

# FLEET MANAGEMENT DEPARTMENT FUEL CARD PROGRAM AUDIT



**FY2026**

Report# 2026-03  
October 28, 2025

## OFFICE OF THE CITY CONTROLLER

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## CHRIS HOLLINS

City Controller

The Honorable John Whitmire, Mayor  
City of Houston, Texas

**SUBJECT: REPORT #2026-03 FLEET MANAGEMENT DEPARTMENT (FMD) FUEL CARD PROGRAM AUDIT**

The Audit Division has completed an audit of the City of Houston's Fuel Card Program administered by the Fleet Management Department (FMD).

The objective was to assess whether internal controls over fuel card administration and usage are adequate. The audit covered the period from April 1, 2022, through June 30, 2024. Administrative Policy (AP) 5-5 *Corporate/Government Fuel Cards* served as the governing guidance for City fuel car purchases at commercial retail gas stations.

Based on our audit procedures, we noted limited adherence to AP 5-5 and identified 11 findings. Collectively, these findings indicate systemic control weakness in program administration, oversight, and compliance with established policy. While certain issues may be addressed through operational improvements, others will require strengthened governance, clearer accountability, and, where appropriate, policy revisions.

**Key areas requiring improvement:**

- Monitoring of fuel card transactions occurring within 3-mile radius of City-owned fuel islands;
- Departmental monitoring of fuel card purchases, including verification of accurate odometer readings and appropriateness/approval of premium fuel purchases;
- Enhanced oversight of pool fuel cards to limit use and safeguard against potential fraud or abuse;
- Timely deactivation of fuel cards assigned to vehicles that have been retired or sold to prevent inappropriate use or fraud;
- Retention of fuel card requests and supporting documentation to evidence proper authorization, review, and approval prior to issuing new cards;
- Delivery of fuel card training as required by AP 5-5, including documented evidence of completion;
- Segregation of duties and documented oversight for the Fuel Card Program Administrator and other relevant roles to prevent or mitigate conflicts; and
- Secure custody of fuel cards until transfer to appropriate departments to prevent theft or misappropriation

We appreciate the time, effort, and cooperation of the FMD management and staff throughout this audit. Addressing the above areas will strengthen the overall management and control of fuel card program operations.

Respectfully submitted,

Chris Hollins  
City Controller  
City of Houston, Texas

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## EXECUTIVE SUMMARY

The Audit Division conducted a performance audit of the Fleet Management Department's (FMD) Fuel Card Management Program, which oversees fuel purchases for more than 1,000 City vehicles across seven departments and one local government corporation. The audit reviewed policies, practices, and transactions from FY2022–FY2024 to evaluate internal controls, compliance, and effectiveness. Average annual fuel card spending during this timeframe was roughly \$5 million across 90,000 transactions, with Houston Fire Department (HFD) and Houston Police Department (HPD) representing over 99% of expenditures.

We noted 11 findings in total where internal controls and operational processes were insufficient or inconsistent with established policies and best practices. Three of these indicate excessive and systemic weaknesses in the administration of fuel card purchases, requiring immediate review and corrective action to mitigate financial, operational, and reputational risks.

- **Fuel cards used within close proximity of City-owned fuel islands:** 14% of the City's fuel card transactions – totaling \$740,000 annually – were not in compliance with the City's guidelines (AP 5-5), as they occurred within three miles of a City-owned fuel island during business hours. An additional 51% (>\$2.8 million annually) took place after hours or on weekends.
- **Inadequate oversight of fuel card assignments and usage:** More than 300 vehicles with active fuel cards were not included in the City's official fleet management system. These cards were used in over 10,000 transactions totaling more than \$550,000 in FY2024. The absence of asset verification and tracking/monitoring presents significant risks to accountability and fraud deterrence.
- **Inadequate monitoring of fuel card purchases:** Audit results revealed that 91% of monthly fuel card statements lacked evidence of review or reconciliation by responsible parties. This widespread absence of oversight indicates a serious breakdown in monitoring and reflects a systemic weakness in management controls that could lead to misuse and abuse of fuel cards. For example, fuel cards assigned to diesel vehicles were used to purchase over \$180,000 in unleaded gasoline. It is unknown at this time what proportion of these purchases was inappropriate or fraudulent.

FMD data indicates that commercial fuel purchases cost the City 11–12% more for unleaded gas and 18% more for diesel compared to City-owned fuel islands. However, these figures exclude the transportation, storage, and maintenance costs of operating fuel islands. FMD should conduct recurring, all-in cost analyses to account for market fluctuations and the true cost of ownership. If analysis shows limited or no net savings, the City should consider revising its fuel policies to prioritize cost efficiency and user convenience.

Overall, this audit detected systemic weaknesses in the City's fuel card program that compromise accountability and increase the risk of waste, fraud, and abuse. Strengthening oversight, aligning policies with actual practices, and conducting ongoing cost analyses will be essential to safeguard resources and increase confidence in the program.

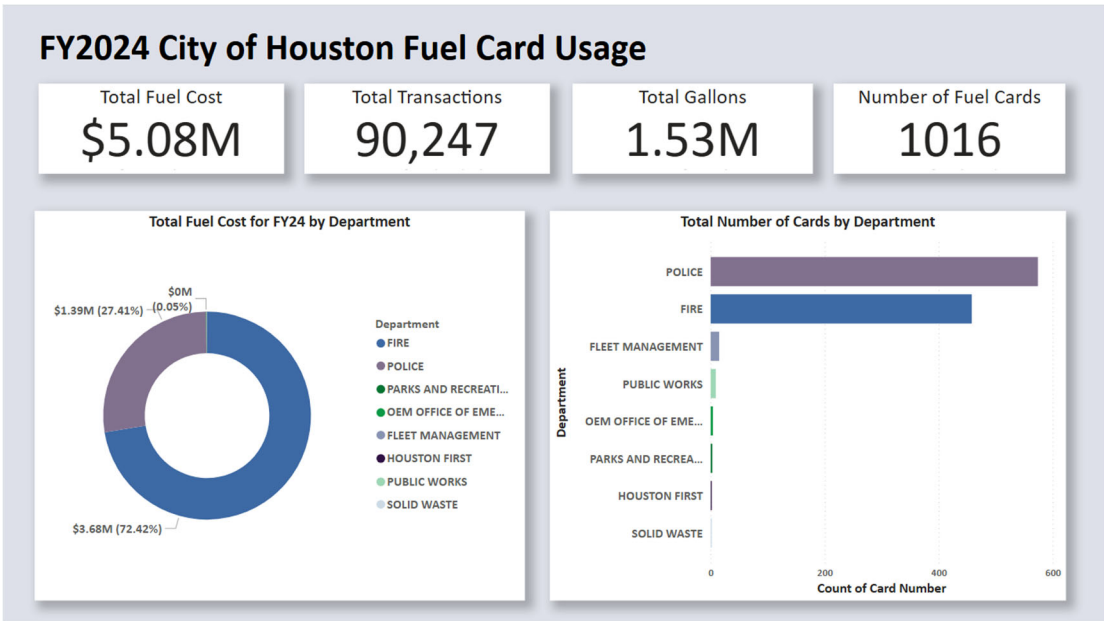
# AUDIT REPORT

## INTRODUCTION

The Office of the City Controller’s Audit Division has completed a performance audit of the Fleet Management Department’s (FMD) Fuel Card Management Program. This audit was conducted as part of the Fiscal Year 2024 (FY2024) Audit Plan, which prioritizes areas with elevated risk, significant public interest, and opportunities for operational improvement.

The Fuel Card Management Program is responsible for oversight of fuel purchases for over a thousand City-owned and operated vehicles used across seven (7) City departments and one component unit/local government corporation to include the Houston Fire Department (HFD), Houston Police Department (HPD), Fleet Management Department (FMD), Houston Public Works (HPW), Houston First Corporation (HFC), Solid Waste Management (SWM), Parks and Recreation Department (PRD), and Office of Emergency Management (OEM). Together, HFD and HPD account for more than 99% of the City’s fuel card spend.

As the administrator, FMD was responsible for the oversight, issuance, and monitoring of 1,286 active fuel cards managed in the FleetCommanderOnline (fuel card management system for Voyager fuel cards) that collectively represent an average annual expenditure of over \$5 million for both FY2023 and FY2024. During FY2024, we observed more than 90,000 transactions totaling over \$5 million for 1,016 fuel cards. We also noted that 270 of the 1,286 active fuel cards had no evidence of usage during that time. Given the decentralized nature of card usage and the inherent risk of misuse, effective oversight is critical to ensuring fuel resources are used appropriately and efficiently.



This audit was initiated to assess the adequacy of internal controls over the fuel card program, determine compliance with applicable policies and procedures, and evaluate the overall effectiveness of program oversight. The scope of the audit included a review of transactions, program management practices, and data from Fiscal Years 2022 through 2024. The Audit Division employed a combination of data analysis, document review, and interviews with key personnel to develop our findings.

By identifying opportunities for improvement, this audit aims to assist the City in enhancing accountability, safeguarding public resources, and improving the operational integrity of the Fuel Card Management Program.

