



# County of Allegheny

## Office of the Controller

ALLEGHENY COUNTY  
DEPARTMENT OF PUBLIC WORKS  
VEHICLE FLEET REPORT  
FOR THE PERIOD  
JANUARY 1, 2012 THROUGH SEPTEMBER 30, 2014

*(Non-Audit Service)*

March 11, 2015

**Chelsa Wagner**  
Controller

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**CHELSA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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January 9, 2015

Mr. William McKain  
County Manager  
436 Grant Street  
Room 119  
Pittsburgh, PA 15219

**ALLEGHENY COUNTY DEPARTMENT OF PUBLIC WORKS**  
**VEHICLE FLEET REPORT**  
**FOR THE PERIOD JANUARY 1, 2012 THROUGH SEPTEMBER 30, 2014**

Dear Mr. McKain:

We have performed procedures to assess the effectiveness of the measures taken to monitor the usage of County owned and leased vehicles, fuel cards and County fuel tanks. Our procedures covered the period from January 1, 2012 through September 30, 2014. Our engagement was performed as a non-audit service, and therefore was not conducted in accordance with *Government Auditing Standards*.

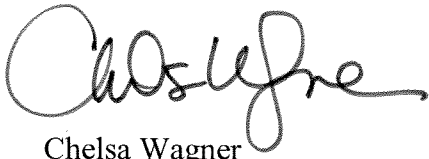
Our analysis revealed lack of oversight, misuse of County vehicles and theft involving the misappropriation of County fuel cards. In addition, the County failed to apply for State fuel tax credits for fuel purchased at non-participating gas stations. The results of our testing are detailed in the attached report.



Mr. McKain  
January 9, 2015

We believe that the implementation of our recommendations will help improve the management of the Allegheny County vehicle fleet. We would like to thank the management and staff of the Public Works Department for their courtesy and cooperation during the performance of our procedures.

Kind regards,



Chelsa Wagner  
Controller



Lori A. Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice President, County Council  
Honorable Rich Fitzgerald, Allegheny County Executive  
Honorable Stephen A. Zappala, Jr., District Attorney, Allegheny County  
Ms. Jennifer Liptak, Chief of Staff, County Executive  
Mr. Warren Finkel, Director, Office of Budget and Finance  
Mr. Joseph Catanese, Director of Constituent Services, County Council  
Mr. Walter Szymanski, Budget Director, County Council  
Mr. Stephen G. Shanley, Director, Public Works

## **I. Introduction**

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The Allegheny County Department of Public Works Fleet Management Division is responsible for the effective and efficient management of the County vehicle fleet. The Division relies on the Allegheny County Department of Public Works Vehicle Fleet Handbook (Fleet Handbook) to provide uniform policies and procedures to manage the fleet.

The Fleet Handbook addresses the general policies and procedures regarding the County fleet, such as:

- The driver's license policy,
- Accident procedures,
- Access to motor pool vehicles and the use of private vehicles for County business,
- Safety rules and defensive driving,
- The neglect and abuse policy,
- The use of a vehicle log book,
- Fuel card instructions, and
- Vehicle replacement, delivery, and maintenance information.

The Fleet Handbook specifically states the following regarding eligibility for a County vehicle and/or take-home privileges: "The County Manager must approve assigned County vehicles for Directors and their key staff members based on the Vehicle Purchase/Lease Request Form. The County Manager is the only person that can give the Department Director authorization to establish take home privileges. Justification for the use of County vehicles and take home privileges must be established." The Fleet Manager must be notified in writing of any planned additions or deletions to the County vehicle fleet. The Fleet Handbook also prohibits "the use of a County vehicle for any business ventures other than that pertaining to the job duties and responsibilities of the County. County vehicles cannot be used for personal business."

Each year the County spends approximately \$4 million in vehicle costs and maintenance. Several departments within Allegheny County utilize take home vehicles and/or departmental pool vehicles. The number of vehicles within each department was set years ago. As of September 30, 2014 the Allegheny County Fleet Vehicle List provided by Public Works and the vehicle inventory list provided by the District Attorney's Office showed that there were 723 vehicles in the County fleet of which 151 are designated as take home vehicles. See pages 6 and 7 for a vehicle count and take home vehicle count by County department. The value of this fleet is approximately \$7 million.

Each department is responsible for managing and maintaining a vehicle key and fuel card for each assigned vehicle. If an employee with a take home vehicle is no longer eligible for the use of a take home vehicle, the department Director is responsible for keeping the key and fuel card associated with that take home vehicle.

If a person is newly hired and their position requires a take home vehicle, the appropriate form is completed and approved by the department Director and County Manager. If there is a need for an additional take home vehicle in the department, the department

## **I. Introduction**

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Director will arrange within the department to reclassify a vehicle from pool car to take home vehicle and obtain approval from the County Manager.

If the department requires a replacement vehicle, or a new additional vehicle, it must establish the need for the vehicle, and have the budget available. Public Works will procure a new vehicle through the County's Purchasing Department. When a vehicle becomes old or obsolete, the vehicle is turned over to Public Works for disposal or to be sold at auction.

Public Works also maintains and manages the County's motor pool located at the Fourth Avenue Parking Lot. This is separate from the departmental pool vehicles. The County motor pool is comprised of 10 to 12 vehicles designated for general County use. Any employee in the County can request use of a motor pool vehicle by completing the proper form, obtaining department approval, and submitting the approved request to the lot attendant (who works for Facilities Management). The driver must have a current, valid Pennsylvania driver's license, and must have submitted a form DLR-1 (proof of a valid driver's license) to the Fleet Management Division.

All County take home and departmental pool vehicles must have a fuel card to obtain fuel. There is an exception for the County motor pool vehicles, which are fueled at the County's South Side garage. The fuel cards can be used at most gas stations that take a debit card at the pump. The cards will work inside the gas station but County policy states that the fuel cards are to be used only at the pump. The cards are to be used for fuel only, and are not to be used for oil, windshield washer fluid, coffee, or any other product. Also, employees are instructed to use only 87 Octane gas when purchasing unleaded fuel.

Employees are required to enter their six-digit County ID number, as well as the vehicle's current mileage, at the pump at the time of the transaction. A receipt must be printed and kept by the employee. At the end of each month, a "Monthly Fuel Card Log Sheet" is to be submitted for every vehicle that uses a County fuel card. The log is to be signed by a supervisor, and should list information for each fuel transaction such as the date, driver's name, mileage, and driver's signature. All associated fuel receipts are to be submitted with the log, and the log is due to the Fleet Management Division by the end of the month.

Wright Express manages the fuel cards for Allegheny County and invoices Allegheny County for fuel usage on a monthly basis. Fleet Management has access to the Wright Express fuel card transaction system which details the fuel card transactions for each fuel card.

There are also fuel tanks located at various locations throughout the County and County parks that are used to fuel County equipment.

The chart on the following page details the total fuel cost for our engagement period.

## I. Introduction

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### Cost of Fuel For the Period January 1, 2012 through September 30, 2014

<b>Category</b>	<b>January 1 – December 31, 2012</b>	<b>January 1 – December 31, 2013</b>	<b>January 1 – September 30, 2014</b>	<b>GROSS Total Fuel Cost</b>
Fuel Cards	\$ 1,509,354	\$ 1,679,303	\$ 1,373,307	\$ 4,561,964
Fuel Tanks	\$ 218,248	\$ 183,649	\$ 152,989	\$ 554,886
<b>Total</b>	<b>\$ 1,727,602</b>	<b>\$ 1,862,952</b>	<b>\$ 1,526,296</b>	<b>\$ 5,116,850</b>

<b>Category</b>	<b>January 1 – December 31, 2012</b>	<b>January 1 – December 31, 2013</b>	<b>January 1 – September 30, 2014</b>	<b>NET Total Fuel Cost</b>
Fuel Cards	\$ 1,277,758	\$ 1,471,631	\$ 1,213,851	\$ 3,963,240
Fuel Tanks	\$ 218,248	\$ 183,649	\$ 152,989	\$ 554,886
<b>Total</b>	<b>\$ 1,496,006</b>	<b>\$ 1,655,280</b>	<b>\$ 1,366,840</b>	<b>\$ 4,518,126</b>

*Note: The Fuel Card Transaction report for 2013 and 2014 identifies gross fuel cost, the tax exempt amount, and net fuel cost. However, the report for 2012 only identified gross fuel cost. Therefore, we calculated the net fuel cost for 2012 based on an average tax exempt rate for 2013 and 2014.*



## I. Introduction

### Total Vehicles

#### Allegheny County Fleet Vehicle List Provided by Public Works

Department	Vehicle Count as of:		
	12/31/2012	12/31/2013	9/30/2014
Administrative Services	10	9	3
Central Warehouse	2	2	1
Community Intensive Supervision Program	4	18	18
Controller	3	3	3
County Executive	1	1	1
Court Records	1	1	0
Courts	0	0	5
Economic Development	3	8	8
Elections	0	0	1
Emergency Services	94	93	96
Facilities Management	0	43	47
Health	39	37	36
Human Services	8	6	6
Jail	5	4	3
Juvenile Court	4	4	0
Kane	10	10	9
Medical Examiner	10	10	12
Minority Business Enterprises	0	1	1
Parks	6	5	4
Police	87	91	98
Police Academy	10	7	0
Property Assessment	0	0	3
Public Works	291	248	249
Sheriff	53	55	61
Sheriff - Sent to the Academy	1	1	0
Shuman	2	2	2
Treasurer	7	6	4
Weights and Measures	2	2	2
Subtotal	653	667	673

#### Vehicle List Provided by the District Attorney's Office

Department	Vehicle Count as of:		
	12/31/2012	12/31/2013	9/30/2014
County 911	1	1	1
DA Narcotic Enforcement Team	12	14	17
District Attorney	31	31	32
Subtotal	44	46	50
<b>Total Vehicle Count</b>	<b><u>697</u></b>	<b><u>713</u></b>	<b><u>723</u></b>

## I. Introduction

### Take Home Vehicles

#### Allegheny County Fleet Vehicle List Provided by Public Works

Department	Take Home Vehicle Count as of:		
	12/31/2012	12/31/2013	9/30/2014
Administrative Services	0	0	0
Central Warehouse	0	0	0
Community Intensive Supervision Program	0	0	0
Controller	2	2	2
County Executive	1	1	1
Court Records	0	0	0
Courts	0	0	0
Economic Development	1	1	1
Elections	0	0	0
Emergency Services	17	18	18
Facilities Management	0	5	6
Health	2	2	1
Human Services	0	0	0
Jail	3	2	2
Juvenile Court	0	0	0
Kane	0	0	0
Medical Examiner	2	2	3
Minority Business Enterprises	0	0	0
Parks	2	2	2
Police	25	28	32
Police Academy	0	0	0
Property Assessment	0	0	0
Public Works	16	13	14
Sheriff	27	32	38
Sheriff - Sent to the Academy	0	0	0
Shuman	0	0	0
Treasurer	0	1	1
Weights and Measures	2	2	2
Subtotal	100	111	123

#### Vehicle List Provided by the District Attorney's Office

Department	Take Home Vehicle Count as of:		
	12/31/2012	12/31/2013	9/30/2014
County 911	Unknown	Unknown	0
DA Narcotic Enforcement Team	Unknown	Unknown	5
District Attorney	Unknown	Unknown	23
Subtotal	0	0	28
<b>Total Take Home Vehicle Count</b>	<b><u>100</u></b>	<b><u>111</u></b>	<b><u>151</u></b>

## **II. Scope and Methodology**

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We performed procedures to assess the effectiveness of the measures taken to monitor the usage of County owned and leased vehicles and fuel cards. Our procedures covered the period January 1, 2012 through September 30, 2014.

