authorized County employee is provided a unique driver identification number which must be entered along with the asset's current odometer reading before the pump will operate.

¹ The Ulster County Sheriff's Office had previously implemented Wright Express Card usage in November 2012.

When the WEX systems capabilities are maximized, increased security and control, over costs, and more efficient use of administrative resources should be realized. This report focuses on if the County has benefited from the implementation of WEX as well as whether the County is utilizing the program to the fullest capacity.

Fuel Use Overview

Fuel expense for Ulster County totaled \$1.598 million in 2014. The chart below details fuel expenses by unit. As can be expected the largest consumers of fuel in the county are: the Highway Department, Ulster County Area Transit, and the Sheriff's Office.

 Budget Performance Report Date Range 01/01/14 - 12/31/14					
Department	Adopted Budget	Budget Amendments	Amended Budget	YTD Transactions	% used
District Attorney	\$7,000.00	\$1,759.29	\$8,759.29	\$8,106.27	93%
Purchasing	\$3,000.00	\$0.00	\$3,000.00	\$3,359.47	112%
Clerk	\$8,050.00	\$0.00	\$8,050.00	\$2,666.23	33%
Elections	\$2,500.00	\$0.00	\$2,500.00	\$164.33	7%
Buildings	\$40,000.00	(\$2,500.00)	\$37,500.00	\$35,195.77	94%
Central Garage	\$8,800.00	(\$60.00)	\$8,740.00	\$7,173.67	82%
Central Data Processing	\$3,650.00	\$0.00	\$3,650.00	\$3,471.70	95%
Public Safety Communication	\$3,420.00	\$0.00	\$3,420.00	\$1,665.36	49%
Sheriff	\$290,004.00	(\$44,000.00)	\$246,004.00	\$234,330.48	95%
Probation	\$17,885.00	\$0.00	\$17,885.00	\$12,371.70	69%
Jail	\$48,195.00	\$582.00	\$48,777.00	\$40,482.29	83%
Rehabilitation Services	\$8,000.00	\$0.00	\$8,000.00	\$5,970.81	75%
Fire Protection	\$3,000.00	\$0.00	\$3,000.00	\$1,564.56	52%
Arson Task Force	\$3,000.00	\$0.00	\$3,000.00	\$2,141.88	71%
Safety Inspection	\$7,200.00	\$0.00	\$7,200.00	\$5,159.99	72%
Other Public Safety	\$11,020.00	(\$11,020.00)	\$0.00	\$0.00	
Public Health	\$22,500.00	\$0.00	\$22,500.00	\$17,155.14	76%
WIC Program	\$1,000.00	\$0.00	\$1,000.00	\$685.64	69%
Machinery	\$430,000.00	\$150,000.00	\$580,000.00	\$670,380.46	116%
Bus Operations	\$553,867.00	(\$31,500.00)	\$522,367.00	\$465,969.34	89%
Social Services Administration	\$83,500.00	(\$500.00)	\$83,000.00	\$58,163.70	70%
Tourism	\$600.00	\$0.00	\$600.00	\$961.53	160%
Veterans Services	\$18,000.00	\$500.00	\$18,500.00	\$16,613.93	90%
Sealer Weights & Measures	\$4,500.00	(\$500.00)	\$4,000.00	\$3,667.61	92%
Programs for the Aging	\$3,000.00	\$0.00	\$3,000.00	\$1,512.76	50%
EXPENSE TOTALS	\$1,581,691.00	\$62,761.29	\$1,644,452.29	\$1,598,934.62	97%

*The chart represents all "auto fuel" expenses as represented in the County's financial management system

Total fuel expense for 2014 declined by \$168,600 from the previous year. Many factors contribute to absolute fuel costs and savings; the implementation of WEX may have played a part in this decreased cost. The realized monetary savings may seem nominal, but there are also inherent savings that cannot be quantified such as travel time, salaries, project cost, etc.

To illustrate this point, we note that while the nation as a whole has experienced decreasing gas prices in recent years, by examining the percentage decrease in the national average price per gallon in comparison to total Ulster County fuel costs, it would appear that the WEX program has provided savings beyond that which can be attributable to decreasing fuel costs.