## BACKGROUND

The City of Houston's fuel card program is administered through the State of Texas Cooperative Purchasing Program and has been managed by FMD since Fiscal Year 2013. Under this agreement, Voyager fuel cards issued and managed by U.S. Bank provide City employees with the ability to fuel City-owned and operated vehicles at commercial gas stations. The City developed AP 5-5, "*Corporate/Government Fuel Cards*" to establish guidelines for the purchase of fuel at commercial retail gas stations using City-issued fuel cards.

**FUEL CARDS BY DEPARTMENT PER VOYAGER  
FY 2024**

DEPARTMENTS	# OF FUEL CARDS	# OF TRANSACTIONS	CHARGED AMOUNTS	% OF DOLLAR SPEND
Fire (HFD)	398	54,076	\$3,675,275	72.41%
Police (HPD)	828	35,998	\$1,391,554	27.42%
Fleet Management (FMD)	32	45	\$1,334	0.03%
Public Works (HPW)	10	21	\$845	0.02%
Houston First Corporation (HFC)	5	16	\$1,143	0.02%
Solid Waste (SWM)	4	11	\$824	0.02%
Parks and Recreation (PRD)	5	44	\$2,758	0.05%
Office of Emergency Management (OEM)	4	36	\$1,668	0.03%
<b>Total</b>	<b>1,286</b>	<b>90,247</b>	<b>\$5,075,401</b>	<b>100.00%</b>

Fuel cards were initially issued for gas purchases for employees traveling outside the Houston area or operating after-hours and weekends. There are 65 City-owned fuel islands, including 38 with unrestricted access. All but two of the unrestricted fuel islands have both unleaded and diesel fuel.

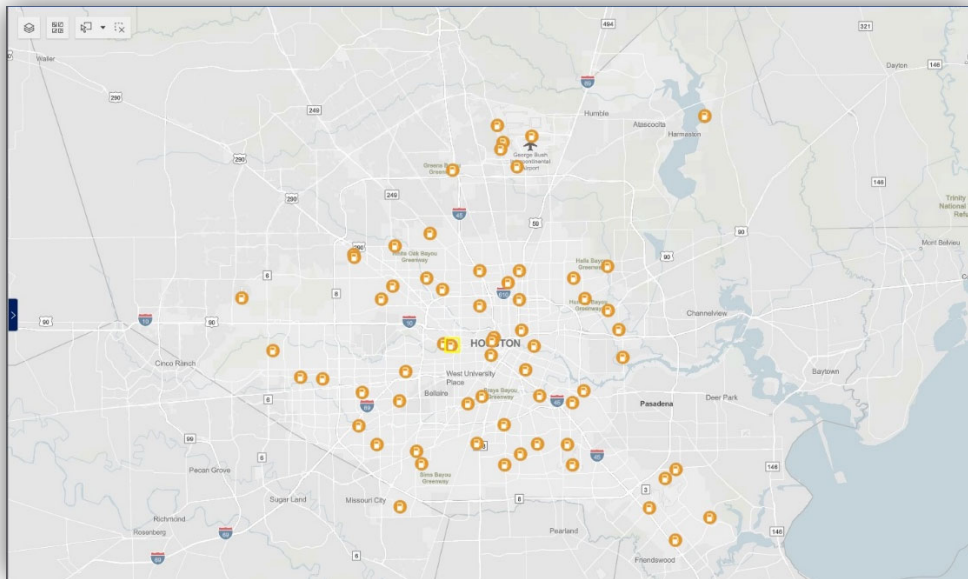


Figure 1 Non-Restricted City Fuel Islands

In November 2024, FMD received approval to purchase Samsara, a software solution designed to provide real-time vehicle tracking, fuel usage analytics, and driver behavior monitoring. This system is expected to strengthen the City's fuel card management by improving oversight of fuel consumption, detecting irregular activity, and enhancing overall operational efficiency.

## AUDIT SCOPE AND OBJECTIVE

The scope of the audit included FMD's fuel card program processes, procedures, and transactions from Fiscal Year 2022 through Fiscal Year 2024. The objective of the audit was to assess whether internal controls are adequate to determine if fuel card purchases are managed and used appropriately.

## CONCLUSION

We believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below, as required by professional auditing standards. Each conclusion is aligned with the related Audit Objective for consistency and reference. Based on the evidence obtained, the City's fuel card program contains substantial internal control deficiencies that significantly impair the City's ability to ensure adequate management and appropriate use of public funds.

We noted three findings that collectively indicate excessive and systemic weaknesses in the administration of fuel card purchases. These findings require immediate review and corrective action to mitigate financial, operational, and reputational risks.

- **Fuel cards used within close proximity of City-owned fuel islands:** 65% of the City's fuel card transactions – totaling over \$3.5 million – occurred within three miles of a City-owned fuel island, with most of those transactions occurring after hours and on weekends, as allowed by AP 5-5. However, 14% of those transactions totaling \$740,000 were not in compliance with AP 5-5, as they occurred within three miles of a City-owned fuel island during business hours. This volume of commercial fuel card purchases near City-owned fuel islands could be an indication of potential misuse or inappropriate and fraudulent use. (See "Detailed Findings" Section: Finding 1)
- **Inadequate oversight of fuel card assignments and usage:** We found 302 vehicles with active fuel cards listed in the Voyager system that were not included in M5, the City's official fleet management system and authoritative vehicle asset register and/or on separate listings maintained and provided by FMD. These cards were used in over 10,000 transactions totaling more than \$550,000 in FY2024. The absence of asset verification and tracking/monitoring presents significant risks to accountability and fraud deterrence. (See "Detailed Findings" Section: Finding 2)
- **Inadequate monitoring of fuel card purchases:** Audit results revealed that 91% of monthly fuel card statements lacked evidence of review or reconciliation by responsible parties. This widespread absence of oversight indicates a serious breakdown in monitoring and reflects a systemic weakness in management controls that could lead to misuse and abuse of fuel cards. (See "Detailed Findings" Section: Finding 3)



In addition to the three findings above, the audit identified several other areas where internal controls and operational processes were insufficient or inconsistent with established policies and best practices (See “Detailed Findings” Section: Findings 4 - 11).

The combination of these audit findings indicates systemic control weaknesses in the City’s fuel card program administration, oversight, and compliance with the established fuel card policy. While some findings may be resolved through operational improvements, others require strengthened governance, accountability, and potential policy revisions.

## **ACKNOWLEDGMENT**

The Audit Team would like to thank FMD’s management and staff for their professionalism, cooperation, time, and efforts throughout the course of this engagement.

## **AUDIT TEAM**

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Theresa Watson, CIA, CGAP, Audit Manager  
Gaylord Dunn, Lead Auditor  
Mohammad Haroon, Quality Reviewer

## DETAILED FINDINGS

### FINDING #1: FUEL CARDS USED WITHIN CLOSE PROXIMITY TO CITY-OWNED FUEL ISLANDS

#### RISK RATING

High

#### BACKGROUND

Fuel cards are utilized by City employees for fuel purchases at commercial retail gas stations. During FY2024, there were 90,247 fuel card transactions totaling over \$5 million for the purchase of 1.5 million gallons of fuel.

#### CRITERIA

AP 5-5: Corporate/Government Fuel Cards

- Section 5.5.1: "Fuel cards will be issued primarily for traveling outside the Houston area, operating after-hours and weekends."
- Section 5.5.4: "Fuel Cards will not be issued where there is a City-owned fuel island within 3 miles."

#### FINDING

The audit revealed that 14% (12,560)<sup>1</sup> of the total fuel card transactions, totaling approximately \$740,284, occurred within three miles of a City-owned fuel island.

A detailed analysis of the transactions further indicated that:

- HFD had an average transaction distance of 1.99 miles from a city-owned fuel island.
- HPD had an average transaction distance of 1.91 miles from a city-owned fuel island.

A detailed analysis of the \$740,284 in fuel cost indicated that:

- HFD conducted 75% (9,414) of total fuel transactions, purchasing 173,713 gallons of fuel for \$603,313.
- HPD conducted 25% (3,108) of the total fuel transactions, purchasing 41,797 gallons of fuel for \$134,947.

Although, AP 5-5 allows fuel card transactions for after-hours and weekends, during FY 2024, a significant amount of fuel was purchased at commercial gas stations within three miles of a City-owned fuel island during those times totaling over 900,000 gallons of fuel for over \$3 million. The potential for fraud and/or abuse could be higher during these dates and times.

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<sup>1</sup> This total was based on identifying transactions occurring within three miles of unrestricted City-owned fuel stations and removing transactions that occurred between 7AM and 7PM, as well as any transactions that occurred on Saturdays and Sundays. Additionally, we judgmentally removed a number of HPD units performing special operations from the population.

#### FUEL CARD USAGE NEAR CITY-OWNED FUEL ISLANDS

DEPARTMENT	# OF TRANSACTIONS	AVERAGE DISTANCE	GALLONS	TOTAL FUEL PRICE
Fire (HFD)	9,414	1.99	173,713	\$603,313
Police (HPD)	3,108	1.91	41,797	\$134,947
Office of Emergency Management (OEM)	23	2.26	301	\$1,008
Houston First (HFC)	6	1.03	144	\$460
Solid Waste (SWM)	6	1.26	140	\$490
Fleet Management (FMD)	3	2.26	20	\$66
<b>Total</b>	<b>12,560</b>	<b>1.97</b>	<b>216,115</b>	<b>\$740,284</b>

The audit revealed fuel purchases for FY24 were not cost efficient at commercial gas stations compared to city-owned fuel islands. Specifically, the additional costs incurred of \$93,741 broken out as follows:

- **Unleaded Fuel**
  - Commercial Gas Stations: \$3.25 per gallon
  - City-Owned Fuel Islands: \$2.91 per gallon
  - Additional Cost Incurred: \$45,141
- **Diesel Fuel**
  - Commercial Gas Stations: \$3.68 per gallon
  - City-Owned Fuel Islands: \$3.12 per gallon
  - Additional Cost Incurred: \$48,600

The Department Fuel Card Coordinators (DFCC) did not receive adequate training or establish monitoring procedures to ensure compliance with AP 5-5 requirements for City fuel island usage instead of using fuel cards at commercial gas stations located within three miles of them.