Specifically, we performed the following procedures:

- Interviewed Fleet Management personnel to gain an understanding of the processes and internal controls surrounding the County vehicle fleet, vehicle fuel cards, and County fuel tanks.
- Reviewed policies and procedures related to the County vehicle fleet, vehicle fuel cards, and County fuel tanks as well as applicable IRS and State regulations.
- Obtained a list of all county owned and leased vehicles, including take home vehicles, and compared the list to the active employee list.
- Requested mileage logs for take home vehicles to determine how mileage is tracked and if there was documentation to substantiate that the vehicle was not being driven for personal use, other than commuting.
- Inspected a sample of take home vehicles for each department to verify the information provided on the vehicle list was accurate.
- Obtained the list of all employees with access to a fuel card and compared the list to an active employee list.
- Reviewed documentation submitted to the Controller's Office payroll division for W-2 reporting on take home vehicles.
- Performed an analysis of fuel card transactions, including comparison to the fuel card logs, to determine if fuel card usage was reasonable.
- Evaluated the documentation maintained for the fuel used at the various County fuel tanks to determine if fuel usage was properly supported.
- Reviewed the accident reports filed during our engagement period to ensure compliance with policies and procedures.
- Examined vehicle policies and procedures utilized by the State and other local governments.

We performed these procedures during the months of September through December 2014. We provided a draft copy of this report to the County Manager for response. The Department of Public Works Director responded. His response begins on page 40.

### III. Findings and Recommendations

**Finding #1: Vehicle List is Incomplete and Inaccurate**

Criteria: Public Works Fleet Management Division is responsible for the effective and efficient management of the County vehicle fleet. Therefore, the Department should maintain an accurate, up to date list of all County owned and leased vehicles.

Condition: We requested that Public Works provide a listing of all vehicles owned and leased by Allegheny County in an excel file for each year from 2012 through September 30, 2014 to include:

- Designation of vehicle as either County owned or leased
- Vehicle Number
- Vehicle description, including make, model and year
- Department the vehicle was assigned to for each year
- Designation of the vehicle as a take home vehicle, including the employee's name and job title that was assigned to the vehicle.

Even though Public Works is responsible for the effective and efficient management of the County vehicle fleet, it did not have an accurate and comprehensive list of all of County vehicles. On August 28, 2014 we requested that this list be provided no later than September 5, 2014. Public Works had to contact the County Departments in order to verify and update the vehicle list, and did not provide us with the vehicle lists until September 23, 2014.

Public Works provided the Allegheny County Fleet Vehicle List (vehicle list), dated December 31, 2012 and 2013, and September 30, 2014, for all County Departments, other than the District Attorney (DA). The District Attorney's Office provided the list for its office. Public Works indicated that the vehicle lists it provided includes vehicles in possession of the County as of the list date and does not include vehicles discarded (sold, auctioned, lease returned, etc.) throughout the year.

Allegheny County Fleet Vehicles			
	Allegheny		
As of:	County	DA	Total
December 31, 2012	653	44	697
December 31, 2013	667	46	713
September 30, 2014	673	50	723

### **III. Findings and Recommendations**

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#### **Vehicles with Fuel Card Transactions not Listed on the Allegheny County Vehicle List**

During the course of our fieldwork, we identified a number of vehicles with transactions on the Fuel Card Transaction reports for years where the vehicle did not appear on a vehicle list (see also Findings #2 and #4). According to Public Works, the vehicle would not appear on the vehicle list the year it was disposed. Therefore, we reviewed the preceding year's vehicle list. Our testing found there were vehicles that did not appear on that list either. Public Works provided the status of the vehicle or a brief explanation regarding why the vehicle may not have appeared on the vehicle lists.

We noted that two vehicles had fuel card transactions in 2014, but were not included on the 2013 or 2014 vehicle list.

- One vehicle should have been included on the 2013 or 2014 vehicle list, but wasn't.
- For one vehicle, the fuel card was actually used for a different vehicle number than was shown on the Fuel Card Transaction report. Therefore, that vehicle number would not be included on the vehicle list.

We noted that 40 vehicles had fuel card transactions in 2013, but did not appear on the 2012 or 2013 vehicle list.

- 32 vehicles should have been included on the 2012 or 2013 vehicle list but weren't.
- Public Works did not provide enough information to determine if five vehicles should have been included or not.
- For two vehicles, the vehicle number on the Fuel Card Transaction report was listed as #8506 and #8507. However, the vehicle number on the vehicle file was #NC8506 and #NC8507.
- For one vehicle, the fuel card was actually used for a different vehicle number than was shown on the Fuel Card Transaction report. Therefore, that vehicle number would not be included on the vehicle list.

We noted that 58 vehicles had fuel card transactions in 2012 but did not appear on the 2012 vehicle list. Since our engagement period began in 2012, we did not have a 2011 vehicle list to review. However, information provided by Public Works revealed the following:

- 30 vehicles should have been included on the 2012 vehicle list.
- 18 vehicles were disposed in 2012, and did not need to be included on the 2012 vehicle list.

### III. Findings and Recommendations

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- Public Works did not provide enough information to determine if eight vehicles should have been included or not.
- For two vehicles, the vehicle number on the Fuel Card Transaction report was listed as #8506 and #8507. However, the vehicle number on the vehicle file was #NC8506 and #NC8507.

Although most of the vehicles were sold, auctioned, or lease returned in the year identified, Public Works could not explain why these vehicles did not appear on the preceding year's list. It is unlikely that a vehicle was procured and discarded in the same year. That would be the only way it would not appear on at least one year-end vehicle list.

Auditors also requested information regarding eight attributes (department, driver, driver's title, take home vehicle, year, make, model, and owned/leased) for the 100 vehicles identified above. Public Works did not provide 102 of the 800 (13%) attributes for these vehicles.

#### Take Home Vehicles

According to the vehicle lists provided by Public Works and the DA, there were a total of 151 take home vehicles as of September 30, 2014. The District Attorney's Office could not identify which vehicles were take home vehicles in 2012 or 2013 as they do not keep historical records, only update existing records with current data. During our review of the forms submitted to the Payroll Division, we noted that the District Attorney has a take home vehicle.

Take Home Vehicles			
	Allegheny		
As of:	County	DA	Total
December 31, 2012	100	Unknown	100
December 31, 2013	111	Unknown	111
September 30, 2014	123	28	151

To ensure the accuracy of the vehicle lists, the Controller's Office physically observed a sample of 60 of the 151 take home vehicles on the September 30, 2014 lists. We verified the vehicle number, make, and model of the vehicle, confirmed the individual listed is the correct driver of the vehicle, and obtained the current odometer reading.

### **III. Findings and Recommendations**

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Our procedures revealed several differences between the information on the vehicle lists and the information verified during our observation.

- The wrong model was listed on the Public Works vehicle list for three vehicles, and
- The wrong driver was listed on the Public Works vehicle list for two vehicles.
- The information on the District Attorney's list was correct based on our observation.

We also compared the vehicle lists provided by Public Works and the District Attorney's Office for each year to a master Allegheny County employee list. We found that the driver assigned to vehicle #8580 was not properly updated on the 2012 or 2013 Public Works vehicle list.

- The driver (driver #1) of the vehicle retired in January 2011 and the vehicle was reassigned to a new driver (driver #2). However, the vehicle was still listed under driver #1 in 2012.
- Driver #2 retired in May 2013, and the vehicle was reassigned again (driver #3), but the vehicle was listed under driver #2 in 2013.
- The vehicle was finally listed correctly under driver #3 on the 2014 list.

Cause: Public Works does not have proper policies and procedures in place to ensure the information on the vehicle lists is accurate and updated timely.

Effect: As of September 30, 2014 the value of the County fleet was \$7 million. The vehicle lists are incomplete and vehicle and driver information on the Public Works vehicle lists is not always accurate. Furthermore, Public Works did not properly update the vehicle lists for terminated employees. By not maintaining an accurate inventory of the County fleet, Public Works cannot properly manage the fleet.

Recommendation: The Controller's Office recommends that Allegheny County Management:

- Evaluate the current County Fleet Vehicle lists to ensure that all County vehicles are accounted for and all relevant attributes associated with each vehicle is correct.
- Develop a strategy for improving the overall effectiveness, efficiency, and internal controls for managing and maintaining the County fleet.

### **III. Findings and Recommendations**

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- Provide titles and lease documents for all vehicles to the Controller's Office per Section 1903 of the Second Class County Code that discusses custody of valuable documents.
- Update the Fleet Handbook to incorporate specific processes and procedures for staff members to follow to manage and maintain the County's vehicle inventory.
- Monitor and evaluate the performance of staff assigned to manage the County's vehicle inventory to ensure policies and procedures are being followed by performing periodic reviews for compliance.
- Verify with each County Department, on an annual basis, the accuracy of the information, including the assigned driver when applicable, for all County owned and leased vehicles.
- Implement procedures to ensure that Public Works receives information on personnel changes that affect the status of County vehicles.

Management's  
Response:

The Department of Public Works' response begins on page 40 of this report.

Controller's Office  
Comments:

The Department of Public Works' response stated "With the hiring of a new fleet manager and Deputy Director in the first half of 2014, the Department of Public Works (DPW) undertook a full review of the fleet management operations and controls. As part of that, each vehicle under the jurisdiction of the executive branch was catalogued through a physical inspection that included verification of the vehicle identification number (VIN), make and model, title and license plate information and also included a photograph of that vehicle." On August 28, 2014 the Controller's Office requested that the vehicle list be provided by September 5, 2014, yet the list was not provided to our office until September 23, 2014.

The Department of Public Works' response stated "Items are still in your asset management system which are no longer on our inventory, having been disposed of or auctioned." The Controller's Office is not notified, or not notified timely, of auctions to dispose of vehicles.

The Department of Public Works' response stated "We recommend an independent audit by an outside agency of your asset management system." The Controller's Office has received an unqualified opinion on the Comprehensive Annual Financial Report (CAFR) for the past 34 years from five different independent CPA firms. Further, the Controller's Office relies



### **III. Findings and Recommendations**

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heavily upon departments to provide timely and accurate information in order to maintain asset listings. In order to assist departments, a new on-line asset transaction form and an updated Asset Policy and Procedure manual has been made available.

The Department of Public Works' response stated "A recent press release from your office set the value for county vehicles at around \$4 million." The Controller's Office press release states that the County spends approximately \$4 million in vehicles costs and maintenance.

The Department of Public Works' response stated "The revised handbook will be issued to the appropriate persons in the near future." As of the date of this report, the revised Department of Public Works handbook still has not been issued.

### III. Findings and Recommendations

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**Finding #2: Internal Control Weaknesses Involving County Fuel Cards**

Criteria: The “Allegheny County Department of Public Works Vehicle Fleet Handbook” (Fleet Handbook) provides basic instructions for using County fuel cards. When fueling the vehicle, the card user must enter their employee number and the vehicle mileage at the pump. Fuel cards are to be used for fuel only. (See also the Criteria Section under Finding #4).

A Monthly Fuel Card Log Sheet is to be submitted to Fleet Management for each vehicle by the end of the month, using the 25<sup>th</sup> of the month as the cutoff date. All fuel receipts are to be submitted with the log, and the four digit vehicle number or the piece of equipment (lawn mower, tractor, snow blower, wood chipper, etc.) fueled must be written on the receipt.

Condition: We obtained Fuel Card Transaction reports from Wright Express, which are excel files that list every fuel card transaction, from January 1, 2012 through September 30, 2014. These files included 68,609 fuel card transactions totaling approximately \$3,963,240 during this thirty-three month period.

#### **Fuel Card Transaction Report**

##### *Vehicles with Questionable Transactions*

We analyzed the Fuel Card Transaction reports for 2012, 2013, and January through September 2014 to identify vehicles with potentially questionable or unusual transactions. We selected 153 unique vehicles for testing (two additional vehicles, #8163 and #8224 were already included in Finding #4).

We reviewed the individual transactions for these 153 vehicles to determine if the transactions appeared reasonable and found the following:

- The transactions for 83 vehicles (54%) appeared reasonable based on our review.
- One or more of the odometer readings for 58 of the vehicles (38%) appeared to be entered incorrectly at the pump, explaining why the mileage or MPG appeared questionable for the vehicle.
- The transactions for 12 vehicles (8%) did not appear reasonable.