2013 National Average Price per Gallon	2014 National Average Price per Gallon	% Decrease in National Average Price per Gallon
\$ 3.526	\$ 3.367	-4.5%

2013 Total Ulster County Fuel Cost	2014 Total Ulster County Fuel Cost	% Decrease in Ulster County Total Fuel Cost
\$ 1,766,600.00	\$ 1,598,000.00	-9.5%

5% greater decrease in cost in Ulster County compared to National averages

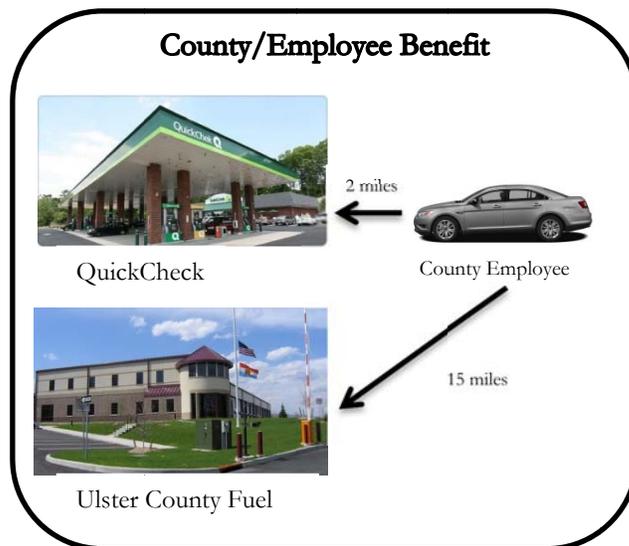
After comparing the decrease in average fuel costs to the decrease in total fuel costs for the County from 2013 when WEX was initially implemented, to those of 2014, we note that Ulster County experienced a 9.5% decrease in total fuel costs amidst a 4.5% decrease in the national price per gallon. Therefore, the County was able to realize an additional 5% decrease in fuel costs beyond that attributable to the general decline in fuel price per gallon.

Benefits of Program

A good fuel management program should consist of real-time fueling transactions and a diverse fueling network. At the swipe of a card, fleet managers can monitor all government fuel purchases and receive price/tax breaks, saving thousands of dollars annually. Coupled with proper follow up from management WEX should be able to provide all of this.

Accuracy: Each transaction is centralized so that fleet managers receive one bill for the account reflecting the date, time, location, driver, quantity and price of fuel, cost per gallon, cents per mile, and non-fuel products. If desired, fleet managers can place program restrictions, including but not limited to fuel-only purchases, maintenance, and number of transactions per day. This provides greater controls and accountability over fuel use for the County.

Flexibility: WEX creates greater user-accessibility and efficiency. County fuel sites close after business hours and several of them are locked out by gate access. WEX gives employees after business hours access as well as the ability to re-fuel at station to which they were closest to cutting down on mileage as employees no longer had to track back to the closest County fuel location.



Time-Savings: WEX significantly reduces accounting and administrative time. As employees are provided the use of County vehicles, they are no longer required to retain receipts for reimbursements. Before WEX, accounts payable personnel would be burdened with tracking receipts to ensure proper purchases were indeed due back to the employee. Furthermore, often personnel had fronted the cost of fuel. The result in such cases is that they either have to absorb the taxes paid, or reach out after the fact to the vendor to seek refund of the taxed amount already incurred, because tax-exempt fleets are billed net of tax.

Additionally, WEX provides valuable rebates based on fuel purchases. Fuel discounts are calculated by aggregating fuel purchases on a monthly basis at time of billing.

Findings

Ulster County tracks over 330 fuel cards, which totaled 8,766 transactions purchasing over 143,000 gallons of unleaded fuel during 2014. The WEX credit card fueling system provides Ulster County tools for strengthened controls and improved oversight abilities. However, our review indicates that the County is not taking full advantage of the abilities to monitor transactions effectively, provided by the implementation of WEX.

Improvements should be made in the following areas:

- Parameters should be set up in WEX to alert the proper authorities of any anomalies which could be indicative of misuse, abuse, or fraud.
 - These parameters should be tracked and tested regularly to ensure that they communicate the desired information the County wishes to capture.
- Monitored fuel usage mechanisms should be established and communicated to departments.
- Description fields within WEX should be utilized to the fullest with accurate information and consistency between fields.
- Controls should be developed and communicated to employees to regulate which fuel grade products are to be purchased for the County asset in service.
- Written procedures for filling gas cans for small engine devices should be adopted, enforced and included in the Standard Operating Procedures.
- Written procedures for assigning/deleting cards to/from vehicles should be adopted, enforced and included in the Standard Operating Procedures.
- Written procedures for assigning/obtaining pin numbers to/by personnel should be adopted, enforced and included in the Standard Operating Procedures.

During the review of the WEX program the Comptroller's Office inquired as to the parameters Ulster County has implemented within WEX to be notified if misuse or abuse were to occur. It is our assumption that Fleet Management is under the impression certain parameters come standard with the implementation of the program. However, WEX confirmed that such parameters must be requested and set up by the client, and that only one parameter has been activated on the County's account.