#### **RECOMMENDATION**

The FCPA should train Department Fuel Card Coordinators (DFCC) on AP 5-5 to facilitate appropriate use of fuel cards, to include utilizing City fuel islands, when available. The DFCC and the FCPA should monitor fuel card usage to ensure that they are not being used at commercial gas stations, if there is a City-owned fuel island within 3 miles, as required by AP 5-5. Additionally, the DFCC and FCPA should monitor after-hours and weekend fuel card purchases to ensure that they are valid and appropriate.

#### **MANAGEMENT RESPONSE**

For clarification purposes, the Recommendation paragraph of this finding incorrectly quotes AP 5-5. AP 5-5 does not prohibit the use of commercial stations if there is a City-owned fuel island within 3 miles of the commercial station. FMD also challenges the “The potential for fraud and/or abuse could be higher during these dates and times” statement of the Findings section. Audit did not present an objective basis for this statement. No occurrences of fraud and/or abuse were identified during this audit.

FMD recognizes the cost savings that can be achieved when using a City refueling site versus a commercial station, however, there are practical situations that often render City refueling sites unavailable and/or an impediment to the City’s provision of emergency services.

1. Access to City Fueling Sites
  - a. Police and Fire department personnel do not have access to non-Police and non-Fire facilities outside of normal business hours.

- i. Most City refueling stations are located at secured facilities. On-duty security personnel at these locations grant access to all City employees with City vehicles in need of fuel. However, security is typically not available at these facilities outside of normal business hours due to budget constraints. The cost of staffing these facilities with 24-hour a day security far exceeds the savings of using these City refueling sites outside of normal business hours versus commercial fueling stations.
    - ii. Some secured fuel stations are equipped with gates that can be unlocked outside of normal business hours with municipal employee ID badges. Employees of the Police and Fire departments do not operate with municipal ID badges. According to GSD, the cost for the initial supply of municipal badges to Police and Fire employees would be approximately \$60,000 plus annual maintenance costs. Time lost by Police and Fire employees as they obtain and replace the redundant identification badges would also factor into program costs.
  - b. The refueling infrastructure of a fire station cannot be accessed when the station is on call. A fire station is locked down in accordance with safety and security protocols when staff of the station is responding to an emergency call. This makes the station refueling site inaccessible to City staff not assigned to the station.
2. Infrastructure Limitations
- a. Many City fuel stations are limited in fuel types capable of being dispensed. Some are only capable of dispensing gasoline while others are only capable of dispensing diesel. The cost of providing both fuel types at each City refueling station far exceeds the savings that could be realized with the reduced use of commercial fueling stations.
  - b. Some City stations cannot safely accommodate the large vehicles operated by the Fire Department because of property layout.
  - c. Fuel Cards are issued for vehicles based at City facilities where refueling infrastructure is not available and/or out of service due to equipment maintenance/upgrade projects.
3. Undercover Vehicles
- a. Undercover vehicles utilized by the Police department do not use City refueling locations for obvious security reasons.
4. Emergency response times
- a. Fire department policy dictates vehicle fuel levels should not be allowed to drop below  $\frac{3}{4}$  tank so vehicles can readily respond to and remain on, long-term emergency scenes without the need to refuel. Maintaining this policy will in some cases necessitate the use of on-route commercial stations to comply with department objectives/goals for emergency response times.
  - b. Refueling between consecutive emergency calls at on-route commercial stations can reduce emergency response times.
  - c. Accessing City fuel sites can include time necessary to clear facility security. Access time will vary by site and can impact response time.

FMD does not have staff necessary to manually test each commercial fuel transaction against the Audit recommended 3-mile rule but offers the following.

- 1. The FCPA will reinforce to DFCCs the use of City refueling sites when the sites are accessible, capable of dispensing the required fuel, and will not negatively impact emergency response times.
- 2. FMD will work to revise Section 5.5.4, AP 5-5: Corporate/Government Fuel Cards to encourage departments to use a City fuel site if the site is within three miles.
- 3. City Council approved a derivative agreement between the City and Samara, Inc. on November 6, 2024, for the provision of vehicle GPS and tracking services. One of the objectives of the Samsara system being implemented by FMD is to automate collection of information for each (internal and commercial) fuel

transaction. The system will automatically collect and record the time, vehicle ID, vehicle location, mileage, fuel station location, and fuel type/quantity dispensed. An automated comparison of transaction data and fuel card invoices can identify and alert staff to fuel card policy exceptions/violations for investigation.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

June 30, 2026

**ASSESSMENT OF RESPONSE**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.



## **FINDING #2: INADEQUATE OVERSIGHT OF FUEL CARD ASSIGNMENTS AND USAGE**

### **RISK RATING**

High

### **BACKGROUND**

To promote accountability and prevent misuse, each fuel card issued by the City should be assigned to and only used on that specific City-owned or operated vehicle. This assignment must be documented on the “Request for New Card” form at the time of issuance. The Fleet Card Program Administrator (FCPA) is responsible for maintaining an up-to-date record of all active fuel cards, including the associated vehicle information.

Accurate vehicle-to-card assignment is a critical control intended to ensure that fuel purchases are made exclusively for authorized City-owned and/or operated vehicles/equipment. As part of this audit, we reviewed three separate data sources used by the City to track fleet vehicles and their corresponding fuel cards:

- **Voyager** – the third-party fuel card provider’s database of fuel card transactions and assignments.
- **Microsoft Access database (Internal)** – maintained by the FCPA as a supplementary record of vehicle assignments.
- **M5** – the City’s official fleet management system, considered the authoritative source for the City’s fleet asset register.

These systems and database should collectively support consistent and verifiable fuel card-to-vehicle assignments. However, discrepancies between these sources may indicate weaknesses in oversight, recordkeeping, and policy enforcement.

### **CRITERIA**

AP 5-5: Corporate Government/Fuel Cards

- Section 6.1.4: The Fuel Card Program Administrator (FCPA) is responsible for “keeping a current list of fuel card numbers and vehicle-card assignments”.

### **FINDING**

The audit identified a significant control deficiency in the City’s fuel card management process. Specifically, we found 302 vehicles with active fuel cards listed in the Voyager system that were not included in M5, the City’s official fleet management system and authoritative vehicle asset register and/or a separate vehicle listing (i.e., leased vehicles, HPD special units, etc.,) maintained and provided by FMD. Additionally, no subsequent list of vehicles that are not included in the asset management system was provided by FMD.

Of the 302 vehicles, 37 had been sold or retired as of the “Sold 21-24 Report” dated July 19, 2024, provided by FMD. The recorded disposition dates for these vehicles ranged from September 1, 2023, through June 18, 2024, indicating that fuel cards remained active well after the vehicles were no longer in use.

In FY2024, 10,541 transactions totaling \$551,359 were processed using fuel cards assigned to vehicles not listed in M5. Among these, 5,055 transactions totaling \$259,213 were linked to pool fuel cards. It was also noted that of the \$551,359 fuel card purchases, 99% (\$545,781) were for two departments:

- \$205,053 were purchased by the Houston Fire Department (HFD).
- \$340,728 were purchased by the Houston Police Department (HPD).

These conditions indicate a breakdown in the City's vehicle-to-fuel card assignment and deactivation process, which increases the risk of unauthorized fuel purchases, weakens accountability, and impedes effective control of usage.

Fuel card assignment and management processes are not standardized or consistently documented and reconciled across systems, resulting in data discrepancies and unclear accountability for maintaining accurate and current fuel card records.

### **RECOMMENDATION**

The FMD Director or designee should conduct a comprehensive review of its procedures for assigning and managing fuel cards to ensure consistency and accuracy across all systems of record, including Voyager, M5, and the internal Microsoft Access database. This review should focus on identifying and resolving discrepancies in vehicle listings and ensuring that all active fuel cards are accurately tied to vehicles either recorded in M5 or included in other internal vehicle listings.

In addition, FMD should update Administrative Procedure (AP) 5-5 to formally document:

- The process and frequency for reconciling fuel card records between Voyager, M5, and internal vehicle listings/reports.
- Clear responsibilities for performing and reviewing these reconciliations.
- A periodic review of active fuel cards to validate assignments to the City's current fleet and leased or special unit vehicles.
- A procedure for investigating and resolving exceptions, including fuel cards assigned to vehicles not listed in M5 and leased or special unit vehicles.

Implementing these measures will strengthen internal controls, reduce the risk of fuel card misuse, and improve the integrity of the City's fleet and fuel management systems.

### **MANAGEMENT RESPONSE**

The City's fleet maintenance management system (M5) is the official record of City vehicle maintenance. The City operates hundreds of fleet assets that are by design, not listed in M5. Many of these vehicles not included in M5 are assigned fuel cards. Examples are as follow.