### III. Findings and Recommendations

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Inquiries with Public Works revealed the following regarding the 12 vehicles:

- For nine vehicles, Public Works confirmed that there were no fuel card log sheets or receipts. Therefore Public Works could not substantiate the issues identified with the fuel card transactions and indicated that further research was required.

	<b>Vehicle #</b>	<b>Department</b>	<b>Issue</b>	<b>Public Works Response</b>
1	5765	DA	Vehicle not found on Public Works or District Attorney vehicle lists, inconsistent odometer readings	No records found, card belongs to another vehicle 8551.
2	5222	DA	Vehicle not found on Public Works or District Attorney vehicle lists, inconsistent odometer readings	No records found, card belongs to another vehicle 8624.
3	8657	CISP	Vehicle not found on Public Works vehicle list, inconsistent odometer readings	No records found.
4	8658	CISP	Vehicle not found on Public Works vehicle list, inconsistent odometer readings	No records found.
5	8665	CISP	Vehicle not found on Public Works vehicle list, inconsistent odometer readings	No records found.
6	6149	DA	Vehicle not found on Public Works or District Attorney vehicle lists, inconsistent odometer readings	No records found.
7	8655	CISP	Vehicle not found on Public Works vehicle list, inconsistent odometer readings	No records found.
8	5640	Sheriff	Inconsistent odometer readings	No records found, vehicle 5640 and 5639 switched fuel cards.
9	8387	Health Department	Inconsistent odometer readings	No records found.

- For three vehicles, we were able to locate the fuel card log sheets and receipts. However, our review of the Fuel Card Transaction reports found inconsistent odometer readings, and Public Works could not provide a reasonable explanation why this occurred.

### III. Findings and Recommendations

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	<b>Vehicle #</b>	<b>Department</b>	<b>Issue</b>	<b>Public Works Response</b>
1	1049	Emergency Services	Inconsistent odometer readings	Public Works surmises incorrect odometer readings entered by driver.
2	5572	Police	Inconsistent odometer readings	Transposed odometer readings and used fuel card and log for another vehicle 5462.
3	5623	DANET	Inconsistent odometer readings	Missing transactions from the logs and receipts.

There were 269 fuel card transactions associated with the 12 questionable vehicles, and 5,200 gallons of gas were purchased for approximately \$16,768 in net fuel cost. It should be noted that not all of the fuel card transactions associated with each vehicle are in question, however it is not possible in some cases to distinguish valid from invalid transactions without supporting documentation.

#### *Fuel Cards for County Equipment*

We noted that there were 24 fuel cards being used throughout the County parks, districts, departments, etc. to fuel various pieces of equipment. During the period of our engagement, there were 1,953 fuel card transactions associated with these fuel cards, and 65,682 gallons of gas were purchased for approximately \$226,471 in net fuel cost.

Because of the nature of these transactions, and the fact an odometer reading is not applicable, we could not determine if these transactions are reasonable.

The Monthly Fuel Card Log sheets and receipts do not provide any information to aide in the analysis of these transactions. Additional monitoring procedures are required to track the usage related to these equipment fuel cards to ensure that they are only used for legitimate purchases of fuel.

#### **Terminated Employees Still on the Fuel Card User List**

Public Works does not maintain the database of all fuel cards assigned to County vehicles. It relies on Wright Express to maintain such a database. We obtained the Active/Terminated Driver list for fuel cards (Fuel Card User list) from Wright Express for our engagement period and compared the list to the active employee list. We noted the following:

### III. Findings and Recommendations

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Year	# of Active Fuel Card Users	# of Terminated Employees Still on the Fuel Card User List
2014	1,432	38
2013	1,343	9
2012	1,240	7

Further analysis revealed that one employee had been terminated for more than five years but was still active on the Fuel Card User list.

Cause:

The Fleet Handbook does not provide specific processes and procedures for Public Works personnel to utilize in managing and monitoring the fuel card usage for County vehicles. The instructions in the handbook only provide a high level guidance to the vehicle driver and do not give any instructions to the department charged with managing and monitoring fuel card activities, specifically Public Works.

At the time of this engagement, there were no proactive measures in place by Public Works to perform sample testing on a routine basis to ensure there was no misuse of fuel cards.

Public Works does not reconcile the Monthly Fuel Card Log sheets with the receipts. Further, these log sheets are not reconciled to the actual monthly invoice received from the fuel card vendor, Wright Express. We were told by Public Works that they will only examine log sheets and receipts if an issue is reported to them. In addition, according to Public Works, seven departments who pay their own fuel card bills (District Attorney Narcotics Enforcement Team, Health Department, Human Services Aging, Human Services Children Youth and Families, Juvenile Courts, Juvenile Community Intensive Supervision Program, and the Department of Minority, Women and Disadvantaged Business Enterprise) do not send Public Works their log sheets and receipts.

Effect:

Public Works cannot substantiate the fuel card transactions in question. The fuel cards allow the user the ability to go to almost any gas station anywhere and procure gas as long as the gas station takes a debit card at the pump. Anytime cash or cash equivalents (such as debit cards) can be used to procure products or services, there is an inherent risk of fraud if processes and procedures are not in place to ensure proper internal controls to monitor use.

Fuel card users who are no longer employed by the County still have access to use a County fuel card. Failure to remove access from terminated employees could result in further theft.

### III. Findings and Recommendations

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Recommendation: The Controller's Office recommends that Allegheny County management:

- Investigate the 12 outstanding issues identified in this finding to determine if there is any evidence of fraudulent activity. If additional theft is discovered, seek legal action to recover any these funds.
- Develop controls to deter and detect fraud and other misuse of County fuel cards. Update the Fleet Handbook to include specific policies and procedures related to these controls.
- Perform periodic reviews of the staff assigned to monitor fuel card usage to ensure policies and procedures are being adhered to.
- Require all departments to submit Monthly Fuel Card Log sheets and receipts to Public Works. These documents should be reviewed for reasonableness and accuracy.
- Create a fuel card inventory in conjunction with Wright Express and conduct random checks to ensure each card is properly accounted for.
- Work with Human Resources to ensure that Public Works is notified when an employee is terminated so that Public Works can secure the fuel card and remove the terminated employee from the Fuel Card User List.

Management's

Response:

The Department of Public Works' response begins on page 40 of this report.

Controller's Office

Comments:

Public Works' response to Finding #2 is addressing Finding #4 and does not respond to any of the recommendations identified in Finding #2.

### III. Findings and Recommendations

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#### **Finding #3: Lack of Oversight Involving County Fuel Tanks**

Criteria: Public Works is responsible for fuel tanks at 13 locations throughout Allegheny County. One of the locations is at the South Side Garage, and the other 12 locations are spread throughout the County and County parks. Some locations have gasoline and diesel tanks, while other locations only have one or the other. These locations include:

<u>Tank Location</u>	<b>Capacity of Diesel Tank (in gallons)</b>	<b>Capacity of Gasoline Tank (in gallons)</b>
<u>Public Works Locations</u>		
District 4 - Elizabeth, PA	500	500
District 1 - Heavy Equipment Division - Gibsonia, PA	1000	n/a
Allegheny County Garage - Pittsburgh, PA (underground)	n/a	10,000
<u>Parks Locations</u>		
Boyce Park Maintenance	500	500
Deer Lakes Park	300	n/a
Hartwood Acres Park	250	250
North Park Golf Course	250	250
North Park Skating Rink	n/a	500
South Park Golf Course	500	500
South Park Maintenance	500	500
South Park Skating Rink	n/a	500
Settler's Cabin Maintenance	250	250
White Oak Park	250	250

Public Works should have proper policies and procedures that are designed to monitor fuel received and disbursed at these locations. During our engagement period \$554,886 was paid to vendors for fuel for the County tanks.

Condition: At the South Side location, the driver must enter the four-digit vehicle number, operator ID, and the current vehicle mileage. At the other locations, the pumps are not automated. They are physically locked, and must be unlocked by the site supervisor. There are only active cameras at two fuel tank locations (the Allegheny County Garage and District 4), but these cameras cannot record activity.

The transactions at the South Side pump are recorded by the Phoenix Computer system. However, the data is presented in a

### **III. Findings and Recommendations**

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computer printout and not in electronic format. Therefore, the information cannot be analyzed without extensive data entry.

The transactions at the 12 other locations are written on manual fuel log sheets which are maintained by the site supervisor. The log is designed to record the date, employee name, gallons removed, and equipment description/vehicle number for each transaction. The top of the log is used to record the gallons purchased and the estimated gallons in the tank.

We reviewed the fuel logs for three consecutive months for three locations and recalculated the number of gallons in the fuel tank based on the information on the logs.

- For the South Park Golf Course diesel tank, there were three instances where the recalculated number of gallons in the tank exceeded the capacity after the tank was filled by 96 gallons, 111 gallons, and 63 gallons.
- For Hartwood Acres gasoline tank, the tank fill date, gallons purchased, and estimated gallons in the tank were not completed. Therefore, we could not recalculate the information.
- For the North Park Skating Rink gasoline tank, the estimated gallons in the tank appeared reasonable based on the information on the fuel log.

Cause: Public Works has insufficient monitoring procedures and does not have controls in place for the reconciliation of the Fuel Tank logs and disbursement of fuel at all fuel tank locations.

Effect: There is no assurance that the fuel removed from the County tanks was used for legitimate County business. Without proper internal controls and monitoring, there is an increased risk of unauthorized use of fuel from County fuel tanks and a risk that the gasoline or diesel fuel could be misappropriated for personal use.

Recommendation: The Controller's Office recommends that Allegheny County Management:

- Update the technology. This includes, but is not limited to, upgrading to an automated fuel tracking system to substantiate fuel usage throughout the County.
- Direct site personnel to measure and document the fuel in each tank before and immediately after a fuel delivery in order to verify the quantity of fuel received.
- Revise the fuel logs used at each tank to include the following for each transaction: Date, Employee name, Gallons removed, Equipment description/Vehicle number,



### **III. Findings and Recommendations**

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Fuel reading (if applicable), Fuel remaining in tank, and Site Supervisor's signature.

- Direct site personnel to record the tank fill date, gallons purchased, and gallons in tank (based on measurement) on the log following each fuel purchase.
- Direct site personnel to reconcile the fuel log after each purchase to ensure that the gallons measured in the tank agree to the running fuel tank balance on the fuel log.
- Review the fuel log and reconciliation for each location on a reasonable basis, and investigate any suspicious activity. Ensure that the tank quantity is never negative or exceeds the maximum capacity of the tank.
- Perform unannounced site visits to ensure that the gallons measured in the tank agree to the balance on the fuel logs.
- Implement policies and procedures to ensure that fuel usage is properly monitored and safeguarded.
- Install cameras that have the capability to record, at all fuel tank locations to ensure safeguarding of assets.

Management's  
Response:

The Department of Public Works' response begins on page 40 of this report.

Controller's Office  
Comments:

Public Works' response primarily pertains to Finding #4 and does not address the recommendations of Finding #3. In addition, the Controller's Office brought the issue of the fuel cards that led to an arrest to the attention of Public Works.

### **III. Findings and Recommendations**

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#### **Finding #4: Fraud and Misuse**

Criteria:

The “Allegheny County Department of Public Works Vehicle Fleet Handbook” (Fleet Handbook) states that all County vehicles must have a fuel card to obtain fuel. Currently only County pool vehicles are fueled at the Southside Garage. When fueling the vehicle, the card user must enter their employee number and the vehicle mileage at the pump. Fuel cards are to be used for fuel only, and only 87 octane should be used if using unleaded fuel.

