

Office of the
INSPECTOR GENERAL



REPORT OF ADMINISTRATIVE REVIEW

File Number: 10-002

Agency: The Department of Juvenile Justice

Basis for Investigation: Request from Department of Administrative Services

Allegations: Fuel Theft

Date Opened: January 15, 2010

Reviewed By: Bill Donaldson, Deputy Inspector General

Date of Report: December 13, 2010

Elizabeth P. Archer, Inspector General

OFFICE OF THE INSPECTOR GENERAL



File Number: 10-002

EXECUTIVE SUMMARY

In January 2010, the Office of the State Inspector General (OIG) received a request from Brad Douglas, Commissioner for the Department of Administrative Services (DOAS), to conduct an administrative review of the fuel card transaction tracking system at the Department of Juvenile Justice's (DJJ) Savannah Regional Youth Detention Center (SRYDC). Commissioner Douglas requested that the OIG identify any internal control weaknesses.

The OIG compared statewide fuel card policies and procedures with the DJJ's internal control procedures for fuel card transactions. The OIG also conducted numerous interviews of SRYDC, DJJ, and DOAS employees.

During a review of the SRYDC fuel thefts, the OIG determined that an SRYDC employee exploited multiple internal control weaknesses to fraudulently purchase fuel for personal use. Specifically, the OIG identified the following three weaknesses:

1. The use of employee identification numbers as personal identification numbers for fuel card transactions;
2. The lack of supervisory review of all fuel card transactions in a timely manner; and
3. The failure to establish and respond to the WEX system purchase alerts.

The OIG offers the following recommendations to the Department of Juvenile Justice. The OIG requests that the DJJ provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

1. DJJ should immediately discontinue the use of employee identification numbers (EINs) as personal identification numbers (PINs) by all employees to comply with the Department of Administrative Services' State Fuel Card Standards and Guidelines.
2. DJJ should review the process of providing monthly fuel transaction reports to all of its facilities and take any corrective actions necessary to ensure the reports are distributed in a timely manner.

3. DJJ should consider collaborating with the DOAS to determine the feasibility of providing its facilities' supervisors/managers with read-only access to the WEX online system for real-time monitoring of all fuel card transactions.
4. DJJ should implement control procedures designed to ensure that it can appropriately monitor and respond to the WEX purchase alerts in a timely manner.
5. DJJ should consider conducting an internal review of its compliance with the new DOAS Fuel Card Standards and Guidelines that became effective on March 1, 2010.



Report of Administrative Review

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Summary of Actions
Georgia Department of Juvenile Justice
File Number 10-002

I. BASIS FOR ADMINISTRATIVE REVIEW

In January 2010, Brad Douglas, Commissioner of the Department of Administrative Services (DOAS), requested that the Office of the State Inspector General (OIG) conduct an administrative review of the fuel card transaction tracking system at the Department of Juvenile Justice's (DJJ) Savannah Regional Youth Detention Center (SRYDC) after DOAS was alerted to suspicious fueling activity at that facility.

II. ACTION TAKEN IN FURTHERANCE OF REVIEW

The OIG compared statewide fuel card policies and procedures with the DJJ's internal control procedures for fuel card transactions. The OIG also conducted numerous interviews of SRYDC, DJJ, and DOAS employees.

III. NARRATIVE

A. BACKGROUND

The Department of Juvenile Justice is an executive branch agency that "provides supervision, detention and a wide range of treatment and educational services for youths referred to the Department by the Juvenile Courts, and provides assistance or delinquency prevention services for at-risk youths through collaborative efforts with other public, private and community entities." To fulfill its responsibility of providing detention services for youths, DJJ maintains 22 regional detention centers throughout the state. The regional youth detention centers are short-term facilities for "youths awaiting trial in Juvenile or Superior Court, or awaiting a community-based placement elsewhere more suitable for his/her needs."