*Leased Vehicles:* Leased vehicles operated by the City are purposely excluded from M5 to preclude the City from bearing maintenance costs that should be covered by the lessor.

*Undercover Vehicles:* The Police department operates leased and seized vehicles for undercover operations. These undercover vehicles are not listed in M5 to avoid exposure of undercover operations. Pool (fuel) cards kept by the Police department are used by officers to fuel undercover vehicles.

The Findings paragraph of this item indicates 99% of fuel card transactions recorded for vehicles not listed in M5 were made with fuel cards assigned to the Police and Fire departments and there's good reason for this observation. The Fire Department operates the highest number of leased vehicles under a Council approved lease agreement and the Police department operates the City's undercover vehicles.

Paragraph 5.2.1 of AP5-5, Corporate/Government Fuel Cards states, "Fuel cards may only be used to purchase fuel for City-owned and/or operated vehicles/equipment." There is no requirement for fuel cards

to be issued only to City vehicles listed in M5. In addition, there is no policy requirement for the vehicles to be owned by the City.

FMD's use of the Microsoft Access database to track fuel card assignments has been discontinued. The Microsoft Access platform is no longer supported by HITS and therefore its continued use presents risk to the City. The Voyager database is the system of record for City fuel cards.

M5 is not used for fuel card reconciliation purposes because leased vehicles are not included in M5. However, M5 is used as needed to verify mileage readings with account transactions.

FMD will create a procedure to codify the current reconciliation of vehicle assignments using the Voyager database. However, M5 and the former Microsoft Access database will not be included for reasons listed above. The reconciliation with respect to undercover vehicles will continue the current process with pool (fuel) cards to avoid exposure of undercover operations.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

December 31, 2025

**ASSESSMENT OF RESPONSE**

Management's response, as presented, is inadequate in addressing the identified issue. The current processes and the use of pool fuel cards for HPD undercover vehicles do not require any accountability and reconciliation to ensure City fuel cards are only used on assigned vehicles and for appropriate and authorized fuel purchases. In addition to the proposed management action plans provided in the Management Response, FMD management should work with HPD to establish a monitoring and reconciliation process that will safeguard and ensure the appropriate use of City fuel cards while also protecting undercover operations.

## FINDING #3: INADEQUATE MONITORING OF FUEL CARD PURCHASES

### RISK RATING

High

### BACKGROUND

During the period of April 1, 2022, through June 30, 2024, City fuel cards were used to purchase over \$11.8 million of fuel from commercial retail gas stations. FMD is responsible for developing procedures and administering the fuel card program to facilitate the proper use and monitoring of fuel card transactions that are in compliance with the City's Charter, Ordinances, and applicable Texas laws. In accordance with those requirements, "AP 5-5, Corporate/Government Fuel Cards" was implemented effective December 14, 2018.

**FUEL CARD TRANSACTIONS (FY2022 (Q4) – FY2024)**

FUEL CARD	
FISCAL YEAR	TRANSACTIONS
2022 (Q4 only)	\$ 1,568,589.16
2023	\$ 5,178,805.28
2024	\$ 5,075,400.77
Total	\$ 11,822,795.21

### CRITERIA

AP 5-5: Corporate/Government Fuel Cards

- Section 6.1.7: the Fuel Card Program Administrator (FCPA) is responsible for "reviewing vendor invoices and transaction records for compliance with this policy and other procedures".
- Section 6.3.2: Department Fuel Card Coordinators (DFCCs) are responsible for "monitoring purchases made by fuel card users and submit transaction records to fuel card users for reconciliation".
- Section 6.3.3: DFCCs are to "send a confirmation to the FCPA no later than the 20<sup>th</sup> day of each month stating all fuel card holder transactions are valid or submit corrections/discrepancies".

### FINDING

The audit revealed that FMD was unable to provide fuel card statements for the first three quarters of FY2022 due to access issues within the Voyager fuel card system. Additionally, a review of available supporting documentation revealed the following:

- 91% (155 out of 170) of monthly fuel card statements did not have evidence of monitoring (i.e. monthly checklist, statement reconciliation, etc.,) by either the FCPA or DFCC.

Additionally, the audit revealed fuel card transactions involving fuel types that are incompatible with the assigned vehicle's specifications, indicating potential misuse, weak monitoring controls, or inaccurate vehicle-to-card assignments. Specifically:

- Fuel cards assigned to diesel vehicles were used to purchase \$180,938 in unleaded gasoline, with the Houston Fire Department (HFD) accounting for \$177,962 (98%) of these charges.
- Conversely, fuel cards assigned to unleaded gasoline vehicles were used to purchase \$10,139 in diesel fuel, with \$8,980 (89%) attributed to HFD.

Inadequate enforcement of document retention, monitoring, and reconciliation procedures, along with insufficient system controls and oversight, has led to inconsistent fuel card transaction records and increased risk of inappropriate or fraudulent use and/or potential equipment damage.

### **RECOMMENDATION**

FMD should enhance document retention procedures of City fuel card transactions to facilitate compliance with City and State retention requirements, as well as establish processes to ensure DFCCs are monitoring fuel purchases, as required by AP 5-5 to detect and prevent inappropriate and/or fraudulent transactions.

### **MANAGEMENT RESPONSE**

FMD located the fuel card statements for the first three quarters of FY2022 and has them available for review. The previous FCPA retired under the FY25 retirement incentive program and issues were experienced by the department in locating FCPA program records. Those issues have been corrected and all records are now immediately available for review.

With regard to the finding, *“the audit revealed fuel card transactions involving fuel types that are incompatible with the assigned vehicle’s specifications.”* The finding indicated most of these charges were attributed to the Fire department. The Fire department transports gasoline/diesel powered equipment (e.g., saws, generators, compressors, boats, ATVs, etc.) using vehicles with assigned fuels cards. The fuel card for a diesel-powered fire engine could be used to fuel a gasoline saw assigned to the same diesel fire engine. Similarly, the fuel card for a gasoline powered vehicle may be used to fuel a diesel-powered generator assigned to the gasoline vehicle.

Another issue contributes to the perceived irregularity in fuel type indicated on voyager transactions. FMD has previously contacted Voyager regarding discrepancies in fuel type on a per vehicle basis. Voyager attributed variances in fuel types to issues with software systems of the commercial stations where the fuel card transactions occurred. Voyager indicated the issue could not be corrected without changes to the communication system of the associated commercial stations.

FMD does not have the staff necessary to evaluate each fuel card transaction. City Council approved a derivative agreement between the City and Samara, Inc. on November 6, 2024, for the provision of vehicle GPS and tracking services. One of the objectives of the Samsara system implementation is to automate collection of information for each (internal and commercial) fuel transaction. The system will automatically collect and record the time, vehicle ID, vehicle location, mileage, fuel station location, and fuel type/quantity dispensed. An automated comparison of transaction data and fuel card invoices can identify and alert staff to fuel card exceptions/violations for investigation.

### **RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

### **ESTIMATED DATE OF COMPLETION**

June 30, 2026

### **ASSESSMENT OF RESPONSE**

Management’s response, as presented, is inadequate in addressing the identified issue. Acknowledging FMD’s lack of resources and agree that the purchase of the Samara system should facilitate detecting exceptions/violations, the department should work to increase monitoring efforts by reviewing the roles of FMD and the DFCC’s to ensure appropriate usage of City fuel cards. As such, the proposed corrective action plan is not adequate.



## FINDING #4: INAPPROPRIATE PURCHASES OF PREMIUM FUEL

### RISK RATING

High

### BACKGROUND

City fuel cards are used by employees to purchase fuel at commercial retail gas stations. Fuel cards can only be used to purchase fuel for City-owned and/or operated vehicles/equipment. Additionally, City fuel islands are available for fueling authorized vehicles with regular unleaded and diesel fuels.

### CRITERIA

AP 5-5: Corporate/Government Fuel Cards

- Section 5.4.1: "Fuel cards shall not be used to obtain or purchase cash advances, non-fuel items, or premium fuel."

### FINDING

The audit identified significant purchases of premium-grade fuel using City fuel cards, raising concerns about policy compliance, cost-effectiveness, and internal controls.

During the period of FY2024, a total of 142,426 gallons of premium fuel, valued at \$557,052, were purchased at commercial gas stations.

PREMIUM FUEL PURCHASES BY DEPARTMENT

DEPARTMENT	TOTAL GALLONS PURCHASED	COMMERCIAL FUEL COST
Fire (HFD)	111,959	\$436,125
Police (HPD)	30,421	\$120,770
Office of Emergency Management (OEM)	33	\$107
Fleet Management (FMD)	13	\$50
Total	142,426	\$557,052

Additionally, we observed the following during analytical review:

- HFD Ambulance units were responsible for \$267,874 in premium fuel purchases.
- An additional \$73,458 in premium fuel purchases were made using fuel cards assigned to diesel-powered vehicles, which are not capable of using gasoline, indicating potential card misuse or incorrect vehicle-card assignments.

Insufficient training, monitoring, and enforcement of fuel card policies, combined with unimplemented system controls, have allowed inappropriate premium fuel purchases, leading to increased costs and risk of non-compliance with AP 5-5.