A Monthly Fuel Card Log Sheet is to be submitted to Fleet Management for each vehicle by the end of the month, using the 25<sup>th</sup> of the month as the cutoff date. All fuel receipts are to be submitted with the log, and the four digit vehicle number or the piece of equipment (lawn mower, tractor, snow blower, wood chipper, etc.) fueled must be written on the receipt.

The County contracts with Wright Express to manage the fuel cards. The Fleet Manager is responsible for the fuel cards within the County. He has access to the Wright Express system which contains information on the individuals with access to the fuel cards, as well as information on all of the fuel card transactions.

Condition:

We obtained Fuel Card Transaction reports from Wright Express, which listed every fuel card transaction, from January 1, 2012 through September 30, 2014. We analyzed the excel files and found numerous questionable transactions (see also Finding #2).

Our analysis revealed that vehicle #8163 was not included on the Allegheny County Fleet Vehicle lists provided by Public Works. However, there were transactions listed for the vehicle on the Fuel Card Transaction reports. We brought this to Public Works’ attention on October 30, 2014, and their responses indicated that this vehicle was an old tow truck that was traded in July 2013.

As we performed further analysis, it appeared that there was something inappropriate with the transactions for vehicle #8163. The odometer readings were very inconsistent, causing the miles per gallon to fluctuate greatly from transaction to transaction. Although Public Works indicated this was a tow truck that was traded in July 2013, there were 40 fuel transactions after July 31, 2013. We requested the Fuel Card Log Sheets for three months in each 2012 and 2013, but the logs were not available.

On November 19, 2014, we informed Public Works of our concerns regarding the missing log sheets and fluctuating odometer readings throughout the years tested. Public Works’ response on December 2, 2014 indicated that no records were turned in. Since

### III. Findings and Recommendations

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no receipts and records were present, they cannot quantify the questionable odometer readings. Public Works said that they did not have a definitive answer as this is a manual system.

Because all of these transactions were listed under one driver's name, we further researched all fuel transactions for this driver. We noted transactions under two additional fuel cards, one for vehicle #8224, and one for a vehicle labeled "GRGE", which was described by Public Works as a tow truck at the Southside Garage. Below is a summary of the questionable fuel card transactions under this driver for the period January 1, 2012 through September 30, 2014.

Year	Fuel Card #	Vehicle #	Number of Transactions	Gross Fuel Cost	Net Fuel Cost
2012	0256-1	8163	85	\$ 4,498	\$ 3,936
2013	0256-1	8163	97	\$ 5,436	\$ 4,685
2013	5775-1	8224	3	\$ 140	\$ 119
2014	5775-1	8224	50	\$ 2,540	\$ 2,128
2014	0560-2	GRGE	4	\$ 302	\$ 271
			239	\$12,916	\$11,139

*Note: The Fuel Card Transaction report for 2013 and 2014 identifies gross fuel cost, the tax exempt amount, and net fuel cost. However, the report for 2012 only identified gross fuel cost. Therefore, we calculated the net fuel cost for 2012 based on an average tax exempt rate for 2013 and 2014.*

After bringing these issues to Public Works attention, the questionable transactions were reported to the Allegheny County Police. There is currently an ongoing investigation regarding the fuel card usage associated with vehicle #8163, and a First Vehicle Services employee has been arrested. Allegheny County contracts with First Vehicle Services for fleet management and maintenance.

According to the criminal complaint, on November 21, 2014 two Allegheny County Police Detectives were requested to investigate a theft from Allegheny County. Based on the information in the complaint, the First Vehicle Services employee is accused of theft by unlawful taking, receiving stolen property, access device fraud, and identity theft. The complaint also revealed the individual whose name was listed on the Fuel Card Transaction reports (another First Vehicle Services employee) was not the individual who was arrested after admitting to using the cards.

Since the individual arrested is an employee of First Vehicle Services, the County is demanding full reimbursement from First Vehicle. According to the County Solicitor's letter dated

### III. Findings and Recommendations

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December 2, 2014, the amount requested was \$7,633.21, but would be adjusted as necessary pending the final results of the County's investigation. However, our testing revealed that the amount could be up to \$12,916. According to Public Works, all First Vehicle Services employees were removed from the Active Fuel Card User list in December 2014.

The questionable transactions identified during our analysis are greater than those identified in the criminal complaint. Therefore, the Controller notified the County Manager that she believes the calculations are under estimated, and requested a meeting with the County Manager's Office, the County Police, and Public Works. The County Manager declined the Controller's Office request for a meeting.

Cause: Public Works does not monitor the fuel card transactions. Due to a lack of internal controls, Public Works was unable to deter and detect errors, fraud, and theft that had been ongoing for at least three years.

Effect: Due to Public Works lack of monitoring of fuel card transactions, the Controller's Office identified theft using a County fuel card by a First Vehicle Services employee. This theft could result in \$12,916 or more being owed back to Allegheny County. Unless Public Works implements appropriate prevention and detection controls, theft using the County fuel cards could occur again.

Recommendation: The Controller's Office recommends that Allegheny County Management:

- Work with the County Police to investigate the remaining outstanding issues identified by the Controller's Office regarding this theft.
- Provide the Controller's Office detail Fuel Card Transaction Reports prior to January 1, 2012 for analysis regarding any additional potential misappropriations.
- Seek legal action to recover any fraudulent funds associated with the misuse of County owned fuel cards.
- Implement internal controls to ensure safeguarding of County fuel cards.

Management's Response:

The Department of Public Works' response begins on page 40 of this report.

### **III. Findings and Recommendations**

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Controller's Office

Comments:

Finding #2 involves internal control weaknesses surrounding County fuel cards, while Finding #4 deals with the actual fraud and misuse of County fuel cards.

### **III. Findings and Recommendations**

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#### **Finding #5: Employee Payroll and IRS Issues**

Criteria:

##### **Non-Elected Employees**

The *County of Allegheny POLICY: DCS 20-1 Payroll Take Home Vehicles Tax Requirements* (Division of Computer Services Payroll Policy) was signed in September 2003 by the then County Manager and Solicitor to implement Internal Revenue Service (IRS) regulations requiring employers to include personal use of vehicles in the computation of an employee's compensation. Commuting is considered to be personal use.

The DCS Payroll Policy states the following regarding non-elected officials "With the exception of elected County officials, the value to be placed on commuting in a County-owned vehicle is \$3.00 (IRS Reg. 1.61-21(f)(3)) per day plus \$.055 per mile (IRS Reg. 1.61-21(d)(3)(B)). Accordingly, each employee who is provided with a vehicle on a regular basis will be required to report their daily commuting mileage to the Division of Computer Services (DCS) and the number of days the vehicle was driven to and from work, on a quarterly basis." Non-elected employees are also required to provide the number of miles the employee lives from work. Although the Policy states that the information is to be submitted to DCS, it is actually submitted to the Controller's Payroll Division on the Automobile Usage Report.

County policies are designed to comply with IRS regulations, where the employee includes a value related to using the vehicle for computing their income for tax purposes. Employees do not reimburse the County for the vehicle use.

The IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits refers to this method of valuation as the Commuting Rule. The IRS does consider an employee's use of a qualified non-personal use vehicle as a working condition benefit. Qualified non-personal use (exempt) vehicles generally include, but are not limited to, clearly marked police, fire, and public safety vehicles, unmarked vehicles used by law enforcement officers if the use is officially authorized, or any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.

The IRS *Quick Reference Guide for Public Employers Office of Federal, State, and Local Governments* from February 2014 recommends that employees using a vehicle for business purposes (regardless of which special valuation rule is used) should keep daily records of business miles by keeping a log showing the date, mileage, destination, business purpose, and personal use (including

### III. Findings and Recommendations

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commuting) mileage. Although this is not required by the IRS Publication 15-B, it appears to be a good business practice.

#### Elected Officials

The “*Allegheny County Department of Public Works Vehicle Fleet Handbook*” (Fleet Handbook) states that the County prohibits “The use of a County vehicle for any business ventures other than that pertaining to the job duties and responsibilities of the County. County vehicles cannot be used for personal business.”

The “*County of Allegheny Policy: DCS 20-1 Payroll Take Home Vehicles Tax Requirements*”, referred to as the Department of Computer Services (DCS) Payroll Policy, was signed in September 2003 by the then County Manager and Solicitor to implement Internal Revenue Service (IRS) regulations requiring employers to include personal use of vehicles in the computation of an employee’s compensation. County Vehicles cannot be used for personal use, other than commuting to and from work.

In addition, the DCS Payroll Policy states “Elected officials of Allegheny County are not entitled to use the \$3.00 per day plus \$.055 per mile method of calculating the personal use value of their vehicles. Accordingly, each elected official must maintain and furnish to the Division of Computer Services a written record of their business use of the County-provided vehicle in order to permit the calculation of the amount to be included as compensation on the individual’s Form W-2. The written record should contain the date, business purpose, and mileage of each business use of the vehicle as well as the automobile’s mileage at the beginning and end of each calendar year. Form DCS 20-2 (See Attachment I) is provided as part of this policy to meet this requirement and should be submitted monthly together with the calculation sheet, Form DCS 20-3 (See Attachment II). The value of compensation will be determined by the percentage of personal use in relation to the fair market value of the vehicle at the time it was placed into service.” Once again, the only permitted personal use is commuting to and from work.

The DCS 20-2 is a Daily Automobile Usage Report for Elected Officials and is used to record the necessary information for each use. DCS 20-3 is the Calculation of Compensation of County Vehicles for elected Officials. Both forms include spaces for information on commuting miles, other personal miles, and business miles. Although the Policy states that the forms are to be submitted monthly to DCS, they are actually submitted quarterly to the Controller’s Payroll Division.

### III. Findings and Recommendations

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The IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits refers to this method of valuation as the Lease Value Rule. Under this method, the fair market value of the vehicle is determined on the first date it is available to any employee for personal use. The annual lease value is then based on the fair market value in the Annual Lease Value Table in the IRS Publication 15-B. The annual lease value is multiplied by the percentage of personal (commuting) miles out of total miles driven. The annual lease value in the table is based on a four-year lease term. The value will stay the same for the period that begins with the first date this rule is used for the vehicle and ends on December 31 of the fourth full calendar year following that date.

Condition:

#### Non-Elected Employees

##### *Employees are not Properly Reporting Automobile Usage to the Payroll Division*

We reviewed the list of take home vehicles provided by Public Works to determine if all employees with a take home vehicle, that are not clearly exempt per the IRS, submitted the Automobile Usage Report to the Controller's Office Payroll Division. We found that the following number of employees did not submit the form each year. Some employees are included in multiple years.

- 10 employees for 2014
- 11 employees for 2013
- 8 Employees for 2012

Of the 29 employees noted above, a total of 15 unique employees did not submit Automobile Usage Reports. The IRS assessed the County for four of these 15 (26%) employees for not reporting their automobile usage. In addition to these four employees, we noted an additional 11 employees that may not be exempt, and therefore should be reporting also. These 15 employees work for the Jail, Weights and Measures, the Health Department, Public Works, Facilities Management and the Medical Examiner's Office.

We requested from Allegheny County Management, but did not receive, justification for the exempt status of the 11 employees.

##### *Employees are Including Amounts Not Required by the IRS in Their Compensation Calculation*

We reviewed 60 Automobile Usage Reports submitted to the Controller's Office Payroll Division by non-elected employees. All of the employees reported the number of days the vehicle was used for commuting and applied the \$3 a day to the total.



### III. Findings and Recommendations

Additionally we noted that on 13 of the 60 forms, the employee also included the \$.055 per mile (12 instances occurred in 2012 and 1 instance occurred in 2014). However, based on our review of the IRS Publication 15-B, the \$.055 per mile required by the DCS Payroll Policy is not required by the IRS commuting rule.