On December 29, 2009, Roger Kennedy, Motor Transportation Analyst for the DOAS' Office of Fleet Management, discovered suspicious fueling activity on a fuel card assigned to a DJJ motor vehicle during a weekly mileage audit process. Mr. Kennedy immediately notified Frank Rodriguez, Property and Assets Manager for the DJJ, about the suspicious activity. Upon receiving the information, Mr. Rodriguez cancelled the fuel card accounts and personal identification numbers in question and requested Dallas Davis, Chief Investigator for the DJJ, to initiate an internal investigation. After the DJJ initiated its investigation, DOAS Commissioner Douglas also requested the GBI assist with the criminal investigation into the suspicious activity and the OIG conduct an administrative review to determine if internal control weaknesses allowed the suspicious activity to go unnoticed. DJJ's investigative team, along with the GBI, discovered that a Lieutenant at the SRYDC misused the fuel card in question to purchase fuel for

himself and others.¹ To conceal the theft, the Lieutenant used the employee identification numbers (EINs) of other SRYDC employees as personal identification numbers (PINs) each time he fraudulently purchased fuel.²

The State of Georgia maintains a fuel card program in which state agencies are provided charge card(s) to enable authorized state employees to make fuel purchases for vehicles and equipment used for official state business. The DOAS provides these fuel cards at no cost to the agencies participating in the program. Pursuant to an intergovernmental agreement, entered into in December 2008 between the DOAS and the Governor's Office of Planning and Budget, "DOAS will periodically prepare, publish and update policies and procedures regarding the use of any credit card used to purchase fuel or pay for repairs to state owned vehicles."³

B. ADMINISTRATIVE REVIEW

During the period in which the fuel thefts occurred at the SRYDC, the DOAS's Fleet Management Manual served as the authoritative guidance on fuel purchases for all state entities. The Fleet Management Manual outlined internal controls designed to prevent and detect fraud within the fuel card program. Specifically, the manual mandated that each driver be assigned an individualized PIN, and required supervisory reviews of all fuel card transactions on a monthly basis. The manual further required that, "Generic PINs are prohibited (such as one PIN for an office/department). Vehicle numbers will not be used as a PIN. PIN numbers will not be written on the card." In addition to the required internal controls included in the Fleet Management Manual, the Wright Express (WEX) online system sends electronic purchase alerts via email to agencies' fleet coordinators when it detects a suspicious fuel transaction.

During its review of the SRYDC fuel thefts, the OIG determined that the Lieutenant exploited multiple internal control weaknesses in order to fraudulently purchase fuel for personal use. Specifically, the OIG identified the following three weaknesses:

1. The use of employee identification numbers as personal identification numbers for fuel card transactions;
2. The lack of supervisory review of all fuel card transactions in a timely manner; and
3. The failure to establish and respond to the WEX system purchase alerts.

¹ The Georgia Bureau of Investigation obtained a confession from the Lieutenant, in which he admitted to approximately 40 different fuel thefts.

² Prior to using the fuel card at the pump, employees must enter valid PINs assigned specifically to them in order for the pump to approve the transaction. The PINs serve as electronic signatures of the employees using the cards to purchase fuel.

³ According to the Fuel Card Standards and Guidelines established by the DOAS, "The fuel card program utilizes a card issued by Wright Express Financial Services Corporation pursuant to a contract awarded by DOAS State Purchasing Division in February 2006." State policy strictly prohibits agencies from enrolling in any other fuel programs or systems other than the Wright Express system. Additionally, state employees may not use state purchasing cards (p-cards) or travel cards to purchase fuel for state vehicles or state equipment.

1. Use of EINs as PINs for Fuel Card Transactions

To conceal his actions in the SRYDC fuel thefts, the Lieutenant used the EINs of three other SRYDC employees to purchase fuel. Mr. Rodriguez informed the OIG that EINs are displayed on the front of all DJJ employees' identification badges, which provides DJJ employees easy access to other employees' EINs and the opportunity to fraudulently use them to purchase fuel. During their interviews, both Mr. Kennedy and Mr. Rodriguez indicated that a majority of fuel thefts occurring within state agencies involve employees fraudulently using other employees' EINs as PINs to purchase fuel for personal use.