### RECOMMENDATION

FMD, in coordination with DFCCs, should train fuel card users on prohibited and authorized fuel card purchases. Inquire with Voyager to determine if fuel cards can be restricted to select fuel grades. Procedures should be enhanced to facilitate monitoring and enforcement of AP 5-5 by investigating and revoking privileges of fuel card users when evidence of violations are found.

## **MANAGEMENT RESPONSE**

An approximate additional cost of \$124,623 was incurred by the City in 2024 for the reported use of premium fuel.

HPD operates vehicles recommended for use with premium fuel by vehicle manufacturers.

A known issue potentially contributing to the Voyager transactions that listed the purchase of premium fuel has been attributed by Voyager to communication problems with software systems of commercial stations where the fuel was dispensed. FMD has contacted Voyager regarding random discrepancies in fuel type on a per vehicle basis as they occurred. In each case the price per gallon (regular fuel) and number of gallons dispensed were correct but, the fuel type listed for the transaction was not correct (e.g., premium versus regular). Voyager indicated the issue could not be corrected without changes made by the commercial stations to their communication system. The commercial stations are independent of Voyager. The quantity of premium fuel reported in the finding may reflect some of these issues.

The Fire department DFCC did report that on occasion, premium fuel will be dispensed to Fire department vehicles when regular fuel dispensers of a commercial station are not operational, and the vehicle needs to be fueled immediately to remain compliant with Fire department operating procedure.

There is some practical benefit to operating premium fuel in vehicles that idle extensively such as ambulances and police patrol cars. Premium gasoline contains a higher concentration of detergents and additives designed to prevent carbon deposits on engine valves, fuel injectors and other fuel system parts. Vehicles that regularly idle for extended periods are particularly susceptible to these deposits, which can deteriorate engine performance. Occasional use of premium fuel can help keep fuel systems clean, slow deposit buildup, and maintain engine performance.

### *Follow Up:*

The FCPA has contacted DFCCs to reiterate that the use of premium fuel is not allowed under AP 5-5. FMD contacted Voyager and inquired on Voyager's ability to restrict the use of premium fuel for City vehicles. Voyager indicated the requested restriction is not possible due to communication system limitations with commercial stations.

FMD will revisit the premium fuel restriction of AP 5-5 and consider the addition of an exception when premium fuel can positively impact vehicle performance and reduce maintenance costs. The pros and cons will be evaluated in detail prior to making any changes.

FMD does not have staff necessary to evaluate each fuel card transaction. City Council approved a derivative agreement between the City and Samara, Inc. on November 6, 2024, for the provision of vehicle GPS and tracking services. One of the objectives of the Samsara system being implemented by FMD is to automate collection of information for each (internal and commercial) fuel transaction. The system will automatically collect and record the time, vehicle ID, vehicle location, mileage, fuel station location, and fuel type/quantity dispensed. An automated comparison of transaction data and fuel card invoices can identify and alert staff to fuel card exceptions/violations, including the unauthorized use of premium fuel.

## **RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

## **ESTIMATED DATE OF COMPLETION**

June 30, 2026

**ASSESSMENT OF RESPONSE**

Management's response, as presented, is inadequate in addressing the identified issue. In addition to communicating to DFCC's that premium fuel use is not allowed and the implementation of the Samsara system, which will capture data related to premium fuel purchases, FMD should develop a documented process for reviewing those fuel charges to facilitate alignment with AP 5-5. As such, the proposed corrective action plan is not adequate.

## **FINDING #5: INADEQUATE SECURITY FEATURES OF FUEL CARDS**

### **RISK RATING**

High

### **BACKGROUND**

The City utilizes fuel cards issued through a government contract with Voyager. Fuel cards can be used at any commercial retail fuel location that accepts Voyager. FMD limits the use of fuel cards to active City drivers listed in the Voyager fuel card management system. Each fuel card is assigned to a specific City-owned vehicle and should be used to purchase fuel for only that vehicle. Fuel card purchases are allowed after employees enter their personal identification number and the current vehicle odometer reading.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 6.4.1: Fuel Card Users “Assume responsibility for all purchases made with the fuel card using their personal identification.”

### **FINDING**

Audit noted during a review of a sample of fuel cards at commercial fueling locations that controls in the Voyager system are not adequate to prevent or detect unauthorized users from using the cards to purchase fuel for vehicles/equipment that are not City-owned. During the review, Audit noted the odometer security feature existed as only a prompt and did not prevent fuel purchases when the incorrect odometer reading was entered. Additionally, fuel card usage is not restricted to assigned vehicles, as outlined in AP 5-5. Therefore, because fuel cards are not limited to fueling only their assigned City-owned vehicles, usage may lead to inappropriate or unauthorized fuel purchases, theft, and/or fraud.

Security and validation controls within Voyager are not fully utilized, and ongoing monitoring of fuel card transactions is insufficient, thereby increasing the risk of unauthorized or fraudulent use and inaccurate vehicle reporting.

### **RECOMMENDATION**

FMD should research and implement Voyager security features including requiring the entry of the employee’s pin number and the vehicle’s mileage displayed on its odometer at the time of the fuel purchases to enhance security and validation of the assigned vehicles to fuel cards used at commercial gas locations. Additionally, FMD and DFCCs should perform review and analysis of fuel card transactions to identify inaccurate vehicle odometer readings, unauthorized use, theft, and/or fraudulent fuel card purchases.

### **MANAGEMENT RESPONSE**

FMD agrees with this finding and has long recognized the risk of fraud associated with the lack of controls at both City and commercial station fuel pumps. This risk is disproportionately greater than any risk associated with record processing.

The use of mileage as a control as recommended in the finding, is valid if the City used a single fuel system. The City however uses two independent fuel systems, the City fuel system and the Voyager fuel card system. The two systems are unable to communicate information with each other.

The mileage control within a fuel system requires entry of the vehicle odometer reading each time a vehicle is fueled. The fuel system checks the entered odometer reading against the odometer reading entered at the previous fueling. If the reading falls within set parameters, the fuel system will activate the fuel dispenser and allow the vehicle to be refueled. If the mileage entered is not within allowed parameters, the fuel system will not allow refueling.

Activating the mileage control for each of the two independent fuel systems would compromise the City's ability to provide emergency services. For example, a fire truck is fueled at a commercial station where the odometer reading is entered to the Voyager system. Two days later, an attempt is made to fuel the same truck at a City refueling site. The City fuel system has no record of the mileage entered when the truck was previously fueled at the commercial station. The subsequent mileage entered to the City fuel system would not be within acceptable parameters and the fueling process would not be allowed. Similarly, the Voyager system will not have records of fueling events at City sites.

Risk of fraud is currently common to fuel transactions occurring at City sites and at commercial stations using fuel cards because

1. The City has no way to verify the vehicle recorded for the transaction was the actual vehicle fueled. Vehicle identification is manually entered to the system and the accuracy of the entry is dependent upon the user.
2. The City has no way to verify the odometer reading manually entered and recorded for a fuel transaction. The odometer accuracy is dependent upon the user.
3. The City has no way to verify the authority of the user in fueling a vehicle. The individual attempting to fuel a vehicle must enter an employee identification number to the system using a keypad. The accuracy of the entry is dependent on the user.
4. Staff necessary to evaluate and research each fuel transaction is not available.

City Council approved a derivative agreement between the City and Samara, Inc. on November 6, 2024, for the provision of vehicle GPS and tracking system. A primary driver of the project is the risk of fraud associated with fuel transactions. The system is capable of reporting vehicle location and mileage in real-time without human entry. Both fuel systems used by the City are capable of integration with the Samsara system. The combined systems will be capable of ensuring the vehicle being presented for fueling is the actual vehicle recorded for the transaction. The combined systems will be updated in real-time on mileage readings for all fleet vehicles. Mileage controls can then be turned on within both fuel systems operated by the City. With exception of employee identification, all fuel transaction information will be collected, recorded and analyzed automatically. Exceptions will be reported to staff for follow-up. It's expected that this system will significantly reduce the risk of fraud associated with all fuel transactions. FMD is currently in the implementation phase of this project. Vehicles are being fitted with GPS and telemetry equipment.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

June 30, 2026

**ASSESSMENT OF RESPONSE**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.



## **FINDING #6: INSUFFICIENT MANAGEMENT AND MONITORING OF POOL FUEL CARDS**

### **RISK RATING**

High

### **BACKGROUND**

There are 227 pool fuel cards, of which 184 are assigned to the Houston Police Department (HPD). Of the 184 pool fuel cards assigned to HPD, 50 were assigned to the Fleet Admin and Transportation units. HPD, Houston Fire Department (HFD), and Fleet Management (FMD) have pool fuel cards that may be issued out to individuals, who are not assigned to the vehicle with the associated fuel card on a regular basis.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 7.2.1: "Fuel card users must obtain the original receipt for all transactions at the time of purchase."

### **FINDING**

There are no documented requirements or processes related to the use of City pool fuel cards. Audit reviewed a random sample of 25 pool fuel cards and found that 76% (19 of 25) of the pool fuel cards did not have sufficient documentation to validate the assignment, use, and review of transactions. HPD personnel in charge of managing the department's commands' pool cards noted pool fuel cards may be in possession of individual officers rather than the pool card's assigned vehicle. Audit also noted a lack of documented oversight and supporting documentation of fuel card purchases.