#### *Detailed Mileage Logs are Not Maintained*

During our review of the 60 Automobile Usage Reports, we found that none of the employees submitted mileage logs. Accordingly, there is no documentation to substantiate that the employee did not use the vehicle for any personal purposes other than commuting. In October 2014, the Controller's Office sent an email to the 15 departments with take home vehicles requesting that each department inform the Controller's Office if they maintain detailed mileage logs for take home vehicles. As of January 15, 2015 we have not received a response from 12 (80%) of the departments. The District Attorney's Office is exempt from maintaining mileage logs because the vehicles are used for law enforcement and public safety. The Sheriff's Office does maintain mileage logs. Controller's Office employees did not maintain mileage logs. Although the IRS recommends that detailed mileage logs be maintained, the mileage logs are not required by County policy.

#### Elected Officials

We compared the total miles based on the odometer readings in the Fuel Card Transaction reports (prepared by Wright Express) to the total miles reported to the Controller's Office Payroll Division on the Calculation of Compensation forms for the County Executive's vehicle. Our testing revealed that 19,827 miles were not reported to the Payroll Division by the County Executive.

	2012	2013	2014	Total
Calculated Total Miles	27,465	26,906	18,913	73,284
Miles Reported	18,078	20,662	14,717	53,457
Unreported Mileage	9,387	6,244	4,196	19,827

The County Executive submitted 11 DCS 20-3 Calculation of Compensation forms and 11 DCS 20-2 Daily Automobile Usage Reports for the period January 1, 2012 through September 30, 2014. All of the Calculation of Compensation forms submitted listed only business and commuting miles. However, the Calculation of Compensation form for the quarter ended September 30, 2014, which was submitted after our engagement letter was issued, was the only form that listed any "other personal" miles (3,375 miles) not related to commuting.

### III. Findings and Recommendations

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During our review of the Calculation of Compensation forms we also found that fair market value of the vehicle, and the corresponding annual lease value, were not correctly reported for 2013 and 2014. The value was reduced each year in 2013 and 2014 instead of remaining the same for four years as required per the IRS Publication 15-B.

Cause:

Policies and procedures are outdated and are not consistently enforced by Public Works or DCS. In addition, Public Works does not have procedures in place to ensure that employees who are authorized a take home vehicle are properly reporting this benefit to the Controller's Office Payroll Division.

The County Executive violated County policy by using his County vehicle for "other personal" usage. This "other personal" use of the vehicle was not properly reported to the Controller's Office Payroll Division and was not included as compensation in his W-2. Overall, the abuse of the County vehicle could have cost the taxpayers of Allegheny County \$42,737.52 as evidenced by his repayment to the County.

Effect:

There is no documentation to substantiate that employees did not use the vehicles for other personal business other than commuting. Even though commuting is permitted, the cost associated with this use of County vehicles by employees comes at the taxpayers' expense.

If the employees are required to report personal usage (commuting) for IRS purposes and do not report, the County can be liable for additional taxes to the IRS. As a result of a recent IRS audit of the County for 2009 through 2011, the County has been assessed by the IRS in the amount of \$320,400 for employees that did not report personal usage of their car. Allegheny County's Management continues to appeal this assessment. In addition, the County paid approximately \$4,518,126 for fuel costs for our engagement period.

The County Executive used his County vehicle for personal use, other than commuting to and from work, and did not reimburse the County, or report the use for inclusion in his compensation on his W-2. The County Executive subsequently reimbursed the County \$42,737.52 and returned the County owned vehicle that was assigned to him after this matter was brought to his attention by the Controller.

### **III. Findings and Recommendations**

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Recommendation: The Controller's Office recommends that Allegheny County Management:

- Require all employees to submit detailed mileage logs to substantiate appropriate use of County take home vehicles. Logs should contain managerial sign offs to document review and authorization.
- Revise the DCS payroll policy to coincide with the IRS Publication 15-B. A requirement to submit detailed mileage logs to Public Works should be included.
- Ensure that all employees with a take home vehicle submit the required documentation to Public Works and the Controller's Office Payroll Division on a timely basis.
- Ensure that elected Officials adhere to Allegheny County policies regarding usage of County vehicles, as well as IRS regulations.
- Ensure that elected Officials are aware of Allegheny County policies, IRS regulations, etc., and are submitting proper documentation to support usage of County take home vehicles.
- Adopt a policy where the employee bears the cost of commuting in a County vehicle. Elected officials and employees, other than public safety and law enforcement personnel, should be required to reimburse the County for their commuting miles. This policy should be compliant with IRS regulations.

Currently, the County does not have sufficient data to analyze the utilization of the County fleet. Therefore, we recommend that Allegheny County Management gather and analyze the appropriate data, as well as fully implement the Controller's Office recommendations, before making any decisions regarding the fleet and Public Works Department.

Management's  
Response:

The Department of Public Works' response begins on page 40 of this report.

Controller's Office  
Comments:

These issues reported by the IRS are due to the lack of updated policies and procedures by Public Works as well as insufficient monitoring.

The information detailed in the chart on page 30 was obtained from the "Fuel Card Transaction report" which we obtained from Public Works, as well as the "Calculation of Compensation" forms provided by the County Administration.

### **III. Findings and Recommendations**

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#### **Finding #6: Policies and Procedures Need to be Updated**

Criteria: The *Allegheny County Department of Public Works Vehicle Fleet Handbook* (Fleet Handbook) is used to provide uniform policies and procedures to manage the County fleet. The Fleet Handbook should be a comprehensive manual and include all relevant policies and procedures. The manual should be updated periodically, and Public Works should monitor activities regarding the County fleet to ensure compliance with the Fleet Handbook.

Condition: The Fleet Handbook is out of date and is not all-inclusive, as the copy provided by Public Works is dated October 2010. It does not address IRS regulations requiring employers to include the personal use of County vehicles for commuting in the computation of employee's compensation. Other policies are insufficient to ensure adequate controls over the County fleet, fuel cards, and other fuel purchases, and policies are not consistently adhered to or applied. This is evidenced by the preceding findings in our report as well as the issues below.

#### **Number of County Fleet Vehicles**

There are no procedures to evaluate the number of vehicles (take home, departmental pool, and motor pool vehicles) assigned to each department in the County. The number of vehicles was set years ago. Current Public Works personnel do not know what parameters were used to determine the number of vehicles in each department, and have not evaluated the number in many years.

#### **Authorization of Purchased/Leased Vehicles and Take Home Vehicles**

The section regarding take home vehicles states that “The County Manager must approve assigned County vehicles for Directors and their key staff members.” The Handbook refers readers to Form #9, Allegheny County Vehicle Purchase/Lease Request Form. At the bottom of Form #9, it states “This request must first be approved by the County Manager before it can be submitted to the Fleet Manager for processing.” However, the Deputy Director of Maintenance Operations indicated that the Fleet Handbook does not state that the County Manager needs to give written permission, and Form #9 is used for vehicle purchases or leases, it does not reference take home vehicles, and is not used for assigning vehicles.

In order to verify that the purchase of all County Fleet vehicles was properly documented and authorized, we requested the signed Form #9 for all purchased and leased vehicles in use during our

### III. Findings and Recommendations

engagement period. However, the forms were only provided by Public Works for the Deputy Director of Maintenance Operations and the Public Works Director. Public Works was unable to provide any other forms.

**Cause:** Public Works has not updated the Fleet Handbook since October 2010 and has not included the IRS regulations regarding the taxation of the personal use County vehicles for commuting.

**Effect:** Without updated policies and procedures, Public Works cannot effectively manage the County fleet. Employees may not know what is expected, and rules may not be consistently enforced. These outdated policies and procedures has caused the County to be assessed by the IRS \$320,400 for the period 2009 through 2011 because several employees were not taxed on the take home use of their vehicle.

**Recommendation:** The Controller's Office recommends that Allegheny County Management:

- Update the Fleet Handbook and include:
  - Current IRS regulations regarding taxation of personal use vehicles.
  - A process for employees and management to follow to procure a take home vehicle.
  - Procedures to ensure all necessary forms are completed, approved, and sent to Public Works.
  - Procedures to periodically evaluate the number of vehicles (take home vehicles and pool vehicles) assigned to each department in the County.
  - Procedures requiring that County Departments notify Public Works when they lease vehicles.
  - Any additional necessary procedures.
- Review the Fleet Handbook on an annual basis and make any necessary revisions, including any changes in IRS regulations.
- Take steps to ensure that the updated policies and procedures are properly implemented.
- Make available to all employees the updated Fleet Handbook.

**Management's Response:**

The Department of Public Works' response begins on page 40 of this report.

**Controller's Office Comments:**

As of the date of this report, the revised Department of Public Works handbook still has not been issued.

### **III. Findings and Recommendations**

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**Finding #7: Allegheny County did not Receive State Fuel Tax Credits for all Fuel Card Transactions Allowable Under our Exemption Status**

Criteria: Allegheny County is exempt from Federal and State fuel taxes under its existing tax exempt certification. Public Works management should be aware of what exemptions are associated with this status.

Pennsylvania is a non-CCI (Credit Card Issuer) state. Therefore, for State tax only, if a gas station is a participating merchant then Wright Express can request the refund for the State taxes. In turn, Wright Express bills the County the net cost of the fuel. However, if the gas station is a non-participating merchant, then only the County has the right to request a claim for the refund of the State fuel taxes. Wright Express does not have the authority to request the refund.

Condition: The County relies on the fuel card vendor, Wright Express, to credit Federal and State fuel taxes on a monthly basis as part of the monthly invoice process for all fuel card transactions.

Public Works does not verify the fuel tax credit issued on the monthly Wright Express invoice. For some time, the County has been receiving a partial credit for fuel taxes which includes the Federal fuel tax and the participating merchants' State fuel tax. However, the County has not been receiving the non-participating merchants' State fuel tax credit.

Furthermore, we were informed by Public Works management that they never filed with the State to receive this State fuel tax credit for non-participating merchants. The County is entitled to submit claims going back 5 years for fuel tax credits. Therefore, the County has failed to obtain State fuel taxes credits since at least 2010.

We received Fuel Card Transaction reports from Wright Express that detailed the amount of State fuel taxes paid by the County for 2010 through 2014. Based on these reports, the County is entitled to claim an exemption for State fuel taxes totaling approximately \$176,895. The table on the next page details the amount by year.

### III. Findings and Recommendations

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Year	State Fuel Taxes Paid
2010	\$30,423
2011	\$30,115
2012	\$23,343
2013	\$29,743
2014	<u>\$63,271</u>
Total	<u>\$176,895</u>

Cause: Public Works was not aware that Pennsylvania is not a Credit Card Issuer (CCI) state. In addition, Public Works was not reviewing invoices properly and was not aware how Wright Express processes the County's fuel tax credits.

Effect: For the five year period, 2010 to 2014, the County has missed State fuel tax credits for non-participating gas stations totaling approximately \$176,895.

Recommendation: The Controller's Office recommends that Allegheny County Management:

- Seek reimbursement of the State fuel tax credits totaling \$176,895 by submitting the proper forms to the State.
- Request that Wright Express provide the County with a list of all participating and non-participation gas stations.
- Request that Wright Express also provide a monthly report of all fuel card transactions for non-participating merchants so that Public Works can properly calculate the State fuel tax credit due from these non-participating gas stations.
- Develop processes and procedures to evaluate the monthly fuel tax exempt credit being applied by Wright Express and apply for the State fuel tax credit for non-participating gas stations.

Management's

Response: The Department of Public Works' response begins on page 40 of this report.

Controller's Office  
Comments:

The Controller's Office auditors discovered this fuel tax discrepancy during the course of this engagement. Public Works submitted and approved all invoices with the included tax for payment. In addition, the \$176,895 of the fuel tax credits identified for the prior five years was based on information provided by Public Works. It could be that Public Works' calculation of the amount of reimbursements in excess of \$183,000 includes seven years.

### **III. Findings and Recommendations**

---

#### **Concluding Comments:**

Management's  
Response:

The Department of Public Works' included concluding comments on the last page of the response.

Controller's Office  
Comments:

The Department of Public Works' stated "We were hopeful that the results of this process would help us further improve government operations, provide additional taxpayer savings and make our operations more efficient and effective. Based on this resulting draft report, I don't think that has occurred."