As a result of agencies using EINs as PINs for the fuel cards, coupled with the ease of other employees obtaining these EINs, the DOAS added specific language to the new Statewide Fuel Card Standards and Guidelines prohibiting the use of EINs as PINs for fuel card transactions. The new standards and guidelines, which became effective on March 1, 2010, would not be applicable to the fuel thefts at the SRYDC. The new policy states, "The issuance of PINs will be managed by Entity Fuel Card Program Administrators utilizing WEX Online. PIN creation, assignment and usage must comply with the following requirements:

- PINs shall not be shared.
- Use of the PIN serves as an electronic "signature" of the person to whom it is issued.
- PINs can be used by the individual with any card on the account.
- Generic PINs are prohibited (e.g., one PIN for an office/department).
- Vehicle Numbers, employee numbers and other easily obtained or guessed numbers will not be used as PINs.
- PINs will not be written on the card.
- Compromised PINs must be cancelled immediately."⁴

According to Rodney Dinkins, Director of the SRYDC, SRYDC employees previously used and continue to use their employee identification numbers (EINs) as their PINs for fuel card transactions. Additionally, Jeff Minor, Deputy Commissioner for the DJJ, confirmed that most DJJ employees' badges continue to display their EINs. However, he informed the OIG that EINs are not displayed on the front of new employees' identification badges. Mr. Minor indicated that the DJJ has also entered into discussions with the DOAS about discontinuing the use of EINs as PINs on an agency-wide basis.

2. Lack of Supervisory Review of All Fuel Card Transactions in a Timely Manner

The DOAS' Fleet Management Manual required a monthly review of all fuel card transactions by managers/supervisors to ensure each transaction was for legitimate state business. The DOAS reinforced the mandate in its policies by stating, "Drivers are not allowed to approve their own fuel transactions and supervisor review and approval is required without exception." The Statewide Fuel Card Standards and Guidelines, which superseded the Fleet Management Manual, also requires that each entity possessing fuel cards conduct monthly reviews of their fuel transaction reports.

⁴ See page 3 of the DOAS Statewide Fuel Card Standards and Guidelines.

According to Kenneth Sosinsky, the SRYDC's Administrative Operations Manager (AOM), the fuel cards were kept in the facility's control room, not in the vehicles to which they were assigned.⁵ SRYDC employees would sign-out the fuel cards by signing a logbook, and would provide receipts upon returning the cards after using them. The SRYDC should have received a WEX vehicle analysis report and exception report from the DJJ headquarters on a monthly basis to reconcile the fuel card transactions with the logbooks and receipts.

According to Mr. Dinkins and Mr. Sosinsky, the SRYDC was not receiving its monthly fuel transaction reports from DJJ headquarters in a timely manner. The reports would typically arrive via mail carrier approximately two (2) or three (3) months behind schedule, which prevented SRYDC management from thoroughly investigating any anomalies found in the reports. As a result, the fuel thefts at the SRYDC continued unnoticed for approximately four months until DOAS discovered them in its weekly mileage audit process.

Further inquiry into why the SRYDC was not receiving its monthly fuel transaction reports in a timely manner revealed a systemic problem within the DJJ. Mr. Rodriguez informed the OIG that multiple AOMs had previously complained about not receiving the reports from headquarters in a timely manner and sometimes not receiving them at all. Mr. Rodriguez stated that he addressed the problem with Doug Peetz, the former Director of the DJJ's Office of Financial Management, and Mr. Peetz reassigned the responsibilities of sending the monthly reports to another DJJ employee. It appears as though the problem remains uncorrected, as revealed by emails provided to the OIG in which DJJ's AOMs continue to complain that their facilities are not receiving the fuel transaction reports in a timely manner.

To prevent and/or detect any future fuel thefts at the SRYDC, management removed the logbooks and fuel cards from the control room. The logbooks and fuel cards are now kept by Mr. Sosinsky and employees are required to sign-out the fuel cards before using them. Employees are still required to provide fuel receipts to Mr. Sosinsky upon returning the card, but must now sign them.

3. Failure to Establish and Respond to the WEX Purchase Alerts

According to the DOAS' Fuel Card Standards and Guidelines, "The Wright Express system provides Fleet Coordinators the ability to receive e-mail notifications when a card user has violated one of the purchase guidelines established for accounts."⁶ The Fleet Management Manual, which was the authoritative guidance during the DJJ fuel thefts, did not require agencies to utilize the purchase alerts feature offered by the WEX online system. According to Ed Finnegan, Director of DOAS' Office of Fleet Management (OFM), although the Fleet Management Manual did not require agencies to establish purchase alerts, the OFM did notify agencies of the capabilities of the purchase alert feature. The new Fuel Card Standards and Guidelines, which became effective on March 1, 2010, require agencies to utilize the purchase alert feature to identify any potential misuse of the state fuel cards.