There is a lack of written policy guidance regarding the issuance and management of pool fuel cards leading to potential over-issuance, and increased risk of misuse or fraud.

### **RECOMMENDATION**

The FMD Director or designee, in collaboration with the FCPA and department leadership, should conduct an evaluation to determine the necessity of department pool fuel cards. Efforts should be made to ensure the number of issued cards is maintained at an appropriate quantity to prevent excessive issuance and misuse. The existing AP 5-5 policy should be reviewed and revised as necessary to comprehensively address the appropriate usage and safeguarding of pool fuel cards.

### **MANAGEMENT RESPONSE**

Pool cards remain a necessity. The current number of pool cards is 1.7% of the total City fleet.

HPD issues pool cards to undercover officers operating vehicles that are by design, not included with the City's recorded fleet inventory. Records of pool card transactions undertaken for these operations could compromise officer safety and criminal investigations.

FMD issues pool cards to City employees traveling out of town on City business. The vehicle used for the travel may be City owned or leased depending on destination. Records of assignment exist for these transactions.

HFD and HPD lease vehicles as necessary to accommodate additional staffing brought on to support emergency operations such as weather events within and outside of the City. Pool cards facilitate these operations.

In accordance with AP5-5, 5.5.5, pool cards can be issued on an interim basis “if a City-owned fuel island is out of service. The City is replacing in-ground fuel tanks that have reached the end of their useful life. The replacement process can render the associated fuel site inoperable for an extended period.

FMD created a form to be used by City departments to document pool card assignments except for HPD security sensitive operations. FMD evaluated recent use of pool cards and reduced the count of cards accordingly.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

Completed: April 4, 2025

**ASSESSMENT OF RESPONSE**

Management’s response, as presented, is inadequate. AP 5-5 does not reference City “pool fuel” cards’ usage or the criteria for safeguarding them. In addition to the proposed management action plans provided in the Management Response, FMD management should amend AP 5-5 to include pool fuel cards and how they can be used and accounted for, as well as work with HPD to establish a monitoring and reconciliation process that will safeguard and ensure their appropriate use, while also protecting undercover operations.

## **FINDING #7: FUEL CARDS ASSIGNED TO RETIRED VEHICLES**

### **RISK RATING**

High

### **BACKGROUND**

The City's Fuel Card Program was established for purchasing fuel at commercial retail gas stations for only City-owned and/or operated vehicles and equipment.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 6.1.4: The City's Fuel Card Program Administrator (FCPA) is responsible for "keeping a current listing of vehicle card assignments."
- Section 6.3.6: Requires DFCCs "Turn in fuel cards to the FCPA when vehicles are sold, transferred, salvaged or no longer needed."

### **FINDING**

An analysis of fuel card records revealed the following key issues:

- A total of 89 fuel cards were linked to vehicles that had been sold or retired but still listed as active in FMD's Access database, with 40 of those active in Voyager, the fuel card system of record.
- A review of transaction history for fuel cards assigned to these vehicles revealed 149 fuel purchases, totaling \$7,813, occurring after the vehicles' sale or retirement dates. These transactions were distributed across seven fuel cards, including five in HFD and two in HPD. The last recorded transaction took place on November 24, 2024.

Processes for deactivating fuel cards when vehicles are sold, transferred, or retired are not consistently performed, and training on timely notification and return of fuel cards are insufficient, increasing the risk of unauthorized use.

### **RECOMMENDATION**

We recommend that the FCPA conduct a quarterly review of all vehicle disposal records to ensure that the corresponding fuel cards are deactivated, as of the sale or retirement date to prevent unauthorized fuel card usage. Also, we recommend that during the annual fuel card training, DFCC and fuel card users are educated on the importance of notifying and turning in fuel cards assigned to vehicles that are sold, transferred (between divisions and/or departments), or salvaged or no longer needed to the FCPA immediately, to facilitate compliance with AP 5-5. In addition, the FCPA should be proactive in obtaining a sold/retired vehicle listing on a periodic basis to reconcile with a vehicle listing containing active fuel cards.

### **MANAGEMENT RESPONSE**

FMD's use of the Access database to record fuel card information has been discontinued because HITS no longer supports the Microsoft Access application. The Voyager database is the fuel card system of record. FMD recognized delays in DFCCs returning fuel cards from deactivated vehicles in accordance with section 6.3.6 of Ap 5-5. FMD revised operating procedures to avoid dependence on the timely return of the cards. FMD processes all deactivated City vehicles in preparation for disposal. The deactivation procedure includes a check for an active fuel card before a vehicle can be approved for deactivation/disposal. The FCPA receives a weekly list of City vehicles set for deactivation/disposal. The FCPA cancels/deactivates any fuel cards

assigned to listed vehicles and then provides an approval before any additional steps are taken to deactivate listed vehicles.

Likewise, the FCPA will prompt the DFCCs for the Police and Fire departments to identify lease vehicles with assigned fuel cards that are returned to the lessor.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

Completed: May 1, 2025

**ASSESSMENT OF RESPONSE**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **FINDING #8: INAPPROPRIATE APPROVAL OF FUEL CARD REQUESTS**

### **RISK RATING**

High

### **BACKGROUND**

The FMD Director or designee is responsible for developing procedures and administering a fuel card program that complies with the City Charter and Ordinances, and laws of the State of Texas. FMD has established Administrative Policy (AP) 5-5, Corporate/ Government Fuel Cards to facilitate accountability and assignment of City fuel cards.

AP 5-5, section 7.7.1 states, that Departmental Fuel Card Coordinators (DFCC) must submit a request to the Fuel Card Program Administrator (FCPA) to obtain a new fuel card via the “Request for New Card Form” (request form). Per the request form, approvals from the requesting City department’s manager, DFCC, FCPA, and FMD Director or Designee are required prior to submitting requests for new fuel cards to Voyager.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 7.7.1: Departmental Fuel Card Coordinators (DFCC) must submit a request to the Fuel Card Program Administrator (FCPA) to obtain a new fuel card via the “Request for New Card Form” (request form).

### **FINDING**

An analysis of 47 “Request for New Card Forms” related to 60 fuel cards for the period of FY2021 through FY2024 revealed the following:

- 62% (29 of 47) of “New Card Forms” were not completed accurately. Specifically:
  - Required approvals from both the FMD Director or designee and the FCPA were not consistently documented.
  - The FCPA did not maintain supporting documentation verifying the approval of fuel card requests.
- 72% (43 of 60) of fuel cards did not have supporting documentation confirming the transfer and receipt of the fuel cards by the requesting departments. Documentation such as the signed “Received Card Query” or other supporting records were not consistently retained.

Review, approval, and documentation procedures for new fuel cards, including changes of custody are not consistently enforced or fully documented, creating gaps in accountability and safeguarding of fuel cards.

### **RECOMMENDATION**

We recommend that the Director of FMD and/or their designee require that “Request for New Card” forms are reviewed and approved, as required by AP 5.5 and that the forms are retained by the FCPA as evidence of approvals of required parties. Best practices for safeguarding fuel cards from theft or unauthorized use include ensuring that there is documentation to show the transfer of the cards to the owner/department. The FCPA has established procedures to include the use of the “Received Card Query” which requires the signature and date of the employee picking up the fuel card from FMD.

Additionally, AP 5-5 should be revised or a procedure developed to include documenting the receipt of fuel cards from Voyager by the FCPA and the change of custody from FMD to City departments.



**MANAGEMENT RESPONSE**

FMD instituted a DocuSign process for all fuel card requests. Appropriate signatures are obtained and recorded prior to issue of a requested fuel card.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

Completed: October 16, 2024

**ASSESSMENT OF RESPONSE**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **FINDING #9: LACK OF FUEL CARD TRAINING**

### **RISK RATING**

High

### **BACKGROUND**

The FMD Director or designee is responsible for developing procedures and administering the City's Fuel Card Program to facilitate authorized and appropriate usage complies with the Charter and Ordinance of the City of Houston and the laws of the State of Texas. Training is fundamental to the success of ensuring compliance with these requirements.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 6.3.7: Fuel Card Coordinators shall "Attend fuel card training on an annual basis. Failure to do so may result in loss of fuel card privileges.

### **FINDING**

The audit revealed significant gaps in fuel card training of DFCCs and relevant documentation for FY2022 through FY2024 to include the following:

- In FY2022 and FY2023, there was no supporting documentation for any DFCC training.
- In FY2024, only 59% of DFCC's (10 out of 17) received training.

A lack of annual training of DFCCs and procedures for consistently conducting and documenting that they were trained in resulted in noncompliance with AP 5-5.

### **RECOMMENDATION**

We recommend the FCPA perform fuel card training of all DFCCs on an annual basis and maintain supporting documentation of that training to ensure compliance with AP 5-5. Additionally, the FCPA should develop a process to ensure that DFCCs are training fuel card users before they are allowed to use the cards.

### **MANAGEMENT RESPONSE**

Covid restrictions precluded the traditional DFCC training in FY2022 and FY2023.

Although only 10 of 17 DFCCs received training in FY2024, all 17 of the DFCCs previously received the required training.

FMD has made the required DFCC training available on-line through TMS. FMD is working with HR to automate the assignment of the training to DFCCs on an annual basis. FMD is now developing fuel card training to be assigned to users by DFCCs. Evidence of training completion will be documented in TMS.