The Controller's Office engagement identified:

1. The misuse of a County vehicle by an elected official resulting in a payment to the County of \$42,738.
2. Fraud and misuse of County fuel cards which resulted in a payment to the County of \$7,633.
3. Failure to claim State fuel tax credits totaling \$176,895 for the past five years, and
4. Numerous internal control weaknesses and deficiencies.





**Appendix D: Calculation of Compensation of County Vehicles for Elected Officials**

1. **Name of Employee:** \_\_\_\_\_
2. **Description of Vehicle:** \_\_\_\_\_
3. **Fair Market Value of Vehicle:** \_\_\_\_\_
4. **Number of days vehicle available during quarter:** \_\_\_\_\_
5. **Commuting Miles:** \_\_\_\_\_
6. **Other Personal Miles:** \_\_\_\_\_
7. **Business Miles:** \_\_\_\_\_
8. **For Quarter ending** \_\_\_\_\_

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
ANNUAL LEASE COMPENSATION VALUE	PERSONAL USE PERCENTAGE	ANNUAL COMPENSATION AMOUNT	QUARTERLY VALUE	AVAILABILITY COMPENSATION QUARTER	QUARTERLY COMPENSATION	OPERATING EXPENSES	TOTAL

- (A) **Annual Lease Value:** See attached "Annual Lease Value Table"
- (B) **Personal Use Percentage:** Divide the sum of #5 (Commuting Miles) + #6 (Other Personal Miles) by the sum of #5 (Commuting Miles) + #6 (Other Personal Miles) + #7 (Business Miles)
- (C) **Annual Compensation Amount:** Multiply A (Annual Lease Value) x B (Personal Use Percentage)
- (D) **Quarterly Value:** Multiply C (Annual Compensation Amount) x 25% (0.25)
- (E) **Availability Compensation Quarter:** Divide #4 (Number of Days Vehicle Available during Quarter) by the number of calendar days in the quarter.
- (F) **Quarterly Compensation:** Multiply D (Quarterly Value) x E (Availability Compensation Quarter)
- (G) **Operating Expenses:** Multiply the sum of #5 (Commuting Miles) + #6 (Other Personal Miles) by 0.055.
- (H) **Total Compensation:** Add F (Quarterly Compensation) + G (Operating Expense)

DCS Form 20-3

March 1, 2003

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

January 30, 2015

The Honorable Chelsa Wagner  
Allegheny County Controller  
104 County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

RECEIVED  
ALLEGHENY COUNTY  
CONTROLLER'S OFFICE  
2015 JAN 30 P 11:08

Controller Wagner:

The Department of Public Works is in receipt of your draft report entitled *"Allegheny County Department of Public Works Vehicle Fleet Report for the Period January 1, 2012 through September 30, 2014,"* dated January 16, 2015.

Before providing responses to your findings and recommendations, I'd like to offer some background and context. Recognizing that improvements needed to be made to a number of functions and operations within the Department of Public Works, the administration undertook a department-wide assessment in late 2012 and a comprehensive review of organizational documents. As part of its effort to make the operations more professional, orderly and organized, two new hires were made. A new Deputy Director of Maintenance Operations began on May 12, 2014 and a new Fleet Manager began on June 30, 2014. On July 23, 2014, I took over the department as Interim Director. With our new leadership team in place, we began to review our divisions and operations so that we could organize what we had inherited from the prior administration's department.

On August 28, 2014, we received the engagement letter from your office advising that you intended "to perform procedures to assess the effectiveness of the measures taken to monitor the usage of county owned and leased vehicles, county parking fees and fuel cards." The engagement was to cover the period from January 1, 2009 through December 31, 2013. We worked to provide the requested information, following clarification on a number of issues with your office, and provided a set of spreadsheets on September 23, 2014. On October 6, 2014, we received a second letter from your office advising that the engagement letter was being amended to exclude 2009 through 2011, and to instead include vehicles through September 30, 2014, which coincided with this administration's tenure.

Following are my responses to your findings and recommendations, but let me state up front that I am only able to speak to those vehicles and operations that are under the control of the executive branch. These should not be taken as responses regarding the vehicles which are the responsibility of any of the row offices, or the Courts.

**Finding # 1: Vehicle List is Incomplete and Inaccurate**

With the hiring of a new fleet manager and Deputy Director in the first half of 2014, the Department of Public Works (DPW) undertook a full review of the fleet management operations and controls. As part

of that, each vehicle under the jurisdiction of the executive branch was catalogued through a physical inspection that included verification of the vehicle identification number (VIN), make and model, title and license plate information and also included a photograph of that vehicle. That inventory will be verified monthly with departments so that it also reflects any changes in vehicle or user.

In our attempt to do a full reconciliation with the fixed asset list that is maintained by the Controller's Office, we looked for each vehicle within the Controller's Office-maintained system, JD Edwards (JDE). We, however, were unable to complete a full reconciliation because of the condition of your asset management system. Of the vehicles on the DPW list, we found instances in which items could not be matched to an asset in your system, even though we searched for it by name, VIN, year, make/model, and tag number. In our search, we also found vehicles that were misclassified in your system as other types of equipment, or items. For example, trailers are classified as a desk and a laptop, a pickup was classified as building equipment, and a Chevy Impala as "not applicable." Items are still in your asset management system which are no longer on our inventory, having been disposed of or auctioned. Generally, we saw major inconsistencies between our inventory list and your system, in addition to the classification problems noted. If you are interested in talking about these inconsistencies more, please let us know and we will be happy to discuss.

The bigger issue here is that the Controller's Office is responsible, as part of the Comprehensive Annual Financial Report (CAFR), to provide the accurate valuation of assets owned by the County. A recent press release from your office set the value for county vehicles at around \$4 million. It is to the benefit of the entire county, and our residents, that our financial position is reported accurately. Based on the information that we discovered while trying to reconcile the inventory lists, we have concerns that the financial statements prepared by your office are not accurate, or can contribute to inaccuracies or misstatements in the county's financial records. We recommend an independent audit by an outside agency of your asset management system. It is an appropriate action to address these deficiencies and possible other problem areas within the asset system. Obviously, if issues exist within this section, there is a strong possibility of problems in other areas as well.

When looking at operations, the department also reviewed the policies and procedures found in the Fleet Handbook. A number of changes have been made to the handbook to reflect strengthened controls, procedures and processes. The revised handbook will be issued to the appropriate persons in the near future. The revisions that were made as part of our processes have made many of the recommendations in this report moot.

**Finding # 2: Internal Control Weaknesses Involving County Fuel Cards**

As was reported to the Controller's Office staff at the meeting we requested on December 4, 2014, the Allegheny County Police Department is investigating the fraudulent use of a credit card by an employee of First Vehicle Services. While the investigation is ongoing, the County Manager directed the Law Department to pursue repayment of the initial loss as identified, which was done on December 2, 2014. That letter clearly states that there may be additional demands for repayment as the investigation is ongoing. It was provided to your staff at the December 4<sup>th</sup> meeting, along with the criminal complaint.

That letter follows and is attached hereto.



**COUNTY OF ALLEGHENY**

DEPARTMENT OF LAW  
445 FORT PITTS BOULEVARD - SUITE 300  
PITTSBURGH, PA 15219  
PHONE (412) 350-1120 • FAX (412) 350-1174  
WWW.ALLEGHENYCOUNTY.PA.GOV

ANDREW F. SUTEL  
COUNTY SOLICITOR

December 2, 2014

Scott Striegel  
General Manager  
First Vehicle Services  
215 McKean Street  
Pittsburgh, PA 15219

Dear Mr. Striegel,

I am writing to you in regard to First Vehicle Services' contract with the County of Allegheny. As you may know, it has recently come to our attention that an employee of First Vehicle Services engaged in theft of gasoline from the County of Allegheny. A copy of the police complaint with the details of the charges is enclosed. While the criminal process is ongoing, it appears quite apparent that the employee in question engaged in the activity alleged.

This correspondence will serve as the County of Allegheny's demand for full reimbursement of all amounts due and owing to the County. To date, that figure is \$7,633.21. That figure will be adjusted as necessary pending the final results of the County's investigation into Mr. Krutzing's activities.

Please confirm First Vehicle Services intent to reimburse the County as requested at your earliest possible convenience. Thank you in advance for your anticipated cooperation in this regard.

Very truly yours,

  
Andrew F. Sutel  
County Solicitor

APS/dp

cc: Jason Stack  
Stephen Shanley, P.E.  
William McKain, C.F.A.

A full repayment of the loss, to date, was made on January 8, 2015.

In response to what was uncovered by the administration, DPW requested all new fuel cards which have been received. We are in the process of distributing those cards which will put in place strengthened controls to protect against fraud and theft.



As already noted, the department has also revised the Fleet Handbook and will be issuing the final revision in the near future. It reflects strengthened controls, procedures and processes.

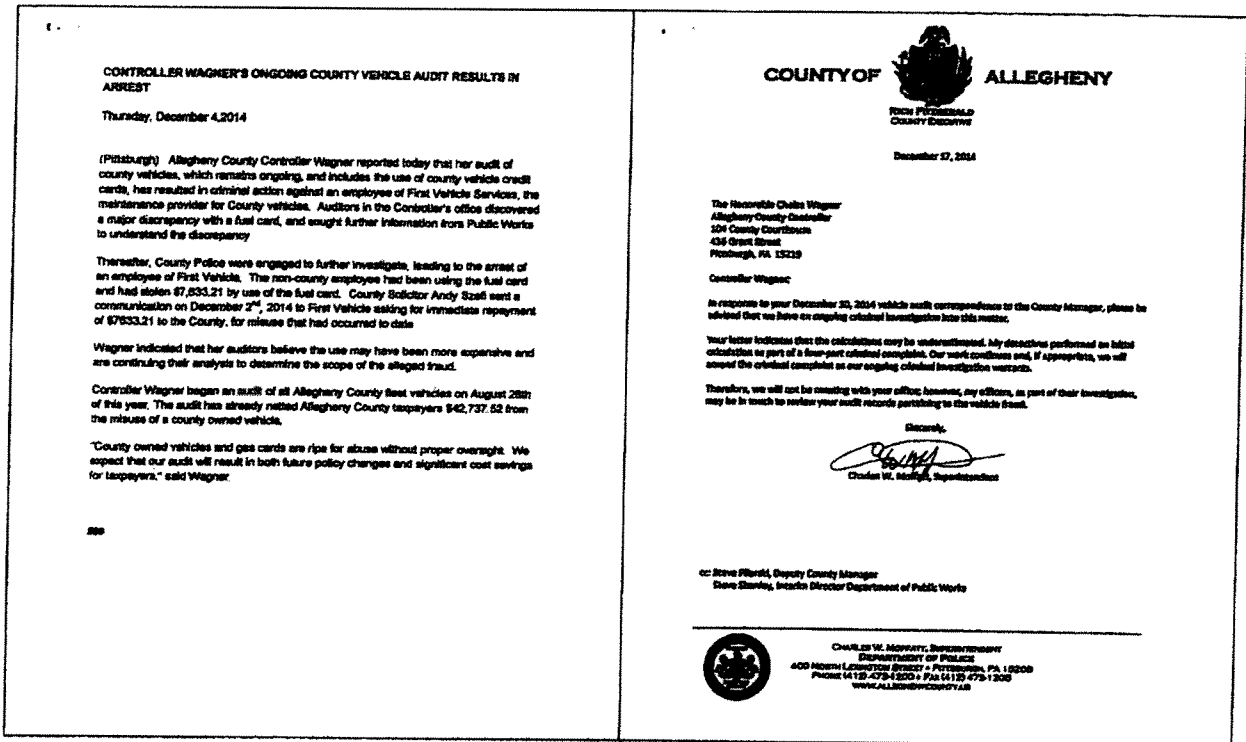
**Finding # 3: Lack of Oversight Involving County Fuel Tanks**

Again, as previously noted, the theft related to the fuel cards was discovered by the Department of Public Works in November and an arrest made is the case later that same month. Proactively, the County Manager ordered cameras to strengthen controls and safeguards on county fuel tanks. The installation of the cameras was completed the final week of December. Stickers and signs were placed on fuel pumps and the premises to indicate that they are under video surveillance. The County Police also performed site inspections to review and have been asked to offer any additional security recommendations on the fuel pump areas.