To test if any anomalies occurred on the account, standard reports that exist in WEX were analyzed every other month for the period of January thru December 2014 for each department. The

following areas should be considered high risk and efforts to monitor these areas should be seriously considered.

- Many of the odometer readings identified as inconsistent can be easily linked to human error and mis-keyed information. Additionally, WEX has verified that often missing odometer information is reported due to file corruption within the transfer of data from the vendor. However, it was not apparent that the information is always corrected within the system so that accurate analysis can be tracked for each asset.
- Fleet management affirms that gas can protocol exists and does not allow for fueling to exceed five or 10 gallons – there were many instances where assets titled “gas can” exceeded the 10 gallon limit.
- Fleet management explains that it is their internal policy that gas purchases are to be regular grade gasoline unless otherwise authorized – there were numerous instances where assets were receiving both unleaded and premium grades when being used by different personnel.

The WEX program appears to provide the necessary tools for tightening these controls. Management should engage with WEX to set up restrictions and provide analysis of the relevant information on a regular basis. Management should also follow up on existing parameters and address any that may not be triggering the proper alerts.

Recommendations Moving Forward

Our due diligence indicates that WEX can provide specific system parameters which can be used to monitor fleet usage in real time, alerting Fleet Management if one or more of the established criteria are violated. During our review it was noted that no parameters had been implemented by management except gas can limits. Additional parameters include: transaction based limits, total purchasing controls (i.e. timeframes, total dollars, number of transactions per timeframe), product limits, and days and times of the week where transactions can occur. We recommend that Fleet Management set up parameters within WEX using criteria they deem useful in assuring the County fleet and funds are being properly used. We further recommend that Fleet Management include such criteria they determine in written procedures for the department.

The mechanisms provided by WEX to monitor fuel usage do not appear to be utilized by management to their fullest and therefore are not properly maximized. While fuel usage oversight rests with the individual departments, Fleet Management does not have standard management reports, exception reports, or established metrics, to objectively determine reasonable use. Without such means, tracking and identifying variances can be a time-consuming task. In addition, without proper procedures in place, it allows for no consistency amongst department managers in the attempt to track fuel usage. Moreover, it is important that information within WEX be consistent in description fields so that assets can be easily identified and tracked. We recommend that fleet management establish standard reports (such as “Purchase Activity Report” along with several exceptions reports) and run them on a consistent basis so that they may be analyzed to reveal patterns, relationships, trends, etc. for efficiency and irregularities.

Fleet Management should additionally develop reconciliation procedures and communicate such to departments if they are in fact responsible for their individual billing. These procedures should ensure:

- All excise tax has been removed
- All state sales tax has been removed
- All miscellaneous transactions have been investigated and verified
- No transactions exist for cancelled cards
- No transactions exist for deactivated cards

When gas prices rise, drivers scramble to reduce fuel costs and one quick way to save at least 20 cents per gallon is to stop pumping premium fuel and switch to regular grade. The key to make this change is to know whether it is recommended or required for the specific vehicle. With today's technology most cars will typically run on regular grade fuel. During the analysis of WEX reports there were numerous instances where users purchased premium grade fuel for a vehicle that does not require such product. Fleet Management should adopt a policy and procedure for employee's to follow to ensure that vehicles are being properly fueled and maintained based on the asset manufacturer's specifications while allowing the County to better control costs.

We further recommend that Fleet Management consider adopting written procedures for refueling gas cans and enforce those procedures as well as develop procedures for assigning/deleting cards to/from vehicles and obtaining pin numbers by personnel and include these in the Standard Operating Procedures.

Conclusion

Fleet Management has made great strides in an area of high risk for waste and fraud by adopting the WEX management system. However, the department should consider those strategies the County could be utilizing to increase monitoring effectiveness to reduce risk and/or fraud as well as observing trends that may lead to efficient usage of the County's fleet.

Based on our brief review, we conclude that Wright's Express Fuel Credit Card program generally provides responsive, cost effective controls over fleet management and their operation. However, in order to fully carry out its objective, tight management review is imperative. We have made several recommendations that would assist Central Auto in accomplishing the objectives of the implementation of WEX.

This report, in draft, was provided to the Department of Public Works and the corresponding Deputy County Executive overseeing that Department for review. In follow up discussions with management, we obtained certain clarifying information which has been incorporated in this report, and received assurances that they would work with our Office to implement recommendations for improved use of the monitoring tools available through WEX in order to ensure maximum oversight and efficiencies. We thank the Department of Public Works and its unit head, Susan Plonski, for their follow up.