### **RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

### **ESTIMATED DATE OF COMPLETION**

Completed: July 1, 2025

### **ASSESSMENT OF RESPONSE**

Management's response, as presented, adequately addresses the identified issue. As such, the proposed corrective action plan is appropriate.

## **FINDING #10: INADEQUATE SEGREGATION OF DUTIES**

### **RISK RATING**

High

### **BACKGROUND**

The FMD Director or designee is responsible for administering and monitoring the fuel card program to ensure that cards are used for only authorized fuel purchases from commercial retail gas stations for City-owned and operated vehicles and equipment.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 6.1.2: The Fuel Card Program Administrator (FCPA) is responsible for reviewing and processing the issuance of fuel cards.

### **FINDING**

- During the audit, it was noted through both inquiry and observation that the FCPA was listed as an active fuel card user. This dual role presents a lack of segregation of duties, as the same individual has the ability to initiate, issue, and utilize fuel cards without any oversight. Audit did not observe any transactions made by the FCPA during the review of transactions for the scope of the engagement. Although no inappropriate transactions were identified during testing, this condition represents a control deficiency that may enable the misuse or abuse of fuel cards at both the issuance and transaction levels.
- A user access listing obtained from U.S. Bank identified 16 active user accounts within the City's fuel card system. Of these, two users appeared to no longer be employed by the City. Additionally, U.S. Bank was unable to provide a listing of users' permissions, despite a request from FMD, due to system limitations on the bank's side. As a result, we were unable to verify whether appropriate access rights and role assignments were in place for all users.

The FCPA's role combines administrative responsibilities with fuel card usage, user account management, and system monitoring processes which increases the risk of unauthorized access, usage, and conflicts of interest.

### **RECOMMENDATION**

The FCPA role should be restructured to ensure that individuals responsible for administering fuel card issuance do not also use fuel cards. If operationally necessary, establish compensating controls (e.g., independent transaction review and monitoring). Additionally, the FCPA should conduct a comprehensive review of all active user accounts in the U.S. Bank system and deactivate any accounts for employees who are no longer with the City. Also, FMD should engage with U.S. Bank to resolve the system limitation preventing user permission reporting or identify alternative reporting mechanisms. Lastly, the FCPA should implement a periodic review process to verify user access, login activity, and appropriateness of user roles, ensuring to be at least annually.

### **MANAGEMENT RESPONSE**

The City, along with public agencies throughout Texas, ride the contract held between the state of Texas and U.S. Bank National Association for fuel card services. Terms of the agreement are dictated by state of Texas

and the U.S. Bank National Association. FMD will ask the U.S. Bank National Association to provide the Audit recommended reporting mechanisms that are outside the scope of the state agreement.

Update: U.S. Bank National Association advised FMD that the requested information was not available. FMD is reducing the number of City users to the absolute minimum needed to process transactions in response to the U.S. Bank National Association's inability to provide the requested user information. FMD was also advised that administrators such as the FCPA, must be included as users.

**RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

**ESTIMATED DATE OF COMPLETION**

Completed: July 21, 2025

**ASSESSMENT OF RESPONSE**

Management's response, as presented, is inadequate in addressing the identified issue. In addition to reducing the number of fuel card users involved in the administrative processes, FMD should ensure that there is oversight of the FCPA duties/responsibilities to mitigate and or detect issues that could arise due to inadequate segregation of duties.

## **FINDING #11: INADEQUATE PHYSICAL SECURITY OF FUEL CARDS**

### **RISK RATING**

Medium

### **BACKGROUND**

The FMD Director or designee is responsible for administering the fuel card program, which includes developing and implementing procedures to safeguard their physical security.

### **CRITERIA**

AP 5-5: Corporate/Government Fuel Cards

- Section 6.1.2: "Reviewing and processing requests for the issuance of fuel cards in compliance with this policy"

### **FINDING**

As of FY2024, FMD issued 1,639 fuel cards, all of which were distributed via the FCPA. The FCPA is responsible for maintaining physical custody of fuel cards prior to distribution to the requesting departments. Under the current issuance process, the audit revealed fuel cards are not stored in a secure location within FMD.

Fuel card storage and safeguarding procedures are not clearly defined or consistently followed, resulting in inadequate control over access and accountability prior to issuance to requesting departments.

### **RECOMMENDATION**

Fuel cards should be stored in a designated secure location with restricted access from unauthorized personnel. FMD Director or designee should implement a protocol to ensure that fuel cards are safeguarded until issued to requesting departments. These protocols should include requiring documentation of receipt of the fuel cards by authorized department representatives. Additionally, AP 5-5 should be updated to reference FMD's responsibility of physically safekeeping fuel cards prior to issuance.

### **MANAGEMENT RESPONSE**

FMD challenges this finding. The audit fails to consider the 1,500+ fuel cards that are properly kept in City vehicles at locations throughout the city. These vehicles are readily accessed by thousands of authorized and unauthorized City employees in accordance with existing policy. On a relative basis, the pool cards held in secured offices that are accessible only by authorized employees upon badge scan are, by far, more secure. FMD has placed the pool cards behind an additional lock.

### **RESPONSIBLE PARTY**

FMD Division Manager, Lena Price

### **ESTIMATED DATE OF COMPLETION**

Completed: October 30, 2024

### **ASSESSMENT OF RESPONSE**

Management's response, as presented, is inadequate in addressing the identified issue. FMD should establish a process to ensure fuel cards are securely stored prior to issuance to the requesting departments. As currently stated, the FMD response addresses only pool cards, which are a subset of the exception in the finding. As such, the proposed corrective action plan is not adequate.

## MANAGEMENT ACKNOWLEDGMENT STATEMENT

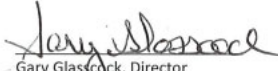
Date: 9/17/2025

Christopher G. Hollins  
City Controller  
Office of the City Controller

**SUBJECT: FLEET MANAGEMENT DEPARTMENT (FMD) FUEL CARD PROGRAM AUDIT –  
ACKNOWLEDGMENT OF MANAGEMENT RESPONSES**

I acknowledge that the management responses contained in the above referenced report are those of the Fuel Management Department. I also understand that this document will become a part of the final audit report that will be posted on the Controller's website.

Sincerely,

  
Gary Glasscock, Director  
Fleet Management Department



## **APPENDIX 1: OBSERVATIONS**

During the audit, we identified certain matters for consideration which we consider both individually and in aggregate to be opportunities for strengthening internal controls throughout the City.

### **OBSERVATION #1: CITY-WIDE FUEL ASSESSMENT**

Best practices in fleet management recommend periodic fuel cost assessments that account for price differentials, maintenance and operating costs of City-owned infrastructure, accessibility, downtime, and administrative burden. The City should conduct a comprehensive fuel assessment to compare the total cost of ownership and utilization of City-owned islands and commercial gas stations. The assessment should include (but is not limited to):

- Fuel transportation
- Fuel group labor
- In-house service station maintenance
- Contracted service station maintenance
- Capital costs associated with tank replacement and underground tank life

Results should be reported to leadership and used to establish a data-driven fueling strategy that balances cost, efficiency, and operational effectiveness.

## APPENDIX 2: INTERNAL CONTROLS

Internal controls are processes established by management to provide reasonable (not absolute) assurance that the organization's objectives will be achieved. Our work included procedures to identify the internal controls that were significant to the objectives of this audit and to determine the effectiveness of those controls. A deficiency in design exists when (a) the control is missing entirely or (b) the control is in place but is not properly designed. A deficiency in operation exists when (a) the control is properly designed but does not *operate* as designed or (b) the person performing the control does not possess the necessary competence to perform the control effectively.

We identified five (5) design deficiencies and twelve (12) operating deficiencies. In total, 15 of 20 controls (75%) were appropriately designed; however, only 8 of 20 (40%) were operating as intended. These results indicate control gaps that heighten the risk of unauthorized card issuance, improper fuel card use, and insufficient oversight.

The City's Fuel Card Program's key controls were categorized as follows:

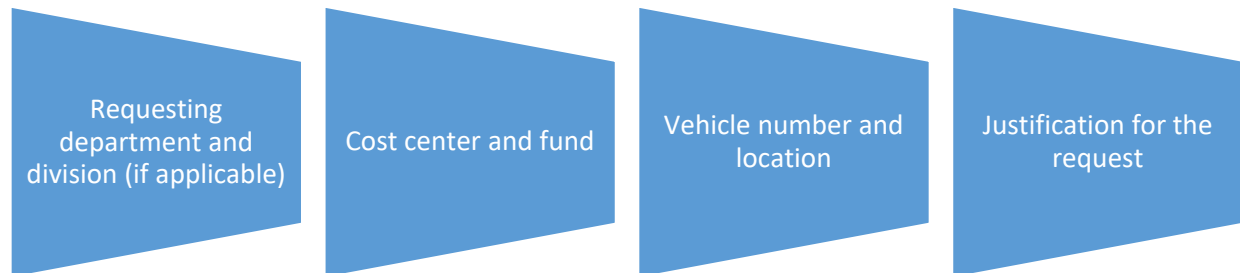
- **Segregation of Duties**
  - Controls to separate the functions of requesting, approving, usage, and monitoring of fuel cards.
- **Documentation and Recordkeeping**
  - Controls over fuel card issuance requests and custody transfers, including retention of supporting documentation.
- **Physical Safeguarding of Fuel Cards**
  - Controls related to how/where fuel cards are stored.
- **Fuel Card Requests**
  - Controls related to the approval and authorization of fuel cards, including retention of supporting documentation.
- **Fuel Card Access and Usage**
  - Controls that restrict card use to authorized personnel and ensure transactions are appropriate and compliant with policy.
- **Training**
  - Controls to ensure compliance with the AP 5-5 training requirements.
- **Monitoring**
  - Controls to review transactions and identify suspicious/inappropriate activity.