**Finding # 4: Fraud and Misuse**

The findings and recommendations here seem to closely mirror that of Finding # 2. It is not clear why they were separated from the prior finding and appear to be repeated. To reiterate, the investigation remains ongoing. Requests made by your office for information prior to your examination period were declined by the County Police, and previously communicated to you, because it remains an active investigation. Legal action was taken before the administration met with the Controller's Office to notify you of our findings. That initial repayment has already been received. The letter from the County Manager to your office regarding these requests and the ongoing investigation follow and is also attached hereto.

<p style="text-align: center;"><b>COUNTY OF ALLEGHENY</b>    <b>County Executive</b></p> <p>December 23, 2014</p> <p>The Honorable Chas Wagner      Allegheny County Controller      100 County Courthouse      430 Court Street      Pittsburgh, PA 15222</p> <p>Controller Wagner:</p> <p>I am in receipt of your December 23, 2014, letter regarding the fraud that led to the arrest of a former Fleet Vehicles Services (FVS) employee. Since the issuance of your letter, I had expected to communicate to you what actually transpired leading, but not limited to, the identification of fraud by the County Public Works Department that ultimately led to the arrest by the County Police. (Please note that information related to this issue was provided to your staff at a meeting on December 4, 2014.)</p> <p>On October 20, 2014, as part of your on-site service review of the Allegheny County fleet, we provided to your office, as requested, fuel card transactions for the time period of January 1, 2012, through September 30, 2014. The Public Works Department and the Manager's Office performed our own analytical procedures on the same fuel card transactions we provided to your office.</p> <p>Our initial analysis identified questionable transactions for a county fuel card assigned to FVS including multiple fuel transactions on the same day for a tow truck. The fill-ups were also at a location remote from where the tow truck was based.</p> <p>On November 20, 2014, the Manager's Office and Public Works contacted FVS management with our analysis and concerns. It was quickly ascertained that the county fuel card in their possession did not have adequate controls over its usage and FVS acknowledged that they may have been fraud. We immediately contacted the Allegheny County Police with the information that we had. The detectives reviewed our analysis and began an investigation. On November 25, 2014, their investigation resulted in a four count criminal complaint and a police citation of a \$7,000.00 initial fine. The police respectfully, professionally and effectively responded to the fraud against our county. They have also indicated to me that their criminal investigation is ongoing.</p> <p>After the criminal complaint was filed, I directed the Allegheny County Law Department to send a letter to FVS that they are on notice that the County will seek, appropriate, the recovery of the initial fine calculated by the Allegheny County Police. The letter was sent on December 2, 2014. FVS was also advised that the figure we are seeking to recover would be adjusted as necessary pending the final results of the county police investigation.</p>	<p style="text-align: right;">Page 1 of 2, December 23, 2014      Wagner Letter re Fraud Investigation</p> <p>As mentioned previously in this letter, as a professional courtesy, I directed Public Works and a representative from my office to meet and share with your office our findings and relevant evidential matter related to this issue. That same day, again as a professional courtesy, my office provided your staff with a copy of the criminal complaint and letter of notice to FVS as prepared by the Law Department. This letter was referenced in your press release (attached) dated December 4, 2014. It is my expectation that if your office found activity like this during the course of this, or any other audit, that the same professional courtesy would be extended to me or my staff.</p> <p>It appears from your letter that you are interested in the recognition of credit for the discovery of the fraud and obtaining the accuracy of the initial calculations the County Police utilized in the criminal complaint. That is commendable. As County Manager, my approach is that all county employees, regardless of where they may work, must be good stewards of the county assets entrusted in our care. The continued development and monitoring of controls to safeguard county assets is a responsibility that should be of the utmost importance to all employees. It is my belief that this expectation is required from all of us, without further.</p> <p>Furthermore, the County Police force is a high performing and professional department that reports to me as Manager. Consequently, it is my responsibility to provide them with direction regarding their resources. The County Police's criminal investigation is ongoing to assist in the attached correspondence from Superintendent Moffet, and therefore, the County Police and/or representatives from my office have no need to meet with you for the purposes requested in your letter. However, going forward, the County Police may review your office's work papers related to this ongoing investigation as deemed appropriate or necessary.</p> <p>As always, I have directed my staff to continue to be professional, responsive and courteous to your inquiries for matters that are relevant and within the appropriate scope of your engagement.</p> <p>Sincerely,        William D. McElroy CPA</p> <p>cc: Charles Moffet, Allegheny County Police Superintendent      Stephen G. Shultz P.E., Allegheny County Public Works Security Director</p> <p>Enclosure</p> <p style="text-align: center;"><small>WILLIAM D. McELROY CPA, COUNTY MANAGER      OFFICE OF THE COUNTY MANAGER      119 CONVENT STREET • 4TH FLOOR SUITE 200 • PITTSBURGH, PA 15219      PHONE 412 250-8200 • FAX 412 250-2821 • WWW.ALLEGHENYCOUNTY.PA.GOV</small></p>
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**Finding # 5: Employee Payroll and IRS Issues**

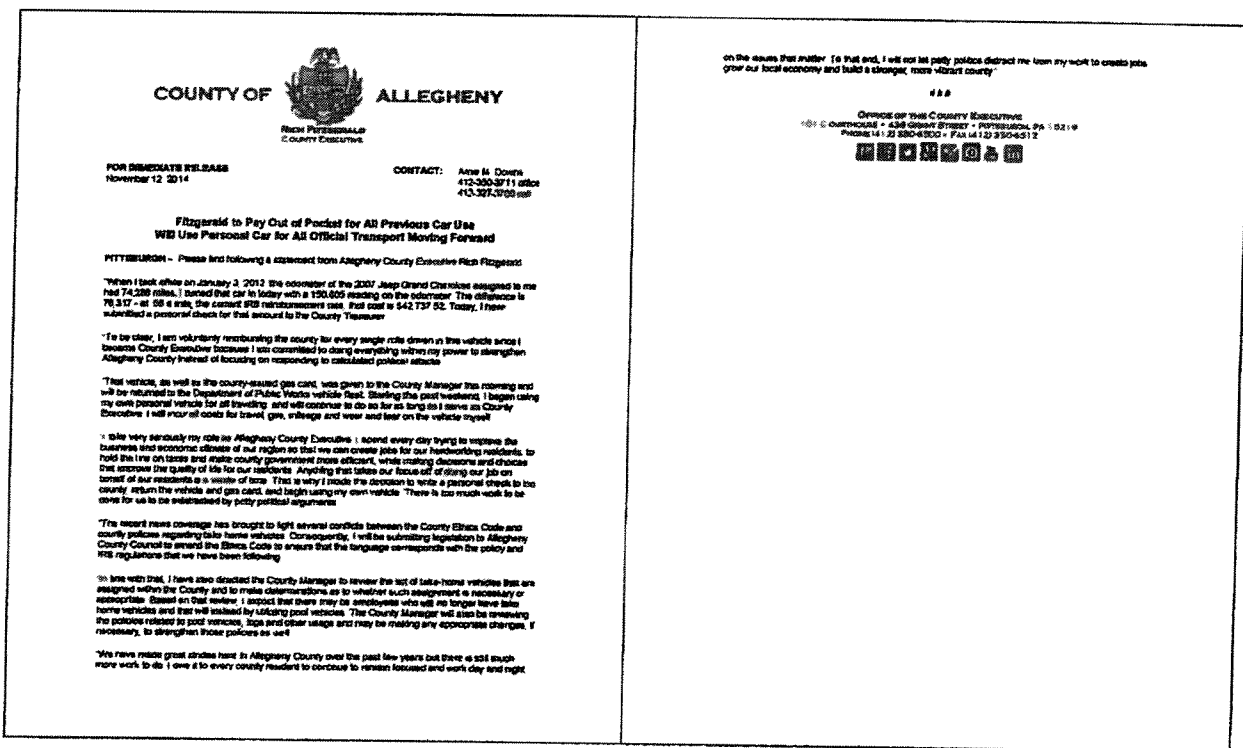
The conversation in this section of your report regarding take home vehicles has changed over the past few months and so this section is not as applicable as it might have been. On January 2, 2015, the County Manager notified all executive branch directors that certain county vehicles are no longer to be used for personal use as defined by the County's take home policy. There are exceptions which include, but are not limited to, law enforcement and emergency management vehicles, as determined by the County Manager. The vehicles are still available to employees during the course of regular county business. Updated forms and policies reflecting this change are being finalized and will be provided to appropriate employees.

This section focuses on the Internal Revenue Service (IRS) Publication and County policies, but appears to ignore the County's Administrative Code. Specifically, Article 1013.09 of the Administrative Code is inconsistent with the County's Take Home Vehicle Policy. To provide consistency, the County Executive submitted legislation to County Council for its November 18, 2014 meeting. The bill, 8631-14, has been referred to the Committee on Government Reform for consideration.

The information in this section regarding non-elected employees and the IRS examination of employment taxes actually predates your engagement period, and this administration. As you are aware, since the Controller's Office has also been part of that examination, this is a problem that was inherited by this administration. This is an issue between the County and the IRS, and we will continue to work through this process to determine if there are any appropriate modifications that need to be made to resolve any issues that have come to our attention.

It is difficult to respond to the narrative regarding elected officials in this finding, primarily due to the fact that you have included zero documentation of numbers, backup material or evidence. It appears as though you have looked at the County Executive's vehicle in a vacuum simply to create a spotlight on it for your own purposes that have little to nothing to do with this report.

Frankly, it is surprising that this section was included at all as there is absolutely nothing provided to substantiate the time your office spent on this alleged finding. Without corroborating materials, facts and figures, or comparisons to how his usage differed from prior Executives, row officers, or other elected officials, it is impossible to respond to this in any way. That being said, the County Executive's public response to these allegations follows for your reference and is also attached hereto.



**Finding # 6: Policies and Procedures Need to be Updated**

As previously noted, twice, the department has revised the Fleet Handbook and will be issuing the final revision in the near future. It reflects strengthened controls, procedures and processes.

**Finding # 7: Allegheny County did not Receive State Fuel Tax Credits for all Fuel Card Transactions Allowable Under our Exemption Status**

In addition to responding to your recommendations, I must also correct your calculations. The tax credits listed in your narrative are wrong. DPW has already submitted its reimbursement requests for all total obligations which are owed to the County. To this point, that total for all seven years is in excess of \$183,000.



It is disappointing that, for multiple years, this tax was paid inappropriately. What is more disappointing is that DPW, along with the Controller's Office, missed these payments for all of these years. This is a dual check and balance. DPW is strengthening our internal processes to ensure this is not repeated. We would encourage the Controller to do the same and recommend an audit of your Pre-Audit Division/Voucher process be done to ensure proper controls, processes and procedures are in place so that this does not happen again.

In conclusion, managing both an effort to reorganize our department and operations, while also responding to and working with your office for a review of those same operations, has been challenging. The County Manager frequently speaks about the value that a professional review by an auditor or controller can bring to our operations. We were hopeful that the results of this process would help us further improve government operations, provide additional taxpayer savings and make our operations more efficient and effective. Based on this resulting draft report, I don't think that has occurred.

It was disappointing to see that this audit was conducted by press conference and that there have been numerous attempts by you to minimize the work that this department and this administration have done to improve the department we inherited. At a minimum, we would have expected that auditing standards (Generally Accepted Government Auditing Standards or GAGAS) would have been followed by your office in a professional manner. That means being given the courtesy of being provided the draft audit, having an exit conference, and having the opportunity to respond before these findings and recommendations were released to the public. It is even more disappointing because of the many errors and problems you included in your draft report that should have been corrected if this report had been done according to professional auditing standards.