⁵ DOAS assigns each fuel card to a particular vehicle. Therefore, each fuel card number is associated with a particular vehicle identification number (VIN), and is to be used only for fueling that particular vehicle.

⁶ See page 16 of the DOAS' State Fuel Card Standards and Guidelines.

As Property and Assets Manager for the DJJ, Mr. Rodriguez serves as the agency's fleet coordinator and manages property transactions for all DJJ facilities. According to Mr. Rodriguez, his fleet management duties include processing employee additions and deletions to the WEX online system, as well as receiving purchase alerts for all DJJ facilities. Additionally, Mr. Rodriguez stated that upon receiving the alerts, he conducts a preliminary inquiry to determine if they warrant referring them to Mr. Davis' division for an official investigation. Mr. Rodriguez did not recall receiving purchase alerts for the suspicious transactions associated with the SRYDC fuel thefts, but indicated that he does receive the alerts frequently. WEX indicated that Mr. Rodriguez did not set up purchase alerts until September 1, 2010, approximately one (1) year after the illicit fuel activity began, which would explain why Mr. Rodriguez did not receive alerts for the illicit activity.

Mr. Rodriguez informed the OIG that although the DJJ has implemented the proper internal controls to detect fuel thefts, it lacks the staff to adequately monitor all fuel transactions, enforce the established internal controls and inquire into any control circumventions that may arise. Mr. Rodriguez explained that the DJJ previously eliminated two positions from his division, after which he assumed the responsibilities of all three positions. He added that he spends a majority of his time tending to the agency's property transactions. Therefore, time constraints prevent him from pursuing all purchase alerts to ascertain whether they are the result of employee malfeasance.

IV. CONCLUSION

State agencies must implement strong internal controls designed to minimize, if not eliminate, all opportunities for state employees to defraud the state, and to detect malfeasance in a timely manner. The DOAS has set forth a comprehensive system of control procedures for all state entities to follow for fuel card transactions. Furthermore, compliance with the standards and guidelines for agencies using state fuel cards is mandatory. At a minimum, state entities must implement the procedures outlined in the standards and guidelines to properly safeguard the State's assets entrusted to them.

The OIG's administrative review identified three internal control weaknesses at the DJJ, which if corrected, would significantly reduce its vulnerability to fuel theft. The DJJ's use of EINs as PINs provided the Lieutenant with the opportunity to misuse the fuel cards. Additionally, the DJJ's failure to establish purchase alerts and to reconcile the monthly fuel transaction reports in a timely manner allowed the illicit activity to go unnoticed. The DJJ should examine the control procedures outlined in the OIG's review and take corrective action, as necessary, to eliminate any weaknesses that currently exist and to comply with state policy. The OIG has no reservations about the DJJ's willingness to correct these deficiencies, as its employees and management were extremely cooperative throughout the entire administrative review.

V. RECOMMENDATIONS

The OIG offers the following recommendations to the Department of Juvenile Justice. The OIG requests that the DJJ provide a written response regarding implementation of these recommendations within 30 days of the issuance of this report.

1. DJJ should immediately discontinue the use of employee identification numbers (EINs) as personal identification numbers (PINs) by all employees to comply with the Department of Administrative Services' State Fuel Card Standards and Guidelines.
2. DJJ should review the process of providing monthly fuel transaction reports to all of its facilities and take any corrective actions necessary to ensure the reports are distributed in a timely manner.
3. DJJ should consider collaborating with the DOAS to determine the feasibility of providing its facilities' supervisors/managers with read-only access to the WEX online system for real-time monitoring of all fuel card transactions.
4. DJJ should implement control procedures designed to ensure that it can appropriately monitor and respond to the WEX purchase alerts in a timely manner.
5. DJJ should consider conducting an internal review of its compliance with the new DOAS Fuel Card Standards and Guidelines that became effective on March 1, 2010.