The scope of our work did not constitute an evaluation of the overall internal control structure of the City or that of FMD's fuel card program. Management is responsible for establishing and maintaining a system of internal controls to ensure City assets are safeguarded, financial activity is accurately reported and reliable, and management and employees are following laws, regulations, policies, and procedures. The objectives are to provide management with reasonable, but not absolute assurance that the controls are in place and effective.

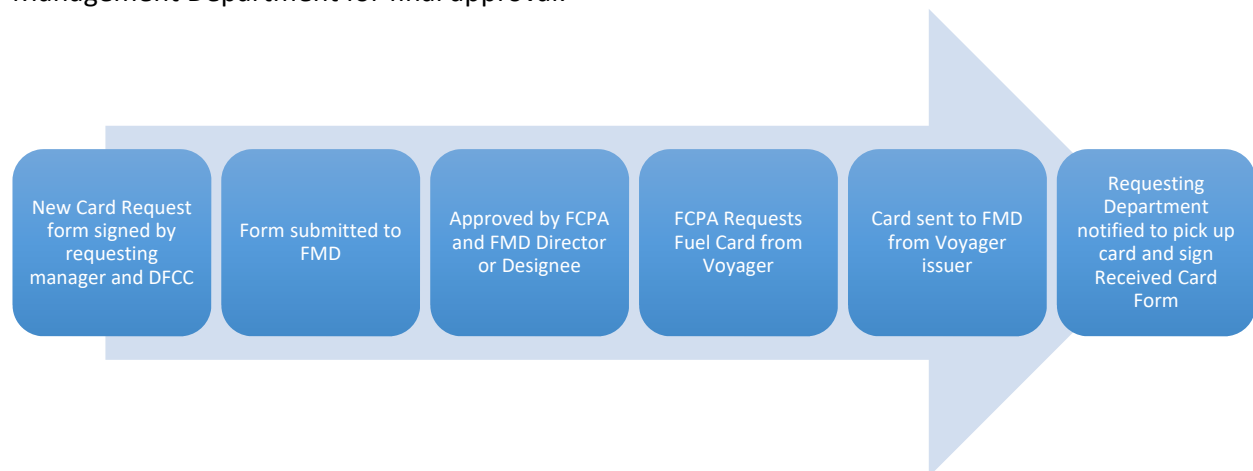
## APPENDIX 3: FUEL CARD PROCESSES

### FUEL CARD REQUESTS

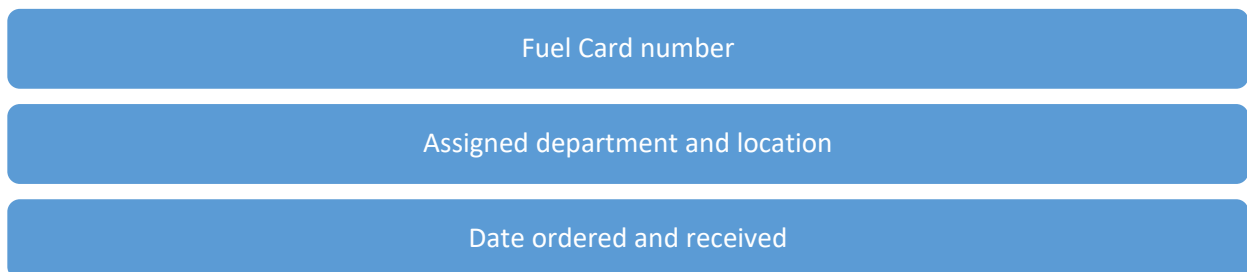
Departments requesting fuel cards must complete and submit a “Request for New Card” form, as outlined in AP 5-5. The form requires the following information:



The completed form must be signed by both the requesting department’s manager and the department’s designated fuel card coordinator (DFCC). The request is then submitted to the Fleet Management Department for final approval.



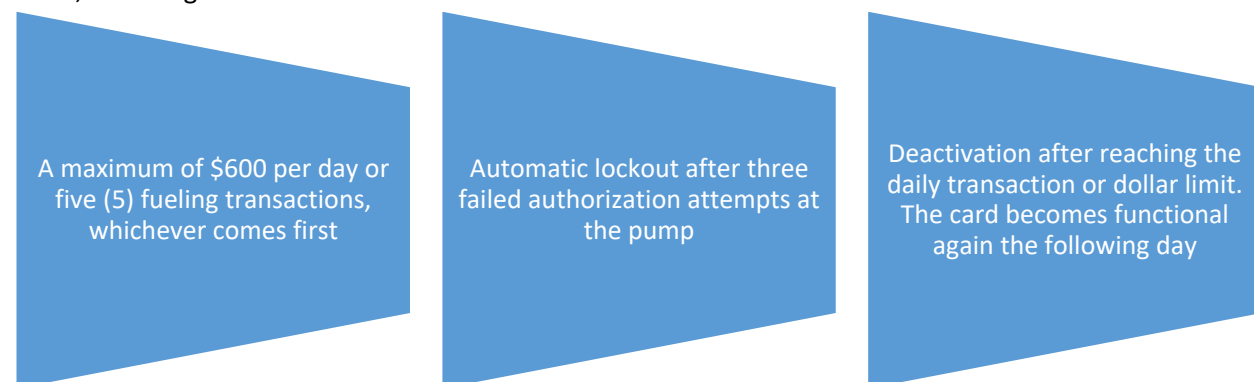
Once a request is approved, the Fleet Management team submits the order through an online fuel card management portal. Cards are generally delivered within 2–3 business days. Each card is assigned a unique identification number and is entered into an internal database that records:



Upon receipt of the card, the department is notified, and a pickup form is prepared. The card is stored at the Fleet Management office until retrieved by an authorized department representative. The pickup form must be signed and include the representative’s employee number before the card is released. Fuel cards are not mailed and must be collected in person.

## FUEL CARD USAGE

City employees authorized to use fuel cards must input their unique employee number (used as a PIN) and the vehicle's odometer reading at the time of fueling. Each fuel card is configured with system-wide usage limits, including:



Fueling activity is tracked through the City's fuel card management platform (Voyager), which is maintained by the vendor.

## MONITORING AND OVERSIGHT

Monitoring responsibilities for fuel card usage are shared across the Fleet Management Department and designated Department Fuel Card Coordinators (DFCCs). Fleet Management performs high-level oversight, including:

- Periodic review of fuel cards with zero activity, which are referred to the originating department for justification. Cards with insufficient justification for inactivity may be suspended.
- Spot checks to confirm submission of monthly reports and checklists.

Each department's DFCC is responsible for:

- Submitting the Fuel Card Dispute Resolution Form (Attachment D of AP 5-5) for any erroneous transactions.
- Completing the Fuel Card Coordinator's Monthly Checklist (Attachment E of AP 5-5) by the 20th of each month, documenting departmental review of fuel card activity and reconciliation efforts.

Additionally, there is a periodic comparison of authorized fuel card users from the vendor's platform to City HR records. Some departments regularly provide updates to remove employees who are no longer authorized.

Fleet Management also receives system-generated alerts for flagged activity such as unusual fuel type usage and participates in broader oversight discussions as part of a State-level fuel card vendor review board.

## APPENDIX 4: PROCEDURES AND STANDARDS

### AUDIT PROCEDURES PERFORMED

To obtain sufficient, appropriate evidence to achieve the engagement objectives and the related audit conclusions, we performed the following:

- Reviewed applicable city, state, and federal guidelines, operating policies, and procedures.
- Interviewed FMD staff to understand the fuel card processes and procedures.
- Analyzed data from Voyager, Fuel Force, and SAP to perform audit tests.
- Reviewed fuel card request forms for adequate support and approval.
- Observed need for fuel card and traced to fuel card database.
- Verified fuel cards were assigned a unique card identifying number that tied to the FMD database of fuel cards.
- Observed timeliness of newly requested fuel cards being entered in FMD database.
- Observed storage of newly requested fuel cards that have not been received by requestor.
- Initiated transaction of multiple fuel cards to observe the ability of Voyager vs non-Voyager user to obtain fuel.
- Identified pool fuel cards issues to departments and inspected available logs detailing card issuance and use.
- Reviewed evidence of training provided to DFCC's on both an annual and as needed basis.
- Inspected listing of fuel cards assigned to retire vehicles to determine if transactions occurred past retirement date.
- Compared separated employee listing to active driver listing to determine if fuel card transactions were performed after separation date.
- Inspected documentation of fuel card activity monitoring by both DFCC's and FMD.
- Inquired and reviewed vendor payable process to validate Voyager was paid in accordance with contracted terms.
- Reperformed rebate calculation to verify if the City is receiving accurate quarterly rebates based on usage.

### AUDIT STANDARDS

We conducted this performance audit in accordance with the Generally Accepted Government Auditing Standards and in conformance with the Global Internal Audit Standards as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.