Ultimately, the administration's goal is to improve processes and safeguard assets while protecting taxpayers from potential misuse of county resources. We will continue to do so and are hopeful that future procedures by the Controller's Office will provide professional recommendations that are achievable and value-added which increase revenues, reduce expenditures, enhance efficiencies, and strengthen controls or safeguard assets that are entrusted in our care by the taxpayers.

Sincerely,

  
Stephen G. Shanley, P.E.

Enclosures (3)



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STEPHEN G. SHANLEY, P.E., DIRECTOR  
**DEPARTMENT OF PUBLIC WORKS**  
501 COUNTY OFFICE BUILDING • 542 FORBES AVENUE  
PITTSBURGH, PA 15219  
PHONE (412) 350-4005 • WWW.ALLEGHENYCOUNTY.US



**RICH FITZGERALD**  
COUNTY EXECUTIVE

# COUNTY OF ALLEGHENY

## DEPARTMENT OF LAW

445 FORT PITT BOULEVARD · SUITE 300  
PITTSBURGH, PA 15219  
PHONE (412) 350-1120 · FAX (412) 350-1174  
WWW.ALLEGHENYCOUNTY.US

**ANDREW F. SZEFI**  
COUNTY SOLICITOR

December 2, 2014

**Scott Striegel**  
General Manager  
First Vehicle Services  
215 McKean Street  
Pittsburgh, PA 15219

Dear Mr. Striegel,

I am writing to you in regard to First Vehicle Services' contract with the County of Allegheny. As you may know, it has recently come to our attention that an employee of First Vehicle Services engaged in theft of gasoline from the County of Allegheny. A copy of the police complaint with the details of the charges is enclosed. While the criminal process is ongoing, it appears quite apparent that the employee in question engaged in the activity alleged.

This correspondence will serve as the County of Allegheny's demand for full reimbursement of all amounts due and owing to the County. To date, that figure is \$7,633.21. That figure will be adjusted as necessary pending the final results of the County's investigation into Mr. Ruffing's activities.

Please confirm First Vehicle Services intent to reimburse the County as requested at your earliest possible convenience. Thank you in advance for your anticipated cooperation in this regard.

Very truly yours,

**Andrew F. Szefi**  
County Solicitor

AFS/dp

cc: **Jason Stack**  
**Stephen Shanley, P.E.**  
**William McKain, C.P.A.**

COUNTY OF



ALLEGHENY

RICH FITZGERALD  
COUNTY EXECUTIVE

December 18, 2014

The Honorable Chelsa Wagner  
Allegheny County Controller  
104 County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219

RECEIVED  
ALLEGHENY COUNTY  
CONTROLLER'S OFFICE  
2014 DEC 18 P 1:59

Controller Wagner:

I am in receipt of your December 10, 2014, letter regarding the fraud that lead to the arrest of a former First Vehicles Services (FVS) employee. Given the inaccurate nature of your letter, I feel compelled to communicate to you what actually transpired including, but not limited to, the identification of fraud by the County Public Works Department that ultimately lead to the arrest by the County Police. (Please note that information related to this issue was provided to your staff at a meeting on December 4, 2014.)

On October 10, 2014, as part of your non-audit services review of the Allegheny County fleet, we provided to your office, as requested, fuel card transactions for the time period of January 1, 2012, through September 30, 2014. The Public Works Department and the Manager's Office performed our own analytical procedures on the same fuel card transactions we provided to your office.

Our initial analysis identified questionable transactions for a county fuel card assigned to FVS including multiple fuel transactions on the same day for a tow truck. The fill-ups were also at a location remote from where the tow truck was housed.

On November 20, 2014, the Manager's Office and Public Works confronted FVS management with our analysis and concerns. It was quickly ascertained that the county fuel card in their possession did not have adequate controls over its usage and FVS acknowledged that there may have been fraud. We immediately contacted the Allegheny County Police with the information that we had. The detectives reviewed our analysis and began an investigation. On November 25, 2014, their investigation resulted in a four count criminal complaint and a police calculation of a \$7,633.21 initial loss. The police methodically, professionally and effectively responded to this fraud against our county. They have also indicated to me that their criminal investigation is ongoing.

After the criminal complaint was filed, I directed the Allegheny County Law Department to send a letter to FVS that they are on notice that the County will seek, aggressively, the recovery of the initial loss calculated by the Allegheny County Police. The letter was sent on December 2, 2014. FVS was also advised that the figure we are seeking to recover would be adjusted as necessary pending the final results of the county police investigation.

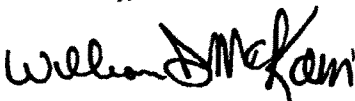
As mentioned previously in this letter, as a professional courtesy, I directed Public Works and a representative from my office to meet and share with your office our findings and relevant evidential matter related to this issue. That same day, again as a professional courtesy, my office provided your staff with a copy of the criminal complaint and letter of notice to FVS as prepared by the Law Department. This letter was referenced in your press release (attached) dated December 4, 2014. It is my expectation that if your office found activity like this during the course of this, or any other audit, that the same professional courtesy would be extended to me or my staff.

It appears from your letter that you are interested in the recognition of credit for the discovery of the fraud and criticizing the accuracy of the initial calculations the County Police utilized in the criminal complaint. That is disappointing. As County Manager, my approach is that all county employees, regardless of where he/she may work, must be good stewards of the county assets entrusted in our care. The continual development and monitoring of controls to safeguard county assets is a responsibility that should be of the utmost importance to all employees. It is my belief that this expectation is required from all of us, without fanfare.

Furthermore, the County Police force is a high performing and professional department that reports to me as Manager. Consequently, it is my responsibility to provide them with direction regarding their resources. The County Police's criminal investigation is on-going as noted in the attached correspondence from Superintendent Moffatt, and therefore, the County Police and/or representatives from my office have no need to meet with you for the purposes requested in your letter. However, going forward, the County Police may review your office's work papers related to this on-going investigation as deemed appropriate or necessary.

As always, I have directed my staff to continue to be professional, responsive and courteous to your auditors for matters that are relevant and within the appropriate scope of your engagement.

Sincerely,



William D. McKain CPA

cc: Charles Moffatt, Allegheny County Police Superintendent  
Stephen G. Shanley P.E., Allegheny County Public Works Interim Director

Enclosure

## **CONTROLLER WAGNER'S ONGOING COUNTY VEHICLE AUDIT RESULTS IN ARREST**

**Thursday, December 4, 2014**

(Pittsburgh) Allegheny County Controller Wagner reported today that her audit of county vehicles, which remains ongoing, and includes the use of county vehicle credit cards, has resulted in criminal action against an employee of First Vehicle Services, the maintenance provider for County vehicles. Auditors in the Controller's office discovered a major discrepancy with a fuel card, and sought further information from Public Works to understand the discrepancy.

Thereafter, County Police were engaged to further investigate, leading to the arrest of an employee of First Vehicle. The non-county employee had been using the fuel card and had stolen \$7,633.21 by use of the fuel card. County Solicitor Andy Szefi sent a communication on December 2<sup>nd</sup>, 2014 to First Vehicle asking for immediate repayment of \$7633.21 to the County, for misuse that had occurred to date

Wagner indicated that her auditors believe the use may have been more expansive and are continuing their analysis to determine the scope of the alleged fraud.

Controller Wagner began an audit of all Allegheny County fleet vehicles on August 28th of this year. The audit has already netted Allegheny County taxpayers \$42,737.52 from the misuse of a county owned vehicle.

"County owned vehicles and gas cards are ripe for abuse without proper oversight. We expect that our audit will result in both future policy changes and significant cost savings for taxpayers," said Wagner.

**###**

**COUNTY OF**



**ALLEGHENY**

**RICH FITZGERALD  
COUNTY EXECUTIVE**

**December 17, 2014**

**The Honorable Chelsa Wagner  
Allegheny County Controller  
104 County Courthouse  
436 Grant Street  
Pittsburgh, PA 15219**

**Controller Wagner:**

**In response to your December 10, 2014 vehicle audit correspondence to the County Manager, please be advised that we have an ongoing criminal investigation into this matter.**

**Your letter indicates that the calculations may be underestimated. My detectives performed an initial calculation as part of a four-part criminal complaint. Our work continues and, if appropriate, we will amend the criminal complaint as our ongoing criminal investigation warrants.**

**Therefore, we will not be meeting with your office; however, my officers, as part of their investigation, may be in touch to review your audit records pertaining to the vehicle fraud.**

**Sincerely,**

A handwritten signature in black ink, appearing to read "C. W. Moffatt", written over a horizontal line.

**Charles W. Moffatt, Superintendent**

**cc: Steve Pilarski, Deputy County Manager  
Steve Shanley, Interim Director Department of Public Works**



**CHARLES W. MOFFATT, SUPERINTENDENT  
DEPARTMENT OF POLICE  
400 NORTH LEXINGTON STREET • PITTSBURGH, PA 15208  
PHONE (412) 473-1200 • FAX (412) 473-1205  
WWW.ALLEGHENYCOUNTY.US**

COUNTY OF



ALLEGHENY

**RICH FITZGERALD**  
COUNTY EXECUTIVE

**FOR IMMEDIATE RELEASE**  
November 12, 2014

**CONTACT:** Amie M. Downs  
412-350-3711 office  
412-327-3700 cell

**Fitzgerald to Pay Out of Pocket for All Previous Car Use  
Will Use Personal Car for All Official Transport Moving Forward**

**PITTSBURGH** – Please find following a statement from Allegheny County Executive Rich Fitzgerald:

“When I took office on January 3, 2012, the odometer of the 2007 Jeep Grand Cherokee assigned to me had 74,288 miles. I turned that car in today with a 150,605 reading on the odometer. The difference is 76,317 - at .56 a mile, the current IRS reimbursement rate, that cost is \$42,737.52. Today, I have submitted a personal check for that amount to the County Treasurer.

“To be clear, I am voluntarily reimbursing the county for every single mile driven in this vehicle since I became County Executive because I am committed to doing everything within my power to strengthen Allegheny County instead of focusing on responding to calculated political attacks.

“That vehicle, as well as the county-issued gas card, was given to the County Manager this morning and will be returned to the Department of Public Works vehicle fleet. Starting this past weekend, I began using my own personal vehicle for all traveling, and will continue to do so for as long as I serve as County Executive. I will incur all costs for travel, gas, mileage and wear and tear on the vehicle myself.

“I take very seriously my role as Allegheny County Executive. I spend every day trying to improve the business and economic climate of our region so that we can create jobs for our hardworking residents, to hold the line on taxes and make county government more efficient, while making decisions and choices that improve the quality of life for our residents. Anything that takes our focus off of doing our job on behalf of our residents is a waste of time. That is why I made the decision to write a personal check to the county, return the vehicle and gas card, and begin using my own vehicle. There is too much work to be done for us to be sidetracked by petty political arguments.

“The recent news coverage has brought to light several conflicts between the County Ethics Code and county policies regarding take home vehicles. Consequently, I will be submitting legislation to Allegheny County Council to amend the Ethics Code to ensure that the language corresponds with the policy and IRS regulations that we have been following.

“In line with that, I have also directed the County Manager to review the list of take-home vehicles that are assigned within the County and to make determinations as to whether such assignment is necessary or appropriate. Based on that review, I expect that there may be employees who will no longer have take-home vehicles and that will instead be utilizing pool vehicles. The County Manager will also be reviewing the policies related to pool vehicles, logs and other usage and may be making any appropriate changes, if necessary, to strengthen those policies as well.

“We have made great strides here in Allegheny County over the past few years but there is still much more work to do. I owe it to every county resident to continue to remain focused and work day and night

on the issues that matter. To that end, I will not let petty politics distract me from my work to create jobs, grow our local economy and build a stronger, more vibrant county.”

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